Master's thesis

NTNU
Norwegian University of Science and Technology
Faculty of Social and Educational Sciences
Department of Geography

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The Impact of MNCs, International Companies and FDI on the Development of Low-income Countries; Case Study of Ethiopia.

Master's thesis in Globalisation and Sustainable Development

Supervisor: Ragnhild Lund

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Abstract

There is a long discussion regarding Multinational Corporations (MNCs) and foreign impact on low-income countries, but with this thesis I wish to understand exactly how and if foreign investors and companies can aid in the development of these low-income countries, specifically through seeing the impact on Ethiopia. This paper looks at Foreign Direct Investment (FDI), Ethiopia as a whole and their foreign investment policies, as well as looking at five foreign companies that operate in Ethiopia to understand the impact MNCs and International Companies have on a low-income country such as Ethiopia. For the study, I've interviewed five foreign companies in Ethiopia and a source in the Ethiopian Investment Commission, as well as looking at researchers' and known organisations, such as the World Bank and the UNDP's, view on development and FDI. What is clear through this thesis, is that there is a clear correlation between the development factors and contributors and what foreign companies bring with them and how they affect Ethiopia. Furthermore, the country's concentration on gaining FDI and promoting themselves as a great place for investment through tax exemption and policies that are meant to promote FDI, helps create the basis that is needed for foreign companies and investors to not only succeed themselves, but for the country to gain development through them. Despite not having a stable climate both politically and geographically, the country is successful with gaining FDI's and remain East Africa's highest FDI country, and continuing their streak of development.

Sammendrag

Det er en lang diskusjon om multinasjonale selskaper (MNS) og deres utenlandske innvirkning på lavinntektsland, men med denne oppgaven ønsker jeg å forstå nøyaktig hvordan og om utenlandske investorer og selskaper kan hjelpe i utviklingen av disse lavinntektslandene, spesielt via å se innvirkningen deres på Etiopia. Denne artikkelen ser på utenlandske direkteinvesteringer (FDI), Etiopia i sin helhet og deres utenlandske investeringspolitikk, samt å se på fem utenlandske selskaper som opererer i Etiopia for å forstå effekten MNS og internasjonale selskaper har på et lavinntektsland som Etiopia. For studiet har jeg intervjuet fem utenlandske selskaper i Etiopia og en kilde i Etiopisk investeringskommisjon, i tillegg til å se på meningene til forskere og kjente organisasjoner, som Verdensbanken og UNDPs, syn på utvikling og FDI. Det som er klart gjennom denne oppgaven, er at det er en klar sammenheng mellom utviklingsfaktorer og bidragsytere, og hva utenlandske selskaper bringer med seg og hvordan de påvirker Etiopia. Videre hjelper landets konsentrasjon på å skaffe seg direkteinvesteringer og fremme seg selv som et flott sted for investeringer gjennom skattefritak og politiske retningslinjer ment for å fremme utenlandsk investering, bidrar til å skape det grunnlaget som er nødvendig for at utenlandske selskaper og investorer ikke bare skal lykkes selv, men for at landet Etiopia skal kunne utvikle seg gjennom denne prosessen. Til tross for at Etiopia ikke har et stabilt klima både politisk og geografisk, er landet vellykket med å få FDI-er og er Øst-Afrikas mest attraktive FDI land, og fortsette deres til nå vellykkete utvikling.

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I would also like to thank my family, especially my mum, for supporting my decisions although they may not always seem as smart or safe, and letting me experience life and other cultures to the full extent. I would also like to thank my partner, Marius Bakke and my aunt Lene Slinde for pushing me to finish and supporting me to fulfil my research and thesis.

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List of Abbreviations

MNC	–	Multinational Corporations
FDI	–	Foreign Direct Investment
UNDP	–	United Nations Development Program
UNC	–	Uninational Corporation
GVC	–	Global Value Chain
GDP	–	Gross Domestic Product
US	–	United States
PM	–	Prime Minister
ICT	–	Information and Communications Technology
ECA	–	United Nations Economic Commission for Africa
PLC	–	Public Limited Company
CSR	–	Corporate Social Responsibility
TCTI	–	Taiwan Circular Textile Initiative

PFC	–	Per- and Poly-Fluorinated Chemicals
BPO	–	Business Process Outsourcing
IOM	–	International Organization for Migration
AWSAD	–	Association for Women's Sanctuary and Development
BRI	–	Belt and Road Initiative
UNICEF	–	United Nations Children's Fund
WHO	–	World Health Organisation
JMP	–	Joint Monitoring Program
ISO	–	International Organization for Standardization
AI	–	Artificial Intelligence

1. Introduction

Development is traditionally thought to come through organisations and monetary aid from nations, for example through the United Nations Development Programme (UNDP), but what about foreign private actors, do they have a positive impact on a developing country, or, since private companies usually operate purely to gain money, do they ignore social development? As I've spent time in Ethiopia, which is a low-income country, it's interesting for me to see how the impact is there, especially since the country has been known to have had a great financial progress. The point of the thesis is to understand in what way multinational and international companies aid low-income countries, such as Ethiopia. The main assumption of this thesis is therefore that the contribution of Multinational Corporations (MNCs) and Foreign Direct Investment (FDI) do aid the development of the country of Ethiopia. Development in this thesis is understood as economic improvement. Embedded in such an understanding of development is that economic growth is a precondition for social improvement hence the role of FDIs is investigated. In the following classiciation of countries I will follow the World Bank's (2020b) classification of low- and middle income country when I talk about Ethiopia. In the transition from low- to lower-middle-income country I refer to Ethiopia as a developing country.

This thesis will discuss the findings I have found through research in Ethiopia, as well as through previous research by others to discuss and understand what it means for the country. Although this research looks towards Ethiopia specifically, one of the points of the research is to understand the impact of FDI's and use it to understand it on a broader scale, e.g. for other nations. Two key questions are asked to help understand this impact of FDIs:

1. As foreign corporations bring foreign currency into the country through FDI, are they providing helpful jobs and otherwise positively impacting the host country Ethiopia?
2. Will bringing more multi- and international companies into Ethiopia aid with the stagnation and help push the country forward and how?

Throughout the thesis, I will be discussing what MNCs, International companies and FDI are, particularly with respect to positive and negative aspects of investing in Ethiopia, their policies and regulations, as well as the history, population and geography. To finish off, I will discuss five companies I have studied in depth; Penda Paper Recycling, Adapty Packaging, Move One, New Wide, and Eqos Global, and what their contributions are that could potentially aid in the further development of the country, or possibly work against the development.

2. Analytical Framework

My theory is that in order to develop an underdeveloped country successfully, there must be a sufficient cooperation between state, the private sector and foreign investments. Specifically, I mean the importance of the contribution from multinational corporations, international companies and FDI to developing countries. The contribution can be great, through improving the human capital, infrastructure, technology transfer, and much more (*Atlaw et al (2014); te Velde (2006); Li (2013); Ahiakpor (2010); Fobete (2005)*). Furthermore, in relation to Ethiopia I believe that the country might only develop further if they open up and support foreign investments more. In this section I will introduce the foundation of this assumption through a literature review, as well as explain what the case study is.

2.1 Literature Review

Regarding Multinational Corporations (MNCs) and International Companies and their influence and impact on development, there is a large discussion on whether they have a positive or a negative impact. The international companies' impacts are referenced to as Foreign Direct Investment's (FDI) impact as these companies are the individual companies that have had/has a foreign investor. There is a lot of literature regarding the positive and negative effects and their impact on development.

First of all, the impact of MNCs have been discussed by many scholars throughout time. As to keep the topic as relevant as possible, only literature from the 21. Century has been reviewed; e.g. Ferdausy & Rahman (2009), Ahiakpor (2010), Fobete (2005) and Ondabu (2014). On the positive side, there's Ahiakpor (2010) who argues that MNCs are given little credit for their significance and importance within lower-income countries. He argues specifically that they aid with development and that the lives of people within these countries are far better off with the MNCs activities. His main point of argument is that MNCs are much like local corporations that operate over different states or plants, e.g. that their locations are over several parts of their home country. These corporations that he calls uninational corporations (UNCs) he claims are deemed positive for the development of the country but argues that as the world is shifting, these UNCs could quite quickly become MNCs and that therefor MNCs should be deemed just as positive as UNCs.

Fobete (2005) is equally positive towards MNCs as he claims that they provide higher pay to the local labour force, the possibility to train and increase the human capital of the country for their own gain, transfer of technology, and increase the efficiency of the work force. Furthermore, there is a spillover effect that means that domestic companies receive both direct and in-direct positive consequences from the MNCs in the form of new employment created and new jobs that are a domestic consequence of the MNCs. Ferdausy and Rahman (2009) on the other hand are less conclusive regarding the effect of MNCs on the development on underdeveloped countries. Although they say the same as Fobete (2005) do about the positive aspects, they also shine a light on the negative aspects, such as the fact that MNCs can take advantage of the country and their policies created to attract MNCs and FDI. The negative aspects highlighted are pollution and human rights issues.

Ondabu (2014) is less positive about the MNCs and their impact on developing countries. He emphasises that MNCs only leads to devastation in the developing countries within both the economy and the politics. He also casts a dark light on the technological transfer and claims that there is no useful transfer that has any effect on the development. Furthermore, he argues that it only leads to corruption and poverty, and that MNCs have a tendency to just move their operations elsewhere when it is no longer profitable to stay in a country, which can be devastating for the host country.

When it comes to FDI, Atlaw, Teklemariam, & Dong-Geun (2014) all argue that Ethiopia wouldn't have developed and become one of the fastest growing economies in the world from the 90s and until now, if the government hadn't changed its policies to embrace the private sector and FDI. te Velde (2006) backs this up by stating that FDI aids and benefits both the human capital with the enhancement of skills, and the infrastructure of the developing country of Ethiopia. He also points to the fact that Africa is less lucrative to invest in because of the lack of proficiencies and infrastructures, but as Atlaw et al. (2014) states that the Ethiopian governments reforms from 1991 have attracted FDI and the country is less dependent on their agricultural sector now than before. Li (2013) also emphasises a positive picture of FDI in developing countries, although he emphasises the difference between inward FDI and outward FDI, stating that inward FDI is much more positive for the developing country, whilst outward might have a negative effect. I believe the most important point though is to understand how FDI interacts with the specific country, like Fløysand & Barton (2014) point out, the potential of FDI to contribute to development hinges on this.

Furthermore, taking into account the homogenization theory following the thought process of Friedman 2006 (as cited in Grieg et al., 2007, pp. 170) and Norberg 2003 (as cited in Grieg et al., 2007, pp. 170), it is argued that capitalist competition creates a positive result, and that to overcome poverty within a country, the only way is through the access to the global market. This thought is prone to be judged as anti multiculture but taking into account this thought together with the hybridization thesis, which maintains that access to the global market would not deprive a nation of culture but rather share it further, we can argue that the capitalist competition through the global market creates both development for a lower-income country to a higher level of income and that the country in questions' culture will also be a part of the multicultural world created through globalisation (Greig, et al., 2007). Greig et al. (2007), further argues that societies adapt to the change of a more modern approach and that this leads to the country adopting a modern value system as well. Lastly, Greig et al. (2007) says, "when people are aware that global production, consumption and distributive flows affect their own fortunes, this 'shared phenomenal world' impacts on the way they see themselves as well as shaping their responses" (pp. 170). This means that by connecting developing countries to the global market, then their responses might change to have a higher human capital in an attempt to adapt to developments.

2.2 The Case Study

Ethiopia is used as a case study for this thesis, as it would provide grounded facts and examples rather than doing a general overview. All countries are different and have different economies, so it's also great to understand what effects specifically the Ethiopian economy in a positive way as they have a history of immense economic growth. Looking at specific MNCs and International companies in Addis Ababa, the objective is to understand if there is a positive correlation here regarding MNCs and International companies, and the development of the country.

Although this study is to understand to a higher degree and to contribute to the current research regarding if the foreign private sector can aid in the development in a general manner, I would also like to emphasise the importance of understanding this in relation to Ethiopia. There hasn't been a lot of or any specific wide and current research on this topic in Ethiopia, so I hope to fill in the gap with this research as well as cast the light on this possible way of development world-wide.

3. Method

For this study, the research method I chose to use is the qualitative method. The qualitative method is known for its quality over quantity, an aspect I as a researcher value whilst gathering information for a study. This allowed me also to take a step into the world of multi- and international companies, as well as understanding the Ethiopian aspect to a larger degree.

By using this method, I managed to interview five companies about their operations as well as what they believed their impact to be for the development (see appendix 1). Including this, I had the opportunity to talk to government officials who explained the basis of how the system works and gather an understanding that is hard to get through the internet, as well as let me sample vital information of the Ethiopian governments view through an interview with an anonymous source high up in the investment commission (see appendix 2**).** Although, I also gathered research that's already been done within the topic of different aspects relevant to my research, both to see what has been researched before, what is lacking and I found research that helped me understand the development effect of the multi- and international companies.

3.1. The Multi- and International Companies

Choosing the companies to interview included assessing what type of companies they were. Adapty Packaging PLC (Adapty Packaging), Penda Paper Recycling PLC (Penda Paper), and Eqos Global were all international companies. These companies were started by individuals from different countries, thereby in the respective order India, Norway and England/USA, whereby the latter went through an investment firm based in Mauritius owned by the same men that started Eqos Global. Move One and New Wide Group (New Wide), are both large multinational corporations, both operating in many different countries, as well as partnering with many different international actors.

Once I had ascertained that the qualifications for the companies chosen were within the scope of the qualifications I had set for the research, which was mainly that they were international and multinational, and had investment from a foreign source outside of Ethiopia, I proceeded to interview each company. The interviews were conducted with the Co-founder and Manager of Penda Paper Recycling PLC, Marie Nielsen, the Country Manager of Move One, Joseph Myers, the Co-Founder and Manager of Eqos Global, Sean Keough, the Founder and Manager of Adapty Packaging, Sujith Reddy, and the Senior Sales and Quality Executive of New Wide, Prasad Wasala. I believe that by talking directly to these people, the validity of the information provided could not be stronger (see appendix 1). All the interviewed subjects also agreed to be named and quoted in this research as well.

I conducted each interview at places chosen by the interviewees, thereby I proceeded with an open-ended interview, whereby I asked open questions that each of the interviewees could explain in their own manner what they thought of their impact on the development, as well as explain the operations of their company in their own way (see appendix 1; appendix 2). I believe that by asking the interviewees from the companies themselves what they thought their impact provided, then I would be provided with a view directly from the companies, and then be able to see if what they believed was true to a certain extent.

3.2 Weaknesses and Strengths of the Research

All research has its strengths and weaknesses. To understand what these are, helps determine the quality of the conclusion and discussion throughout the paper, and also understand why the findings are what they are.

3.2.2. The Strengths

What I consider to be one of the main strengths of this research, is that it was conducted in Ethiopia where I lived for a period of 8 months. In this period, I worked as an intern for an international company myself, as well as befriended both other expatriates that had their own international businesses or worked within international or multinational businesses. I also got to understand the Ethiopian perspective as I worked with many Ethiopians and constantly asked for their opinion on the matter.

This meant that I could see both sides of the matter and get a clear understanding of what my study was to be. I also conducted interviews with five specific companies. Four of these interviews were conducted with the General Manager/Country Manager/Owner/Investor of the businesses. The last interview was conducted with the Senior Sales and Quality Executive as the Country Manager was out of the country at the time. This means that I managed to find the best sources from each of the companies available or even possible, to find out what I needed about their view and what they felt they were doing for the development as well as what their company did in Ethiopia.

Including this, as much of the information in Ethiopia is not online, I also had the opportunity to have an interview with a source high up in the investment office, whose identity will remain anonymous, and also travel from department to department to find out more information on the subject.

3.2.3. The Weaknesses

As I was in Ethiopia without aid from a University, I did not have as much access and aid with finding information and getting around the barriers as I would have liked. The only reason I did access much of the information I received, was through the aid of a business friend that helped me get through some of the "red tape". I also think that with both proper support from a University and financial aid to both have helpers and translators, I would have gotten more out of the research, and most likely I could have had official interviews with sources from the different departments that concern themselves with foreign companies and development, and it could have both strengthened the information further and made the research to an extent larger.

Although the sizes of some of the companies were great and I am very happy with what I did manage to accomplish, I would have also liked to have interviewed larger companies, such as Heineken. This proved to be impossible though as they have a "no interviews" policy, although I am unsure if this might have been as difficult to get if I had the backing of for example, Addis Ababa University. Instead the sizes of the companies that I Interviewed are a bit more modest, although for example New Wide Group and Move One are quite large multinational corporations.

4. Discussion

4.1. MNCs, International Companies and FDI

Defining what Multinational Corporations, International Companies and Foreign Direct Investment are is important. Not only to understand what it is that I mean by them throughout this paper and what characteristics I believe are tied to the different terms, but to also understand on a deeper level the difference and the strengths of impacts the these have.

4.1.1. Defining MNCs

Multinational Corporations are businesses that operate across several countries. These corporations have a main office in their chosen home country for the business that operates as the headquarter for the rest of the branches across the world (CFI, n.d.). Some of the characteristics of MNCs are: operates in two or more countries, receives at least ¼ of its proceeds outside of the home country (Chen, 2020c), high level of resources, web of branches, continued growth to more areas and countries, picky with the qualifications of its employees, a high intensity of advertisement, and high-quality merchandise (CFI, n.d.).

What is important to note is that when talking about MNCs, it is also important to define what type of MNC one is talking about. According to CFI (n.d.), there are three types; centralised, regional, multinational. Centralised MNCs are corporations that have sourced their production to cheaper countries, regional MNCs are defined as the type where the different branches of the company outside the home country have to report back to the headquarters, where the main operation is run from. Lastly, is the multinational MNCs that are more like a company that has set up the same company in many other countries, whereby they are run more individually and are not as bound to the home country as the regional ones are. The MNCs that are chosen for this research are all under the third type.

4.1.2. Defining FDI and International Companies

International Companies are often referred to in different ways. Some say that they are only in one country and operate with import and export (Smyth, 2019), whilst by others it can be explained in a more worldly sense as a company that operates in several markets around the world and that often manages to evade paying taxes outside their home country or home base country (Reference, 2020). The Cambridge Dictionary (n.d.a, n.d.b) has two different definitions regarding this. It states that an international business company has its base in one country whilst operating in other countries, and without the ability to operate within their own country. An international business on the other hand, is defined differently as either a company that sells commodities and services in other countries or can be used to describe this activity of trade.

I use the term International Company/Business in this research to define a company that has these specific traits:

- Has foreign investors
- Is run by a foreign person
- Founded by a foreign person(s) and/or foreign investment company
- Has location in one country

This corresponds somewhat with the Cambridge Dictionary's definition of an International Business (n.d.b).

Because the International Companies in this research is the same as FDI towards a company within Ethiopia, much of the discussion around these companies will be referred to as the effects of FDI although MNCs also receive FDI and many of the characteristics that come directly from FDI also apply to a degree MNCs. It is therefore important to understand what FDI is as well. The definition of FDI is a person or company that invests in other countries and economies (OECD Library, n.d.a; Chen, 2020a). Chen (2020a) explains it as, *"(...) FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company. "(para. 1).* OECD Library (n.d.a) qualifies as little as 10% voting power in a business in a foreign country as enough to be considered a foreign direct investor. They define it as a positive link between countries and their economic integration. Furthermore, the OECD Library (n.d.a) states that FDI contributes to the following:

- Transfer of technology
- Promotes international trade
- Can promote economic development

Foreign Direct Investment can be understood through two different terms; Outward FDI and Inward FDI. It's important to distinguish between these two types of FDI, as only one is relevant for this research. Inward FDI is defined as the measured direct investment that a foreign entity makes within a local economy, either through the procurement of merchandise or through investment in that local economy. Specific examples of this type of investment is through MNCs (Chen, 2020b). To put it very plainly, this means that all investment coming into Ethiopia from foreign entities goes under inward FDI, and the total FDI that has come into the country will then be found under these statistics for inward FDI.

Outward FDI is then the exact opposite of inward FDI and is classified as the investments made from a local community out to foreign markets (OECD, n.d.b). Quickly explained, an Ethiopian investor that invests in Sweden and Finland for example is practising outward FDI from Ethiopia, whilst a Swedish company investing in Ethiopia would practice inward FDI for the country. These examples can easily be switched around according to the country that you deem the central country for the study or research. For this research, as I am looking into foreign investors that have invested into Ethiopia and the effects on Ethiopia, the main FDI I will be referencing will be inward FDI and will just be mentioned as FDI.

4.2. Factors that Aid in the Development of Low-income Countries

To fully understand how MNCs, International Companies and FDI aid in the development of low-income countries, one must comprehend what factors that are recognised as helpful and beneficial for the development, and as a result facilitate it.

Three factors are highlighted by Chien (2015) as drivers of economic growth: technological progress, increased participation of labour, and the aggregation of capital stock. The technological progress is what is classified as the most long-lasting driver of economic growth. An important thing to note here, is that it seems that if a country only relies on labour and capital then they are vulnerable with their development. The UNDP's Human Development Report suggests that people, their motivations and abilities, are important drivers of development. This is because everything that is created comes from either the individual minds of people or the cooperation between several people (Nagler, 2017).

The World Bank Group has a yearly report on different aspects that they believe are driving forces in the development of rising economies. The reports from 2013, 2019 and 2020 will be the highlighting reports concerning this subject. In the report, *World Development Report 2013: Jobs*, four key forces are highlighted as the basic drivers of an increasing per capita output. These are listed as: Use of more capita per unit of work, an increased number of people within the workforce, a higher productivity; i.e. higher human capital, and technological progress (World Bank, 2012, pp. 99). Moreover, it is also argued in this report that if the lives of the population improve; i.e. through education, improved sustenance, and overall health, then this will also affect the development of the country. This is because of the jobs that they might attain, and as this report clearly states, jobs are an important part of the development of a country (World Bank , 2012).

In another report from 2019, *World Development Report 2019: The Changing Nature of Work*, it is emphasised that the type jobs within the workforce are shifting as technology is changing and developing. This means that a lot of the jobs that are repetitive and requires low human capital are phasing out, whilst the prerequisites for jobs are shifting towards higher human capital requirements (World Bank, 2019b). Three sorts of skills are highlighted as the new key skills to have within the workforce. Highly developed cognitive skills, socio-behavioural skills, and skills within adaptability (World Bank, 2019b, pp. 3). Overall, this means that technology is changing business models and skills, and to be able to adapt to this, policies much change as well if a country wants to keep developing. First and foremost, through the improvement of human capital, increased social protection and through mobilizing revenue (World Bank, 2019b).

In the latest report from the World Bank, the topic is about Global Value Chains (GVCs) and its connection to development. The fragmented production across the world as well as the growing interconnectedness between firms led to many low-income countries developing faster since 1990 after international trade expanded (World Bank, 2020b).

4.3. Ethiopia: History, Demographics and Politics

In this section, the country of Ethiopia, both its history, demographics, politics and a few statistics will be introduced. This is important to understand because of the political, economic and geographical factors that might influence the relationship with FDI and foreign companies and the way the country is moving forward.

Ethiopia has a long history as it is Africa’s oldest independent country as well as one of the world’s oldest independent countries, although there has been a diverse change in territory over time. They also have the continents second largest population per country (Crummey, Marcus, & Mehretu, 2019), which is currently at 115 million (UNPF, 2020). The capital of Ethiopia is Addis Ababa, which is located at the heart of the country. Until its severance from Eritrea in 1993, the country had a shoreline, but after the separation Ethiopia became a landlocked country. Ethiopia was a founding signature nation of the UN, and Addis Ababa has been the capital for the United Nations Economic Commission for Africa and the African Union since both of the organisations' conception (Crummey, et al., 2019).

4.3.1. Geography

Ethiopia's topography is quite special, as it is located on four geological foundations with five topographic characteristics. These can be discerned as the eastern highlands and lowlands, western highlands and lowlands, and the Rift Valley. The Rift Valley provides the Danakil Depression to the North-East which is one of the world's hottest areas, whilst in the South West it provides a higher elevated area for lakes. The western lowlands are along the border to Sudan and South-Sudan and contains an area too hot to be populated but has a stretch of soil towards the western highlands that is ideal for agriculture. The eastern lowlands contain desert and rivers, whilst the eastern and western highlands contain the highest peaks of Ethiopia with a magnificent stretch of rivers, including the Blue Nile. These parts also contain the best soil for agriculture. Despite this, because of an increased population and long tradition of agriculture, the country suffers the issue of soil erosion (Crummey, et al., 2019).

4.3.2. People

As stated, Ethiopia has a population of 115 million people per 2020. The demographic of the country shows that the country is quite young in age. Only 3.5% of the population is above 65 years old, whilst 39.9% of the population is 14 or younger. 33.6% of the population are aged 10-24 years old (UNPF, 2020). The population seems to be growing 2.6% annually meaning that the demographic statistics will increase in percentage 14 or younger per year (UNPF, 2020).

These 115 million people are part of a very ethnically diverse country with over 100 different languages. Amharic and Oromo are the two most spoken languages, whereby Amharic is known as the working language, although all the languages within Ethiopia are recognised as official languages (Crummey, et al., 2019). Most of the population, thereby 79%, live in rural areas (World Bank, 2019a).

When it comes to religion, Ethiopia is known for its Ethiopian Orthodox church, which is the religion of almost half the country. Other than Orthodox Christianity, the second largest religion is Islam, and the third largest is Protestantism (Crummey, et al., 2019).

4.3.3. Economy

The economy of Ethiopia has had its ups and downs but despite this, it is known as the fastest growing economy in the region (World Bank, 2020a). The current GDP growth (%) of the country is at approximately 8.281 (World Bank, n.d.b). Agriculture and manufacturing account for a minor part of the growth whilst industry and services account for most of this growth. Because of the economic growth, poverty within the country was reduced by 6% from 2011 until 2016 (World Bank, 2020a). The country's economic history is shown in the table 1 below through its history with GDP growth %, according to PPP and current GDP $.

Ethiopia GDP Overview											
Time period	20th century				21st century						
	1983	1985	1990	1992	2000	2003	2004	2010	2014	2018	2019
GDP growth (%)	8.235	- 11.144	2.726	- 8.672	6.073	- 2.161	13.573	12.551	10.257	6.816	8.281
GDP, PPP (billion $)	_	_	19.875	17.823	31.979	36.372	42.421	90.122	148.486	235.177	259.093
GDP (billion $)	8.568	9.481	12.175	10.493	8.242	8.624	10.131	29.934	55.612	84.269	96.108

Table 1 Ethiopia GDP Overview - Source: GDP growth (%) from World Bank (n.d.b), GDP, PPP ($) from World Bank (n.d.c), GDP (billion $) from World Bank (n.d.a)

Until 1973, Ethiopia was considered a Monarchy. The last ruler, Haile Selassie I reigned from 1930 until the abolition of monarchy in 1973. He is an important part of the economic history as under his reign, the economy of Ethiopia was to a degree affected by free enterprise. This is when the production and export of coffee increased as cash crops within the country were progressed. Moreover, import-substitution was introduced, and after WWII, areas other than agriculture became a contributing part of the economy, such as tourism and transport. After the monarchy was abolished, a communist regime was introduced and many areas were nationalised, more specifically areas within production that include land, farms, industry etc. This created a problem for the agricultural sector as the issue of landownership meant that the farmers did not wish to produce an excess of food for the country. This issue of landownership continues today and is said to have hampered the development of agriculture which affects the economic development as agriculture is the most favourable sector in the country (Crummey, et al., 2019).

4.3.4. Politics

The country has had a long history of political unrest. After the country's transition from a monarchy to a communist state, the country suffered from civic unrest and from drought, causing the communist rule to end. A transitioning government took its place until the Federal Democratic Republic of Ethiopia was created in 1994 and elected in 1995, and a constitution was created. Around this time, Eritrea was separated from Ethiopia as well. From this point Ethiopia has been a republic, whereby the government is led by a Prime Minister, whilst the President is supposed to be the head-of-state. Furthermore, there are regional states that has a president which is elected by the state council (BBC News, 2020a).

The unrest of the country is especially important to understand, as this effects specific regions which can halt businesses operations. The country's issues lie deep within the country's history and the ethnicities within the country. Issues concerning the rights of certain ethnicities have been an especially large issue, such as the most famous one; the Oromo Conflict. Oromia is a large region that stretches from the west over to the east, and down south-west again, and encircles the city of Addis Ababa in the middle. There is constant unrest and political clashes between the Oromo people and the government of Ethiopia (Aalen, 2018). When the conflict is at its highest, it is more difficult to travel outside of the city of Addis Ababa. This also halts operations for businesses as I myself saw whilst living there, and it is in general not advised to travel for your own safety in these instances. Another issue is that when the conflict is at its worst, the internet is also shut off by the government, meaning that many companies must halt their operations and many people cannot contact their families (Ayalew, 2020). The World Bank has also brought up the political unrest as a possible factor in the possible halt or decline of the country's development, especially as it may deter foreign companies and investors (World Bank, 2020a).

After Abiy Ahmed was voted as Prime Minister in 2018, the country has changed to become a more liberal nation, opening up more, creating more transparency and ending long-lasting conflicts, such as the conflict with Eritrea (BBC News, 2020a) although they still have local conflicts like the one with Oromo (World Bank, 2020a).

4.4. Foreign Direct Investment in Ethiopia

Now the question is, why should anyone invest in Ethiopia either through Foreign Direct Investment or by setting up a branch of their multinational business there, and how and what policies apply for these people or companies? In this section I will review what policies Ethiopia has regarding investment, what attracts businesses, who the major FDI players are, and what issues foreign investors might face. As shown in table 2, inward FDI has decreased since 2017, whilst FDI stock and number of Greenfield Investments has increased. Despite this, Ethiopia remains the country with the highest number of FDI in East Africa (UNCTAD, 2019). Table 4 and 5 show the number of investments and the expected employment creation within the different sectors, such as within manufacturing, agriculture, real estate and construction.

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow *(million USD)*	4,017	3,310	2,516
FDI Stock *(million USD)*	19,097	22,407	24,923
Number of Greenfield Investments*	24	29	32
Value of Greenfield Investments (million USD)	1,609	6,577	1,908

Source: UNCTAD, Latest available data

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

Table 2 FDI in Ethiopia - Source: UNCTAD, cited in Nordea Trade (2020)

Sector/Sub-sector	2011(2018/19)								2012(2019/20)							
	QI		QII		QIII		QIV		QI		QII		QIII		QIV	
	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."	"Perm. Emp."	"Tempo. Emp."
Manufacturing	8377	3556	1416	172	773	169	3920	1749	39	41	359	500			25	21
Agriculture, hunting and forestry	50	225	48.0	710.0	42	560	6	300							3	5
Real estate, renting and business activities	1,036	408	537	710	405	20	135	89.0	12	20	12					
Hotels and restaurants	18															
Education	18	20	132.0	130.0			50	4							2	2
Health and social work	25						8	8							6	6
Construction	2,940	965	57.0	60.0	85	296	133	212.0			12	160	2	1	8	2
Wholesale, retail trade and repair service																
Transport, storage and communication	30										4		117			
Mining and Quarrying					25	62	10	30								
Electricity, gas, steam and water supply																
Construction machinery leasing																
Fishing																
"Other community, social and personal service activities"	12															
Others			12.0	105.0									27	5		
Grand Total	12506	5174	2202	1887	1330	1107	4262	2392	51	61	387	660	146	6	44	36

Source: Ethiopia Investment Agency.

*Projects with Initial Investment Capital below Birr 250,000 are not included.

Table 3 Expected Employment Creation of Approved Domestic $ Foreign Investment Projects by Sector (Permanent & Temporary) - Source: National Bank of Ethiopia (pp. 126, 2020)

Sector/Sub-sector	2011(2018/19)								2012(2019/20)							
	QI		QII		QIII		QIV		QI		QII		QIII		QIV	
	"No of projects"	Investment Capital	"No of projects"	Investment Capital	"No of projects"	Investment Capital	"No of projects"	Investment Capital	"No of projects"	Investment Capital	"No of projects"	Investment Capital	"No of projects"	"Investment Capital"	"No of projects"	"Investment Capital"
Manufacturing	232	3435.7	19	274.6	13	135.2	31.0	292.5	5.0	40.3	2	19.9			11	173.9
Agriculture, hunting and forestry	8.0	58.2	7.0	12.5	7.0	4.0	1	3.3							1	10.5
Real estate, renting and business activities	169	1076.8	135	470	9	26.79	54	221.98	2	16	2	23.9	2	33.9	1	1.6
Hotels and restaurants	2.0	21.1														
Education	3	13.1	2	15			1	40							1	2.5
Health and social work	3.0	22.3					1	2					2	302	3	18
Construction	122	1243.6	13	36	9	53	23	334.5	2	4.4	5	49.9	1	3.6	5	13.4
Wholesale, retail trade and repair service	169.0	1076.8														
Transport, storage and communication	3	10.9									1	6.0	1	11.9		
Mining and Quarrying	1.0	3.0			2.0	31.0	1	4								
Electricity, gas, steam and water supply																
Construction machinery leasing																
Fishing																
"Other community, social and personal service activities"	1.0	4525.6														
Others			1	6									1	9.6		
Grand Total	**544**	**5886.8**	**177.0**	**814.1**	**40.0**	**250.0**	**112.0**	**898.5**	**9.0**	**60.7**	**10**	**99.7**	**7**	**361.0**	**22**	**219.9**

Source: Ethiopia Investment Agency

*Projects with Initial Investment Capital below Birr 250,000 are not included.

Table 4 Number and Investment Capital of Domestic and Foreign Projects Approved by Sector - Source: National Bank of Ethiopia (pp. 125, 2020)

4.4.1. The Positive and Negative Sides of FDI in Ethiopia

In this section, I will look at the positive and negative sides of foreign investment in Ethiopia as understood through articles, reports and a guideline website by the following; Fick (2018), Staff Reporter (2020), Hagos (2019), Alemu (2018), Santander (2020), Lawerence (2020), Infante (n.d.), Simon (2020), Ethiopian Investment Commission (n.d.b), UNCTAD (2018), and iGuide Ethiopia (2020). This is important to understand to see the situation of the country and what policies there are in place to attract FDI to Ethiopia.

4.4.1.1. The Negative Features - Foreign Fiscal Issues, Inadequate Policies and Unstable Conditions

Ethiopia is known for its foreign fiscal issues, quite specifically the general lack of US dollars within the country (Fick, 2018). This can be experienced by any person who visits Ethiopia, let alone the companies that invest there, as I myself have experienced it whilst doing my research. There is a large black market in the country where you can trade US dollars, as well as other foreign currency. Here the informal exchange brokers pay a much higher rate for US dollars than they do in legal money exchange services. It is to such a degree, that there is even a Facebook group that updates on the current black-market rates versus the official exchange rate on US dollars named "Ethiopia Birr Black Market Exchange Rate".

To understand why there is a large foreign fiscal crisis in Ethiopia, we must understand the underlying circumstances. According to Fick's (2018) article in Reuters, one of the reasons explained is the push for industrialisation. She explains it like this: "*A decade-long infrastructure push aimed at industrialising the overwhelmingly agrarian nation to create jobs has as a side-effect exacerbated the dollar shortage.* » (Fick, 2018, para. 10). Furthermore, she argues that because the agricultural produce and the garment manufacturing has not taken off to a certain extent, this means that local products sold internationally are not producing enough income to cover what the country needs to import (Fick, 2018). Lastly, Fick (2018) argues that the general lack of dollars and the problematic nature of the foreign fiscal issues leads to fewer investments from international actors. Thus, there is a disbalance and grounds for a large currency black market.

According to Capitol, an Ethiopian finance newspaper, the situation is thus that many foreign companies are also turning towards the black-market. This has led the illegal currency rates to escalate, providing a difference of approximately 10 birr per US dollar between the legal and illegal rates, although the illegal rates differ from day to day. Mainly, the reason for international companies' contribution to the black-market, is because of the long wait at the banks to transfer money back to their respective home countries (Staff Reporter, 2020).

The black-market itself, as well as corruption, forex smuggling, etc. are a few of the factors that indeed threaten the economy of Ethiopia (Hagos, 2019). One of the solutions Tekie Alemu, a professor at Addis Ababa University, School of Economics, presents towards solving the problems that the black-market present, is by legalizing it. He states that through offering permits to those within the black-market, the transactions would become recorded, and the currency influx though this channel would be able to be used by the banks for international trades. Those that work within this area would also have their employment recorded and taxed (Alemu, 2018).

Including this fiscal crisis, there are a few other issues and challenges that foreign investors face if they decide to invest in Ethiopia. The country itself provides some restrictions towards foreign investment. These are listed by Santander (2020) as inadequate conditions of infrastructure, weakness of institutions, high transaction costs, firm foreign exchange controls, problems with acquiring land, as well as the fact that the state in itself has a high interference in the economy. They have policies that are made to arbitrate and intrude and are seemingly a large hindrance toward private companies. Furthermore, ethnic disputes and unstable regions effect the ability to conduct business. The isolation of the country, which is landlocked, as well as the vulnerable climate conditions are also factors that hinder or deter companies from investing in Ethiopia.

Furthermore, not all sectors are possible to invest in, as for example financial markets are one of the problem areas for foreign investors to grasp. Moreover, the bank situation in the country is so underdeveloped that they cannot cater to international investors and companies. This again influences the possibilities of foreign investors, for both the reasons stated and the fact that the banks, which are state-owned, keep prioritising state-owned establishments over the private sector. As will be mentioned below in further detail, the country also has a large portion of young people, but the issue is that the rate of the population that attend secondary school or higher are only that of 31%, which is quite low. That would mean that there is a large portion of the country that are not qualified for a large portion of the work areas needed (Lawrence, 2020).

But why, with so many negative aspects should anyone invest in Ethiopia?

4.4.1.2. The Positive Features – Investment Policies, Growing Economy and Fiscal Benefits

To begin with, despite the infrastructure being one of the negative points for business investment in Ethiopia, the country is also a forerunner in Africa when it comes to its infrastructure. This is because of the state-run infrastructure development program the country has had, leading to large industrial parks and a great transportation network, although this is also one of the reasons the country has such a heavy debt (Infante, n.d.). Moreover, Ethiopia has had an annual average economic growth of 10% the last 10 years (Lawrence, 2020) and 46% growth in FDI inflow (Ethiopian Investment Commission, n.d.b). It's also one of the fastest growing economies in the world plus the fact that the country has the second largest population on the continent with 70% of the population below 30, meaning that there is a large workforce standing ready within the country (Lawrence, 2020).

The Prime Minister (PM) Abiy Ahmed has also applied many small and large changes for the past two years since he was elected. To start off, he is known for his extraordinary and drastic economic and political reform, from when he became PM in 2018 (Ethiopian Investment Commission, n.d.b). Some of these reforms include; taking steps to denationalise many of the state-owned companies and improve and develop the economy (Simon, 2020), opening up the country and expanding the nations human rights (Lawrence, 2020) through amongst others repealing and ending bans that were on the media, so that people and journalists are freer to speak and report on matters. The PM was also responsible for ending the long rivalry with Eritrea, as well as liberalising several important sectors, such as the telecom sector and more, and last but not least, he is well known for his feminisation of the government, as at least 50% of the members of the ministerial cabinet are now women and a woman was elected to be president of the country (Ethiopian Investment Commission, n.d.b).

All of these things are of course positive aspects for international companies, as it shows the modernisation of the country and its liberal development. As well as this, there are specific reasons and incentives for companies to invest in Ethiopia, especially for businesses within certain sectors. As it stands, the sectors that receive the most incentives are manufacturing, agriculture, ICT development, electricity and industrial park development (Ethiopian

Investment Commission, n.d.b). These sectors receive tax exemption for a certain amount of time that is shown in the table below.

Sector	Years of Tax Exemption
Manufacturing	0-6
Agriculture	0-9
ICT Development	4-5
Electricity Generation and Distribution	4-5
Industrial Park Development	10-15

Table 5 Income Tax Exemption Per Sector – Source: Ethiopian Investment Commission (n.d.b)

As this table shows, it is especially lucrative to be within the industrial park development sector. This sector has by a large margin the longest amount of time with tax exemption, but as the Investment Commission points out, there can be even more years of tax exemption awarded if either; the industrial park has at least 80% export, or 60% export or is within certain regions. These industrial parks would then be awarded 2 years or 4 years depending on the area it is located, or 2 years, or 30% deduction of income tax over 3 succeeding years respectively. The government assures also an advantage when it comes to loans, the acquirement of land, as well as secure transfer of profits (Ethiopian Investment Commission, n.d.b).

These extreme measures to secure FDI and attract foreign companies is all part of what they call the Ethiopian Growth and Transformation Plan II. Its goal is to transform Ethiopia into a middle-income country by 2025. The Homegrown Economic Reform Program concentrates on the macroeconomic situation and specifically includes the steps to attract private companies to enlarge the private sector within the country (Lawrence, 2020). The main goal is that by privatising several sectors that have previously been or still are mostly state-owned, such as Ethio Telecom, then they will provide a more competitive market, lower prices, as well as better services (Lawrence, 2020).

Lastly, another important positive aspect of investing in Ethiopia, is that the government has opened up for the private sector to influence the Ethiopian Investment Board by allowing two private sector representatives to be on said board (Lawrence, 2020).

4.4.2. iGuide and the Road to Foreign Direct Investment

In December of 2019, the Ethiopian Government announced a new website aimed at making it easier and more accessible for potential foreign investors, as well as current foreign investors to understand how to invest and the rules and regulations surrounding it. This website, called iGuide, was announced at the United Nations Economic Commission for Africa (ECA). The guide is both aimed towards making investment more accessible, to answer more questions about the process and other associated questions, as well as being a platform for the Ethiopian Government itself to understand the needs and the potential reforms they would need to continue developing the accessibility of FDI in the country (UNCTAD, 2018).

What is then the process for foreign investors to start investing in Ethiopia? According to iGuide Ethiopia (2020), the process is such: First you will need to get an investment approval. This you can get by applying for an investment permit and depending on what you are investing in, whether it is an existing business or something new, there are certain requirements. These include a certain amount of capital to invest, depending on what the investor is investing in, which is shown in table 6 below, as well as if an investor wishes to buy an existing company or shares in an existing company, then it has to be approved by the Ministry of Trade.

Type of Investment	Amount in USD currency
Single Investment by a Foreign Investor	200,000
Investment United with a Domestic Investor	150,000
Architectural, Engineering Works, Technical Services Etc., Solely Owned by a Foreign Investor	100,000
Architectural, Engineering Works, Technical Services Etc., Owned by Both a Foreign Investor and Domestic Investor	50,000
Reinvestment	0

Table 6 Monetary requirements to invest in Ethiopia - Source: iGuide Ethiopia (2020)

The site also offers a guide towards how to register the business depending on whether it is a sole proprietorship, private limited country (PLC), or a subdivision of a multinational company. One important thing to note, is that all companies must go through an environmental impact assessment, whereby it is determined whether there is a need for a full-scale assessment, or whether the Ministry of Environment, Climate and Forest Protection approves the application for the certain type of sector and investment that the individual investor is looking at (iGuide Ethiopia, 2020). This shows that the country has a clear understanding of how to have a sustainable development to achieve their goals whilst maintaining the environment and their natural resources, as well and a full understanding of the UN Sustainable Development Goals as well.

4.5. The Five Multinational and International Companies

To understand the impact of multinational and international companies in Ethiopia, I have interviewed five companies; two multinational and three international. From these companies, I interviewed the country manager of Ethiopia from Move One, Joseph Myers, the sales and quality executive from New Wide, Prasad Wasala, the founder and general manager of Eqos Global, Sean Keough, the founder and general manager from Penda Paper Recycling, Marie Nielsen, and the founder and general manager of Adapty Packaging, Sujith Reddy.

4.5.1. Move One

Move One is a multinational logistics and moving company that operates in over 40 countries in the world, with its headquarters in Dubai. The company prides themselves with operating in the most difficult regions where operations can be difficult for reasons such as war, climate, political instability etc. The areas they operate in are in the Middle East, Africa, Eastern Europe, Central Asia, Russia and the Balkans. As is shown on their website, they are also expanding operations in Africa where they already have 12 offices in 9 countries, with 10 new offices in 10 new countries (Move One, n.d.). The African locations are shown below in figure 1, whereby the green are the already established offices, whilst the orange are offices that are to open in 2020-2021.

Figure 1 Move One locations in Africa – Source: Move One (n.d.)

The company operates specifically with a number of different services; moving, relocation and mobility, pet and animal shipping, aiding government and defence through constructing, sustaining, deploying and redeploying military supplies, deployment logistics, Africa logistics, Iraq logistics, Afghanistan logistics, Middle East logistics, project solutions, telecom logistics, critical spare part shipping and aircraft handling (Move One, n.d.). As is evident, they operate within many different areas. Mainly, they fill in a need where there either is no sort of solution to the problem, or in the areas where other similar types of companies do not want to engage because of the difficult varying factors that encompass the specific country (Move One, n.d.).

I was lucky enough to interview the Country Manager of Move One in Ethiopia, Joseph Myers. Move One in Ethiopia consisted of 28 employees, whereby 13 in the office, some people employed at the airport, some in customs clearance, four manual labourers to do deliveries, and two truck drivers, anno 2019. Every one of the employees except for Joseph Meyers himself is Ethiopian. The aim of the company branch in Ethiopia is to provide an easy shipment service for the clients in a difficult area to tackle this type of thing. He states that most of these clients are mostly US citizens, international businesses, government or aid organisations, and to support these industries through this service (J. Myers, personal communication, March 2, 2019).

He said that how Move One usually starts within a country, is through a contract either with the US embassy or a telecom like Ericson, and from there they bring in their other services as well. In Ethiopia, they started with a contract with Ericson, with running their warehouses and transportation for them through changing out the 2G with 3G across the country. From 2019, as their contract with Ericson was coming to an end, they started working with Unilever and are responsible for delivering 20 trucks a day to 80 towns. With this contract, they send Lifebouy soap, which are then sold in small affordable quantities so that more people have access to soap, as well as Unilever products like stock cubes and shampoo etc (J. Myers, personal communication, March 2, 2019).

On the international side, they also work with the embassies in Ethiopia concerning the shipment of moving items etc that they pick up and unpack for the embassy people at their respective homes in Ethiopia. They also assist in the packing up of items for people when they are moving out of the country as well. They also support a lot of charities and aid organisations with stuff they bring in and out of the country, the department of state, the US embassy as well as any embassy and international company that needs help with shipments in and out of the country as well. The way they transport shipments into Ethiopia is both through air and by sea through the docks in Djibouti, as well as they will be able to bring shipments through Eritrea soon as the peace between the countries effectively leads to access to the docks there (J. Myers, personal communication, March 2, 2019).

As has been mentioned before, there is the fiscal issue in Ethiopia, and Mr. Myers points out that they themselves has this issue as a foreign owned company. They are rich in Ethiopian Birr but dollar poor as he calls it. Until around the time of the interview, they had just been allowed to have foreign ownership of the company. Because of this, they were Ethiopian owned for logistical reasons, and can be viewed as a branch of Move One under Ethiopian ownership. The Move One headquarters in Dubai works thereby as a foreign direct investor to this branch but are struggling to get their investment out because of this fiscal issue that they cannot convert the money to dollars. The only way they receive dollars is through international deals, as the local deals are billed in Birr. This means that to make their way around this issue, they have to seek more international deals as to get more dollars in and can return the investment to Dubai (J. Myers, personal communication, March 2, 2019).

When it comes to the support of the Ethiopian government concerning these issues, Mr. Myers says that they do not really get any aid from them, and that they can apply for dollars but rarely get their application approved. In the interview, he also says that he hopes that with a 49% foreign ownership that they are working on the papers, for since they received the okay to have foreign ownership from the government they might get more of their investment out of the country. Despite the overall census that Export and Import companies are supposed to be prioritised and get more support from the state, this does not seem to apply for at least foreign companies says Mr. Myers (personal communication, March 2, 2019).

As I was curious, I asked if the company targets to hire any people from vulnerable groups, but the answer I received was that most are hired through the network of the Ethiopian investor or through regular channels like advertising on Ethiojobs and would just hire the person with the best resume. He said that they probably should have a diversity policy and a sustainability policy concerning this, but the size of this branch in Ethiopia is too small as of now. As the company grows, this is something that Mr. Myers has said that they should look into applying to their hiring process, but that is to be seen (J. Myers, personal communication, March 2, 2019).

Concerning cooperation with Ethiopian companies, he says that they don’t have much to do with the local businesses in terms of the services. It is mostly because they have to jump through a lot of hoops to gain acceptance from the different ministries for their shipments. For example, if they have a shipment of medicine coming in, then they need permission from the Ministry of Health. Despite this, none of what they have in Ethiopia is owned by them and are sourced from local companies, like their trucks are sourced from a company called Tango that Move One contracts to get the trucks they need, Tango then contracts the people and trucks they need (J. Myers, personal communication, March 2, 2019).

What Move One brings to Ethiopia is the fact that they can deliver the goods, like the soaps they deliver for Unilever, to anywhere in the country which is quite hard because of the socio and political unrest and difficult terrain. It is so much so that Mr. Myers even said that they have used a donkey to deliver products up mountains before. This means that much of what would not be accessible for many across Ethiopia suddenly is accessible, and some of this is affordable soap for the poor. He also highlights that because of their contract with Ericson, they are responsible for the access to 2G and 3G in the country that has improved the phone coverage a lot since they started. The span of what they do also affects the World Bank's development projects, as they deliver tractors, trailers, threshers etc from China to technical and agricultural colleges designed to improve the human capital under the support of the World Bank. Furthermore, it is evident that the employees which are all Ethiopian have learned the western expectations regarding the quality and intensity of work, which has improved their services. He said that at the beginning, this was lacking, and the quality of their operations were hurting as a result, but as they learned the "western" and international way to work, this quality has risen to become high (J. Myers, personal communication, March 2, 2019).

Move One Ethiopia is self-sustaining financially at the moment. They only received investment capital in the beginning split between Move One Dubai and the local investor. But as they see the quality and the needs here, they are looking towards asking Move One Dubai for more investment to be able to build proper warehouses that moth they can use and rent out to other international firms that are looking for warehouses of a good quality, which is lacking in the country. This could potentially provide a basis that other companies need to start up or expand (J. Myers, personal communication, March 2, 2019).

Finally, Mr. Myers thinks the opportunities for foreign countries are getting better, especially with Dr Abiy as the prime minister, and the peace between Eritrea and Ethiopia, and the possibilities of business between there. And the new rule that companies can be foreign owned will make it easier. He is seeing that more diaspora is coming back as well as the country is improving. They need to change the forex laws to attract more foreign companies (J. Myers, personal communication, March 2, 2019).

4.5.2. New Wide Group

The New Wide Group is the daughter company of New Wide Enterprises Co. Ltd. that was established in Taiwan in 1975. New Wide Group is a multinational corporation that operates within the knitting trade, garment and trade, knitting and dying supply, and strategic alliance as they call it (New Wide Group, n.d.a). They have a global supply chain/value chain (GVC) where they have different places that have factories within the different operations named above. This provides their clients a swift, immediate and efficient service.

A part of their driving factor is corporate social responsibility (CSR), product innovation, and quality assurance and response. A large part of their image is that they are highly devoted to sustainable development and has as a goal to improve the impact on the earth with their prominent and evolving technology. The goal with this is to provide a positive impact on both the environment and people's lives (New Wide Group, n.d.a).

The corporation's structure is shown in figure 2 below, whilst the distribution of their factories, offices and mills are shown in figure 3:

Figure 2 New Wide Business Model - Source: New Wide Group (n.d.a)

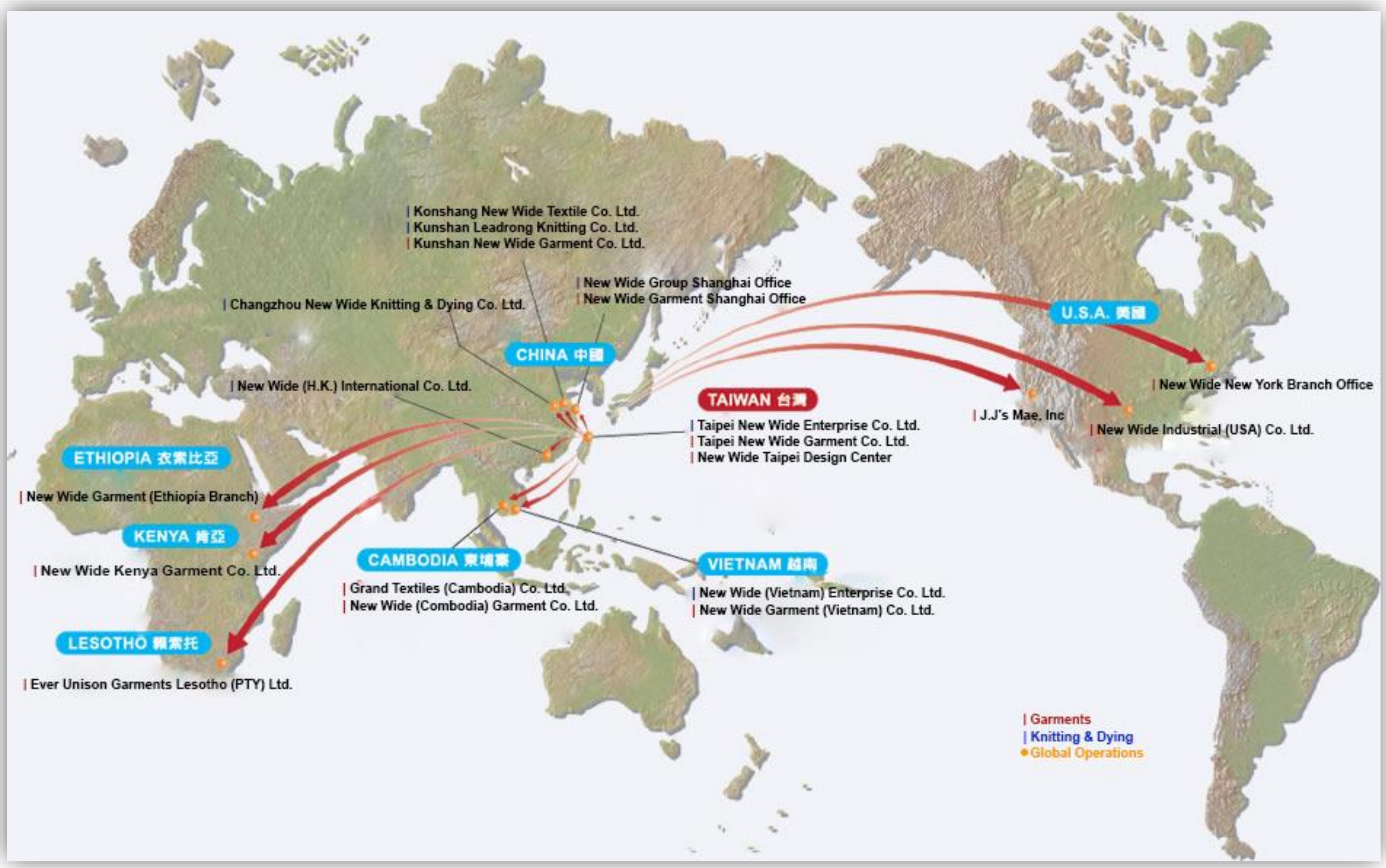

Figure 3 Overview of the New Wide Operations - Source: New Wide (n.d.a)

New Wide Group produces products and services for over 300 brands, many of which are very well known, for example: New Balance, H&M, Zara, Rebook, Lacoste, Calvin Klein, Adidas, Puma, Champions, Fila, Abercrombie & Fitch, The North Face and many, many more (New Wide Group, n.d.a).

The specifics of what they offer as services are within their D^3 lab, textiles and apparels. The D^3 lab works with fabric development, i.e. new fabrics, trends, etc., and product planning, and sample design. They also use artificial intelligence (AI) to uncover new market trends and manage exact product placement (New Wide Group, n.d.b).

Their history with the development of CSR and degree of involvement for the New Wide Group can be explained through four time periods. From 2009 to 2012 the framework for CSR was established, they released a report regarding their social responsibility, and a report regarding energy saving and emission reduction. From 2013 to 2016, they had several certifications within quality management, environmental management, occupational health and safety, sustainable certifications and became affiliated with the United Nations Sustainable Development Goals (SDGs). They also became bluesign® certified by 2015 (New Wide Group, n.d.c). From 2017 to 2018, they published a white paper on CSR and adopted two guidelines; global reporting initiative standard and China sustainability reporting verification rules. As well as developing a global sustainability development team across all sectors and a cooperative system across the different areas. In 2019, they founded the Taiwan Circular Textile Initiative (TCTI) and started a quarterly publication concerning the sustainability (New Wide Group, n.d.c).

To ensure an environmentally friendly production, they have the International Organisation for Standardisation (ISO) 14001 system to review their environmental management. From this, they can review and recognise key areas to continue working towards improving their environmental impact. Furthermore, they use sustainable material; biodegradable polyester, recycled polyester, nature dye, PFC free, and more. They also have a water management system that follows the three R’s (reduce, reuse, recycle), whereby they both try to use less water, and they clean and recycle the water for further use. Furthermore, they also focus on the strict use of and zero emission of hazardous chemicals. Through the continued optimisation of the technological systems they use, they strive to reduce their environmental impact more through the use of less energy, or exchange it with renewable energy like solar panels (New Wide Group, n.d.c).

They not only have policies on environmental issues though, they also have policies regarding the people and quality of work-life. Sharing and honesty is a part of their motto, as well as this statement made by Tony Huang, Chairman of New Wide Group: «A corporate without culture cannot get gain its maturity, nor can it face fierce market competitions. » (New Wide Group, n.d.a). They state on their website that everyone within the company are seen as family members, and that everyone's success is equally important. This basically means that the better the human capital of their employees are, the better it is for the company (New Wide Group, n.d.c). Furthermore, they claim to have several labour and human rights within their business that are at an international level. These include: a safeguard of human rights, freedom of employment, humane treatment, elimination of discrimination, prohibition of child labour, working hour management, salary and benefits rights, freedom of association, fair competence development, and labour safety (New Wide Group, n.d.c).

The Ethiopian New Wide branch where I was able to interview the Senior Sales and Quality Executive, Prasad Wasala, handle the production of garments. New Wide is a large multinational corporation but through the interview with Prasad Wasala (personal communication, March 4, 2019), it was clear that they practice CSR and human rights protection to the degree expected by their HQ. They try to be as environmental as possible and practice human rights, although the reason they have a factory to handle the production of clothes in Ethiopia is because the wage cost is lower than in the other countries, such as Sri Lanka and India. This branch has 1,800 employees who are paid right under 2,000 birr a month, which is higher compared to many other factory job wages in the country. Most of what they use in their production is made in-house. Such as, the textile they use to stritch together to become the polo shirts they produce there, comes from a New Wide factory in china that handles knitting. Only the cardboard they use is a product from Ethiopia, as most of the things they need, such as packing plastic, is cheaper in China, so it's imported from there. It's apparent that there is a knowledge transfer to the local employees there, as many come to New Wide, learn how to produce garments, use the sewing machines, etc., and then they move on to other companies. This is noted as a struggle for the company as people need to be replaced often (P. Wasala, personal communication, March 4, 2019).

4.5.3. Eqos Global

Eqos Global is a different type of company than the ones already mentioned. Whilst the other companies provide handfast services and products, Eqos Global provides outsourced ICT services. This is Ethiopia's first business process outsourcing (BPO) (Eqos Global, n.d.) and was created in 2016 (S. Keough, personal communication March 1 2019). This company is not multinational but rather international. This is because of the fact that it both provides its services around the globe and also because the company was invested in by a foreign investment firm from Mauritius that was founded by the same founders as the founders of Eqos Global. It's also the only branch that exists of the company (S. Keough, personal communication March 1 2019). The company is small in size at the moment but has an aim to employ over 200 locals over 2-3 years (Eqos Global, n.d.). At the moment of the interview, the number of employees was around 35 locals and two within the company are foreign to Ethiopia; the Co-Founder and Country Manager, Sean Keough, and an employee from the Philippines, but he stated the goal is to employ a total of 100 within the end of the year 2019 (S. Keough, personal communication March 1 2019).

The company has sort of two businesses that they operate within; local businesses and ICT for international clients. For local businesses such as Ethiopian Airlines, Toyota in Ethiopia, Ethiopian Commodities Exchange, they resell international ICT solutions to these companies and help them set up. The other part of the business handles ICT internationally (S. Keough, personal communication, March 1, 2019). The specific services that they offer include services within data entry, digitization, and shared services. The data entry services include forms processing, this can be any type of form from medical forms to customer feedback, as well as paper to digital format documents, data capturing, offline and online data entry, including data cleansing. Here they complete the testing of various databases, excel sheets, e-mail, and complete data integrity audit services and analyse financial statements, plus much more (Eqos Global, n.d.) and they handle outsourced marketing (S. Keough, personal communication, March 1, 2019).

What they offer is ICT services at a competitive price, as the location is in Ethiopia with local experts (Eqos Global, n.d.). These employees come to Eqos Global not as experts but as capable people, and once they have learned the trade, much as New Wide's issue, they leave as they become attractive employees in Ethiopia, especially for places such as embassies and UN offices. This ICT company is the type of business that can put Ethiopia on the map as a competitive and useful place for international companies to have their operations, and for other businesses to regard Ethiopian based companies to a higher degree because of the competitive pricing and great service. Mr. Keough (personal communication, March 1, 2019) explains one important feature for those who would like to invest in Ethiopia though, and that is that Ethiopia is not a place to come to if you want to make fast money but rather a place where, after a certain amount of time and hard work, there can be huge possibilities for the company.

4.5.4. Penda Paper Recycling

Penda Paper Recycling or Penda Manufacturing PLC (Penda Paper), is an international Ethiopian based paper recycling company. Penda Paper was started by four Norwegian investors, with the co-founder Marie Nielsen as the General Manager of the company. The company was started in 2015 to fill the gap of paper recycling in Addis Ababa (Penda Paper Recycling, n.d.) and its goal is to help create a circular economy (M. Nielsen, personal communication, February 20, 2019). The motivation behind the start of this exact type of business, is to create a business that can not only create a great basis for investment but also to create something that's good for the environment and can help with other issues, such as the problem with import substitution. Marie Nielsen explains it as a type of social investment, where both the company/investors benefit from it, and the local population (M. Nielsen, personal communication, February 20, 2019). Until then, there has only been informal and semi-formal recycling of plastic and glass bottles, and informal recycling of metal. Paper waste was until this point either burned, thrown onto the landfill or just the street and was not viewed as a source of income and thereby there was no interest in collecting it informally. As a former employee of the company, this was evident (M. Nielsen, personal communication, February 20, 2019).

As stated, the goal of the company is to build a sustainable circular economy for paper waste and carton in Ethiopia, as well as to produce over 20,000 jobs and incomes to Ethiopians and contribute to Ethiopia reaching their goal of becoming a green middle-income country by 2025 (Penda Paper Recycling, n.d.). Through a public private partnership with the city administration, they want to complete their goal through having several different recycling projects (M. Nielsen, personal communication, February 20, 2019). First, there's the collection of paper from factories, offices and universities in Addis Ababa, as well as small towns outside of Addis Ababa. One of these towns is Bishoftu, a town south east of Addis

Ababa (M. Nielsen, personal communication, February 20, 2019). There's also a cooperation with microenterprises, whereby 5000+ people work in cooperation between the government and recycling companies with sorting out paper and plastic, whereby Penda is responsible for picking up the sorted-out paper (M. Nielsen, personal communication, February 20, 2019)..

Then there is the collection from schools in Addis Ababa. This involved a large project to both locate the schools and gain acceptance from the schools to both collect the paper waste and teach the children about the importance of recycling. This project was headed by me, and the goal was to implement paper waste recycling in all the schools in Addis Ababa, through teaching the children about recycling and implementing paper waste bags for them to throw their paper waste in. My job was to hire the necessary amount of employees to work with the project which amounted to around 50 employees, to teach the employees about recycling and how they teach the children about it, to make sure we were on track with our goals and to talk to many of the school principles to get them to agree in the implementation of the project. The project reached over 630 schools and is considered by Marie Nielsen as more of an awareness campaign, as to make sure the children grow up with the inherent belief and understanding that recycling is important. This could affect the recycling operations in a positive manner when these children grow up (M. Nielsen, personal communication, February 20, 2019).

Then there is the pride of Penda Paper, the "Worke bikes". These bikes are collection points for paper waste. Placed around 40 locations in Addis Ababa, the objective of these collection points is to have an efficient way of collecting paper waste from private homes, small businesses, and the streets, as well as provide an income and generate a positive incentive for local people to clean up and sort out paper waste, and deliver it to the collection points. The incentive is 2 birr per kilogram paper or carton waste delivered to the collection point. This is advertised as enough for people to buy a bus ticket or bread and is clearly addressed towards the poorest people as an opportunity of income. There is also the option of donating the money to the Rotaract foundation charity project that aims to buy and give away notebooks to children in need (Penda Paper Recycling, n.d.). These 40 bikes have bike attendants by each of the bikes to deal with the weighing and payments. As Penda Paper is trying to have a positive impact as well as generate a positive revenue for the company, these bikes' attendants are vulnerable women that have been employed through the help of organisations such as the International Organisation for Migration (IOM) and Association for Women's Sanctuary and Development (AWSAD) that handle these types of cases. These women get a regular income for the time they spend at the bikes (M. Nielsen, personal communication, February 20, 2019).

The process of the company is quite simple. First all the paper is collected through the methods mentioned above, then they are taken to a warehouse where workers sort the paper between white paper, coloured paper and cardboard. These papers are then put in a compressor that compresses them into squares. These squares are stored and sold to companies that either make paper, cardboard, egg cartons or other items that can be produced from paper waste. This reduces the need to import paper into the country (Penda Paper Recycling, n.d.). Since 2015, Penda Paper Recycling (n.d.) has achieved the following:

- Saved over 3000 m^3 of landfill area
- Works with over 7000 collectors
- Has over 50 fulltime employees

Before Penda Paper started up, the country of Ethiopia was importing waste paper because they did not have their own system for collecting it. As Marie Nielsen points out, this is inherently dumbfounded, as the country suffers from the forex issue whilst they have the resources they are importing within the country. She believes that through starting this recycling business, they are helping to push the recycling industry forward that wasn't as prominent before, and creating an understanding about the importance and the role recycling plays in a circular economy. They also create an immense amount of jobs for local people, as the company concentrates on hiring local people, especially vulnerable people as they believe their work ethic is unmatched. Furthermore, the only international people "employed" in the company, is Marie Nielsen, and the two interns she sends from Norway for 6 months at a time, with a total of approximately four Norwegian interns a year (M. Nielsen, personal communication, February 20, 2019).

These Norwegian interns help with the knowledge spill-over to the local workforce, as they work in cooperation with the Ethiopian teams and create a basis for the expectations the company has of its employees, creates an understanding of the most effective way to work, and what technology can aid in the specific work. Furthermore, Marie Nielsen's expectations towards the progress of the entire company are set to a high western standard which helps impress on the local employees what must be accomplished. The goal is that the employees, who are mostly local interns that use the company as a stepping stone to higher carriers, both get to work within an international company with international people, and that they become more efficient and creative in their competence further on (M. Nielsen, personal communication, February 20, 2019).

The goal of the business further, is to become a larger part of the economy, and to start paper recycling in industrial parks as well. Hopefully, the company might aid in providing cheaper paper and notebooks to the population in the country, as they can produce more paper themselves with the collected waste paper (M. Nielsen, personal communication, February 20, 2019).

4.5.5. Adapty Packaging PLC

Adapty Packaging PLC (Adapty Packaging) is an Indian owned International cardboard box business based in Ethiopia. This company was bought and invested in by Sujith Reddy who is the General Manager. The company office is located in Addis Ababa, whilst the factory is located close to Bishoftu, south-east of Addis Ababa. This company concentrates on producing cardboard boxes for companies. These cardboard boxes are produced in a factory with around 72 employees who either run the machines or overview the production. The paper for the cardboard boxes is imported as there is a general lack of paper in Ethiopia. Most of the employees are Ethiopian locals from around the area of the factory, although some of the office personnel are Indian. They also host internships for newly educated engineers to provide experience for their resume within an international company. This company is a lot smaller and younger than the other companies I have mentioned (S. Reddy, personal communication, March 10, 2019).

Adapty packaging delivers box orders to companies within Addis Ababa, as well as companies within the Bishoftu area. The pride of the company is the quality and strength of the boxes in comparison to many other box productions in the area. This is through the many layers that the boxes comprise of, which also means more machinery to produce these different parts (S. Reddy, personal communication, March 10, 2019).

As an import dependent company, it is very dependent on the ability to 1. pay for the materials (paper, machines, spare parts, etc) and transportation of said materials, and 2. receive the right papers and permissions from the ministry to be able to pick up the shipments needed. These are factors that have affected the company’s ability to operate in Ethiopia. As of now, upholding the quality of the boxes promised and the amount of orders is difficult for the company because of the forex issue which means that they cannot order in what they need of materials in time, and the system of the ministries are so slow that receiving the proper documentation to pick up the shipments is hopeless. This means that whilst they can have ordered and received the products in time, the products can risk sitting there at the pickup location in Ethiopia without the company being able to actually pick it up until much later (S. Reddy, personal communication, March 10, 2019).

Despite this, the company has many cooperation's between other international companies, as well as many local companies. The local companies are the main customers of the cardboard boxes from Adapty Packaging. Other than the customers, there's also a cooperation through the cardboard paper waste, whereby a company that produces egg cartons and toilet paper, picks up the paper waste to recycle it to become their own product (S. Reddy, personal communication, March 10, 2019).

The main goal of the company is to become the biggest manufacturer of cardboard boxes in the country, although they are facing challenges to develop their size (S. Reddy, personal communication, March 10, 2019).

4.6. How do the Case Companies Impact Ethiopia?

Until now, this paper has discussed FDI, the possibilities of FDI in Ethiopia, the status of the country, and five foreign companies (two multinational and three international) and what they do in Ethiopia, as well as a quick introduction to what they might contribute to the country. In this section I will discuss the correlation between the businesses discussed, their contribution and possible aid towards development, as well as the connection between the theories that surround the development through FDI and multinational companies.

It is argued in Fløysand & Barton (2014) that FDI affects not only through direct impact but also through spillovers. These spillovers include an increased productivity in local companies, as well as knowledge transfer across sectors, and fortifying the innovation capabilities. Furthermore, FDI through MNCs supports local connections to local companies' capital in form of technology and competence. Looking at the companies from the case study, I argue this spillover effect could be much more than that, and the reasons why will be explained below.

4.6.1. Human Capital

To start off with, several of the case companies have a large impact on the human capital of many of the people in Ethiopia. For example, Move One's major contract in Ethiopia right now is to transport affordable soap out to the far-reaching and difficult to access areas of Ethiopia. This means that people that normally cannot afford soap or/and do not have access to it because of their location, are suddenly getting access. What this means is that many within the population of Ethiopia are receiving affordable options to get clean and have a better health through cleanliness. Penda Paper Recycling is also providing a cleaner living for the population of at least Addis Ababa and Bishoftu at the moment, and strive to provide it for the entire country, through collecting and recycling their waste paper that otherwise would be burned and release harmful gasses, get thrown to the landfill and release harmful gasses, or lay in the street. All these potential options would provide a worse health for those who live with the waste around them and especially those who work within landfills. As stated earlier in the section about what aids in development, the World Bank (2012) stated that an overall improvement of lives, such as with health, is one of the contributing factors to development as this may improve the people who are affected's abilities to work. This could lead to more people within the work force, which is also stated by the World Bank (2012) as an important factor towards development, and as shown earlier, most of the population of Ethiopia is young and work force aged, so this could help affect the country's amount of population within the work force to a much higher level.

Furthermore, Eqos Global's spillover is of another type as this is an ICT company. Here the spillover is mainly through knowledge and through showing the local employees what the expectations of the global market demand, as well as the international standard they should always strive for. In the same way, all the companies have a knowledge spillover within their sector, but what I think is especially essential is the improved productivity spillover as well as through the hightened competance. This was the reason that I myself was brought to Ethiopia for, to help show and push the local employees of Penda Paper Recycling to the international (Western) standard that Marie Nielsen wanted the company to be at. From the start of the employment of many of the locals and to the end of my internship there, I saw the change in how everyone did their job as we pushed for the most effecient work ethic and for the highest goals we could set. As Joseph Myers pointed out concerning Move One, the quality of the workers at this branch were far from productive, efficient or systematic and thorough enough when he came to take over the branch from an Ethiopian manager. The quality of their services received poor reviews, but after taking a full run down of the branch and requiring international standards of both quality and efficiency, the company rose up to the standards expected of it. New Wide is also a widely known textile producer that produces clothing for many highly regarded brands as mentioned before, and this means that the products that the employees of the company produces must be of an international high standard. These are just some examples of how a international/multinational company enforces their modern and efficient standards that will become inherent in the local workers that work there.

4.6.2. Technology Transfer

The biggest contributor to technology transfer from these companies I believe lay mainly in teaching the locals the computer technology, such as different software's and online smart tools that they use to have more efficient companies. Eqos global is especially prominent within this, as the employees of the company are taught to use the specific software that the company requires. Move One is probably the second most prominent company within this, as the employees at this company are not necessarily computer savvy from before and are taught to use the programs and softwares that Move One uses to keep control of their operations and improve upon them.

Many of the companies also have physical technology that are transferred from other countries to Ethiopia for their operations. For example, Penda Paper has transferred macbooks and projectors from Norway, as well as most of the machinery and compact compactor trucks etc from Dubai (M. Nielsen, personal communication, February 20, 2019). New Wide and Adapty Packaging are also companies that have imported much of their machinery from other countries to Ethiopia (S. Reddy, personal communication, March 10, 2019; P. Wasad, personal communication, March 4, 2019).

4.6.3. Infrastructure

These companies do not generally deal with physical infrastructure such as roads or industrial parks etc., although most of these companies that deal with infrastructure in Ethiopia are Chinsese companies and are responsible for much of the largest infrastructural projects

(Ethiopian Investment Comission, n.d.a). On the other hand, some of these companies are responsible for green infrastructure and digital infrastructure.

Within green infrastructure, Penda Paper Recycling is the most prominent and obvious contender within this category. They are not only turning trash into cash but they are also trying to systematically change the way Ethiopians think about their waste and create a more sustainable green country with waste paper recycling as a prominent factor. Furthermore, Eqos Global takes part in the digital infrastructure as they provide computer facilities to store data in. Eqos Global is not the only business of the five that contributes to the digital infrastructure. Move One is probably the largest contibuter of the companies presented towards the digital infrastructure, as they have had a contract that made them responsible for providing first 2G coverage for the entire country, and updated it to 3G coverage for most of the country. This means that because of Move One a large part of the Ethiopian population now has access to internet.

4.6.4. Other

Other ways that these companies affect Ethiopia, can be seen through for example, when it comes to the cooperation with local companies, Move One cooperates with the local trucking company mentioned above, whilst Penda Paper cooperates with the 5000+ microentreprises as well as the local government as mentioned above, and Adapty Packaging cooperates with the local owner of the factory area as well as with the neighbouring international/multinational companies that are in the same area as previously mentioned. As mentioned, GVCs are prominent parts of what creates development. New Wide's branch in Ethiopia, is a part of the New Wide Group's GVC. Furthermore, the business motto of the entire company is to have sustainable and CSR focused production. This could hopefully provide a positive imprint on others within this sector in Ethiopia, as well as the employees who are aware of the focus on sustainability. The last but I believe one of the most important aspects is the fact that combined these five companies have provided work for many, many thousands of local people in Ethiopia. Both in-house and through contracts with the businesses and local governments. This means that thousands of people's lives have been changed by the income they receive from these companies and/or projects, and their lives may have improved in many ways because of it for the better.

4.7. How Can Foreign Companies affect Ethiopia Going Forward?

Now we have seen how five international/multinational companies can affect the development of Ethiopia and the population. These are just a small portion of what already is and what can become further in Ethiopia, regarding the amount of foreign companies. The most prominent investors in Ethiopia are Chinese (Ethiopian Investment Comission, n.d.a). The effect of the what the Chinese investors have gained for Ethiopia until now can help understand how more foreign investments may aid further with the development. Furthermore, it is important to understand what the Ethiopian Investment Commission feels about this and what their goals are further with their policies.

4.7.1 The Chinese Investors

There is a strong bond between China and Ethiopia because of FDI. For example, China alone stands for most of the companies in the country, with almost 400 companies in 2017 (Ethiopian Investment Comission, n.d.a) and amount to 60 percent of inward FDI to Ethiopia in 2019 (Xinhua, 2020). Their involvement is mainly within the manufacturing sector, construction, real estate development, and the service and agricultural sectors. Of these, most of the Chinese projects are within manufacturing. From 1998 until March 2020, the Chinese companies in Ethiopia were responsible for approximately 1,564 projects. Out of these projects, most are operational and 1,133 of the projects are specifically within the manufacturing sector. The manufacturing sector is pointed out by the Communications Director of the Ethiopian Investment Commission as the key investment area deemed by the Ethiopian Government (Ethiopian Herald, 2020).

Furthermore, Chinese companies are responsible for the building of new roads and railways. It is highlighted has been a project underway since 2018 to connect the western part of the country with central places for export, as this part is most known for its coffee. This road, although no longer than 79km, is of such significance, that it has been noted by the President of Djibouti and the President of Sudan. Coffee growers have noted that the implementation of such a road will help them gain access to markets they haven't had access to before, as well as be able to sell the coffee at a higher price in more lucrative areas, such as Addis Ababa. This is not the only road the Chinese have built in Ethiopia, they are also responsible for the modern toll highway from Addis Ababa to Adama. To build these projects with quick efficiency, the Chinese companies use Chinese technology and standards (Global Times, 2018). This means that whilst a typical person would be expecting to drive on shabby small roads in this low-income country, they will suddenly find themselves on modern, state of the art roads.

Including this, the Chinese have also built the Addis Ababa Light Rail and the Addis Ababa to Djibouti rail. The former is a type of elevated train the goes across the city and is run by a Chinese team. This provides the citizens of Addis Ababa with an alternative transport method during rush hours and connects those who live on the far edges with the city centre. The latter railway connects Addis Ababa to the docks of Djibouti that aids with the transportation of imported goods (Global Times, 2018). This provides lower costs in the transportation of export and import.

These road and railway projects are a part of China's Belt and Road Initiative (BRI). The goal of the BRI is to connect Asia, Africa and Europe to enhance the connection between people and investment and trade. These road and railway projects from the Chinese are responsible for a large part of what is crucial for the infrastructure of Ethiopia, and the development of the country (Yalew & Changgang, 2020). The company in charge of these projects is the China Communications Construction Company, and as the cooperation with Ethiopia has become stronger, they have set up an East Africa headquarters in Addis Ababa from 2018, to have a base with modern Chinese technology and innovation centre with high quality laboratories to use in their projects (Yalew & Changgang, 2020). The fact that they have set up this office shows their commitment to continue their operations there, and help build up the country's infrastructure. The latest project is building residential buildings to be able to house people with poor housing on an area that's 270,000 m^2 large (Xinhua, 2019).

The point of seeing what the Chinese investments have done for Ethiopia until now, is to understand what they can continue doing. The Ethiopian roads can continue to be developed and improved by these Chinese companies, as well as the railways and housing, and much much more. As they do stand for most of the investments in Ethiopia, it is safe to say that the impact of FDI and multinational and international companies further, lies to a great degree on the Chinese further. With good infrastructure comes development, as pointed out earlier, it helps with efficiency and for people to have more abilities and a better basis.

4.7.2. The Ethiopian View

It’s clear that the Ethiopian government support foreign companies and investments. This is clear through their iGuide website, their cooperation and deals with the Chinese, and their pride in being the East African country with highest amount of inward FDI. Moreover, they are clearly pushing for FDI to certain sectors, as seen previously in this paper, with investors in industrial park development and manufacturing as two of the sectors that receive the longest tax exemption for foreign companies deciding to invest in these areas in Ethiopia.

The Communications Director of the Ethiopian Investment Commission has been quoted claiming that Ethiopia has beneficial economic factors and that the country inhabits immense investment possibilities (Ethiopian Herald, 2020). Through an interview with an anonymous source high up in the investment commission (see appendix 2) (personal communication, March 1, 2019), I learned it was clear that Ethiopia wants to attract as much FDI as possible. He stated that their view is that the foreign companies are most definitely contributing to the development of Ethiopia. This is through job creation, knowledge transfer, infrastructure building, etc. They are specifically seeking foreign companies within certain sectors that they deem important for their development. There is the problem with the forex issue but their solution to help in that area is to attract more foreign companies that specifically deal with export oriented businesses. Through this way they will be able to get foreign currency into Ethiopia to aid with this. The other way is through their system of international credit, although this is more of a Band-Aid rather than a temporary and sustainable solution. What it is, is that companies can apply for US dollars through the Ethiopian National Bank. He highlights though that the country is slowly transitioning from the turmoil they were in before the new administration with Abiy Ahmed as Prime Minister took over in 2018. The country is opening more up and many of their policies towards foreign investment and how open the country is, is slowly loosening to have Ethiopia become a more open state towards the international market.

4.7.3. Will FDI Push Ethiopia Forward to Become a Developed Nation?

Ethiopia has, as has been mentioned previously, a young population. I would argue that their time for development is now, as they have the work-force needed at this point. Furthermore, there is the importance of claiming this advantage whilst it is there as it will become a problem once the population has aged and are beyond useful within the workforce, and will become a burden on society instead. Moreover, they should take advantage of the fact that right now it is the most appealing FDI country in Eastern Africa, as this could change if they do not drive their economy and development forwards. With the support of China's investments towards important infrastructure developments, as well as remaining the top country for FDI investment per date and hopefully further on in East Africa, the amount of FDI within all sectors can help highlight important development issues and provide their solutions. The foreign investments can also aid in areas that might be overlooked in the government's plan to develop the country.

For example, with the access to soap and the ability to wash hands. It is estimated that 92% of the population of Ethiopia have a lack of basic facilities and soap to be able to wash their hands. Most of these people live in rural areas that may be difficult to access (UNICEF/WHO JMP, 2019, cited in Unicef, 2020). As mentioned, Move One is currently transporting affordable soap out to the far reaches of the country and is one example of how FDI and a multinational company can aid in areas that may fall behind in the development scheme. This means that FDI and the foreign companies in Ethiopia can not only help aid in the development through large scale processes and projects, but also through the smaller actions and projects. Penda Paper is currently a small business and their current impact is quite small compared to the size of the country, but even though it is small at this moment it can have a huge long-term impact through the company's actions towards changing the way people think and getting the government to support positive policies towards recycling and focusing on a green sustainable economy. This might also help with the paper import dependency the country has and make the country less import dependent at least with this, and save money and make it cheaper for the population. Developing as a green economy might not be what the government had in mind when planning their development, as their most important issue would be to develop by any means. But through international/multinational companies that concentrate on these issues, like Penda Paper and New Wide, the country can grow to become a *green* middle-income country which is more sustainable in the long run.

I believe it is obvious that FDI and foreign companies aid in Ethiopia's development, as Ethiopia would not have the modern roads they now have, the railway that connects them to the shores of Djibouti, many of the industrial parks, a new view towards recycling, 3G, affordable soap across the country, and much, much more, which has since the inception of these things aided the country with less travel time, more connectedness, more businesses, better cleanliness, etc.

Although I believe that until now FDI and foreign companies have aided Ethiopia in its development, there is one important thing to note. For the country to be able to develop in the most efficient fashion things must change. I believe the government must become more open and cooperative for that to happen. As an example, Ethiopia is Africa's biggest exporters of coffee but despite this, they aren't living up to their full export potential yet. This sector, as explained by Minten et al. (2019), is underperforming because of shifting climate, the poor ability for the local farmers to access to better seeds, and many of the government policies also constricts the possible positive effects of the improved policies towards the farmers. FDI towards agriculture might then increase if the policies change so that the export of agricultural products, such as coffee, benefit the farmers in a larger way, leading to more and improved exports. The source from the investment commission (personal communication, March 1, 2019) also highlighted that they have been to closed off and that times are changing because of the new administration and that the country's move towards opening up, which is better for their development and FDI. Hopefully their changing policies will open the country up further and change the investment landscape for the better.

Even more importantly, the political instability is problematic for foreign companies that are in Ethiopia at the moment, and might be off-putting for many that might want to invest in the country. As an obvious example, right now there is a civil war in Ethiopia created through tensions between the regional leaders of the region of Tigray, which is in the northern most part of Ethiopia, and the central government. This has led to many deaths and over 40,000 people have fled across to Sudan, becoming refugees (BBC News, 2020b). Therefore, work to impose political stability will be very important to be able to attract more FDI and successfully develop. Even though there are tax exemptions for the foreign investors who wish to invest in Ethiopia through the given sectors, there is also the problem that if a foreign investor wishes to do so, they must cough up $200,000 as the minimum requirement. There may be many potential investments that may be stopped through this requirement.

What we have here is a country that has shown great interest in gaining FDI's and foreign companies to develop their country. This means that whatever attracts these foreign investors to Ethiopia is within the scope of what the government might do, either by making sure more of the population has education or changing its investment policies, to draw them in. It can also push the government to provide more open policies and a safer political climate. So, FDI, or the want for FDI, can also help with the development, including the already pointed out fact that most of the multinational and international companies aid in Ethiopia's development. I would argue that when a country such as Ethiopia are laying their trust in the development of their country on foreign contributions such as FDI and foreign companies, then there is a clear correlation towards the impact of FDI and the positive development of a country. The question then is more of whether it is a sustainable development or not. There is of course the issue that many of the multinational and international companies can at any time remove themselves from Ethiopia, but as long as Ethiopia remains positive towards these companies and foreign investors and have positive policies for them then there is a lesser chance that these companies and investors might pull out of Ethiopia. Furthermore, because of the knowledge transfer and the fact that they introduce new modern ideas to the country, more local companies will most likely have developed within these fields and provide competition towards the foreign companies. This might also be a reason for the foreign companies to pull out, but the reason for why remains positive for the country.

5. Conclusion

In this paper, I have discussed the impacts FDI has and how they aid in the development of an underdeveloped country, specifically Ethiopia. As Ahiakpor (2010) stated, MNCs contribution to underdeveloped countries is highly underrated. In the case of Ethiopia I completely concur with this statement. Fobete's (2005) theory about MNCs creating jobs, higher pay, increased human capital, improved efficiency, and technology transfer, as well as te Velde's (2006) theory that FDI enhances infrastructure, skills and human capital, I believe I have shown are true through the case companies I have introduced in this thesis, as well as through the Chinese investors as well. Onabu's (2014) theory that MNCs lead to devastation is clearly not true in Ethiopia's case, as the country is better off now than they would have been without the investments to the infrastructure alone, much less with the rest of the positive impacts on other areas as well. This means that I completely agree with Atlaw, et al.'s (2014) statement about the fact that Ethiopia would not have developed in such a manner without FDI. I also believe Grieg et al.'s (2007) statement that access to the global market will provide a higher human capital as people would like to adapt to the modern world, as true. The people I worked with in Penda Paper were all newly educated young people that were aware of the global fashion trends, the technology and apps that were in, and what was needed to have a successful career, i.e. having worked at an international company.

The drivers of economic growth stated by Chien (2015) and the World Bank (2013, 2019b, 2020), are factors that I believe follow with the introduction of MNCs and foreign investment in an underdeveloped country. Ethiopia is willing to take calculated risks to promote FDI in to Ethiopia, and the foreign companies aid with aqcuiring the population new skills, productiveness, a higher understanding of the different types of work activities and how the industrialised and modern world tackles this, they are introduced to technology they didn't have before or had lesser versions of, and the quality of life is increased where there is foreign investment activity present. Last but not least, MNCs specifically put Ethiopia in connection to the global market which not only provides an access for Ethiopian companies through these MNCs, but as MNCs set up their own branches in Ethiopia, the country is connected to a series of GVCs that is noted by the World Bank (2020) as a positive indicator for development.

Ethiopia is a large country with a massive population, whereby most of the population is young. This means that there is a high need for added jobs which MNCs and International companies or other foreign investors can provide, and a need for the government to want to push people to get education to be able to work at these foreign backed companies. The geography of the country is also comprehensive and diverse, meaning that there are many different types of investment that one can lay in to Ethiopia. The politics and history of the country has been turbulent, but despite that there is an apparent correlation between FDI and their large GDP growth over the years, and also a worrying correlation between the decline of FDI during more turbulent political times.

The increase of FDI to Ethiopia, specifically within the Export sector, is one of the tactics that the government of Ethiopia has to counteract the forex issue to drive even more FDI in to Ethiopia. The government seems to think that FDI and MNCs are positive for the country, as the country has only benefited by now, and continue to provide and develop FDI positive policies. Move One, Eqos Global, New Wide, Penda Paper and Adapty Packaging are all positive examples of foreign companies that shows in what way they are aiding with the development of the country. New Wide which is the largest production company might have been the typical example of a negative impact company because of environmental impacts and the tradition of underpaid employees with lesser rights within this sector. Instead, New Wide is a splendid example of how a large MNC can concentrate on promoting positive company policies towards workers and the environment through their devotion to CSR and human rights. Move One is also an example of a multinational company that provides a positive impact across Ethiopia with their contracts, first with 2G and 3G projects, and now with the Unilever delivered soaps. Furthermore, Penda Paper shows how international influence can promote sustainable green development, improving the amount of recycling, which impacts local health down the line, and the knowledge transfer that these companies, including Adapty Packaging and especially Eqos global, have provided, as well as technology transfer. These companies together with many, many more multinational and international companies, and the Chinese investors and companies, can help push Ethiopia forward to be the middle-income country they strive to become, and doing this in a more sustainable and CSR focused fashion.

The country has much more space to develop their policies to increase the amount of FDI and foreign contribution to the country, and the more they open up to them, as they have showed they are willing to and are on their way to doing, the more foreign investors will come and the larger the impact will be. The example shown here by Ethiopia shows that done right, FDI and foreign companies such as MNCs and International companies can be a positive and catalysing aspect of an underdeveloped country’s possible development. As long as the country is focused on receiving FDI and provide the right policies, it might be able for other underdeveloped countries to achieve the same or even more than what Ethiopia has. This is of course a case study about a politically turbulent country with fiscal issues and a massive and complex geography inhabiting an extremely large population, so it’s not like this example comes from an underdeveloped country with the most positive basis to develop. I believe that because of this, Ethiopia is a great example of how despite issues such as these, with the right policies and FDI, any underdeveloped country can catalyse their development through this route.

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7. Appendices

7.1 Appendix 1: Interview with Foreign Companies

- Tell me a little about your business, who started it, what does it do, when was it started, who do you work with, how many employees do you have, what is the size of your company, what country are you/the company from, are you multinational or just based in Ethiopia? What is the goal of the business?
- Out of the employees, how many are local vs international?
    - Do you hire any vulnerable people, i.e. young unemployed, handicapped, refugees, etc.?
- Do you cooperate with any local businesses, for example for supplies or outsourcing any production? (is all production in-house?) Is it opening up some opportunities in Ethiopia?
- Was there a lack of production/service within your business field when you started, making up for a possible production/service hole?
- Do you have a goal of expanding the business here/to more countries?
- Do you feel like your company is contributing to the development of Ethiopia? In that case, in what way? Spill-over effect
    - Technology
    - Knowledge
    - Hiring
    - Foreign investment
- Do you believe that your business is opening up some possibilities for Ethiopian businesses and people?
- Is there a steady foreign investment, or is the company operating by the revenues created here at this point?
- What do you feel about the opportunities that Ethiopia presents for investment and companies, especially towards your type of business?
- Is the foreign exchange issue effecting your business in any way?
    - How do you feel that this issue effects the development of Ethiopia and the contributions international companies like yours could present?
    - Do you feel that a pressure from MNCs would aid in opening up this bottleneck that is created for the development of businesses?

7.2. Appendix 2: Interview with Investment Commission Source

- How does the Ethiopian Government feel about FDI and MNCs?
- What are the rules & regulations surrounding foreign investment in Ethiopia?
- How is the foreign currency issue affecting Ethiopia and how do they handle it?
- Is there any substantial contributions towards the development of Ethiopia from foreign businesses?
- What are the tax rules and regulations towards FDI?

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