# The United Arab Emirates and Africa:

## A PIVOTAL PARTNERSHIP AMID A "SOUTH-SOUTH" COMMERCIAL REVOLUTION


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*The United Arab Emirates and Africa: A Pivotal Partnership Amid a "South-South" Commercial Revolution*

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# Abstract

The United Arab Emirates has emerged as a key trade and investment partner for the African continent amid a South-South transformation reshaping our world. Investments by UAE state-owned entities in sea port infrastructure and telecommunications have supported Africa's connectivity both internally and with the world.

Future investments announced for West Africa will substantially boost infrastructure needs across the region. UAE-based airlines — Emirates, Etihad, and FlyDubai — are growing their African networks, and Emirates, in particular, has emerged as the most important foreign carrier in several of Africa's largest markets. Dubai International Airport has become a virtual "Africa hub" and the city has emerged as a key logistics and financial gateway linking Asia to Africa. African traders increasingly view Dubai as a base of operations to link their home countries to world trade.

Several global multi-nationals use Dubai as their Africa headquarters owing to its extensive air and sea links as they accelerate their engagement across a continent that has seen seven of the ten fastest growing economies over the past decade and the rise of a growing consumer middle class. Dubai also serves as an air and sea (and increasingly finance) hub that supports China's well-documented engagement across Africa, as well as Africa's growing relations with India.

The trajectory is clear: UAE-Africa relations are on the rise, and it is a relationship that will only grow in importance for both sides. As Africa rises, it will need strategic partners that view the continent as a promising place to invest and a business opportunity for growth, not a charity case to be "saved." U.S policy-makers can seek to leverage the growing UAE-Africa relationship to support initiatives ranging from bridging Africa's power gap to supporting expanded trade.

## INITIATIVE

The rise of emerging and growth markets over the past decade, rapid urbanization. and the growth of a new global middle class, portends a dramatically transformed world that requires visionary policy thinking within a global context. The Global Emerging and Growth Markets Initiative (GEGMI) at the Johns Hopkins SAIS Foreign Policy Institute (FPI) examines the implications of this most significant geo-economic development of our time.

As part of the initiative, GEGMI will launch a policy paper series on "South-South" trade and investment ties reshaping our world. This paper, "The United Arab Emirates and Africa: A Pivotal Partnership Amid a 'South-South' Commercial Revolution", represents the first in the series. It is authored by Afshin Molavi, a Fellow at FPI and Founding Director of GEGMI.

Only a generation ago, emerging and growth markets accounted for 15% of GDP. Today, they account for nearly half.  Meanwhile, intra-emerging markets – or so-called South-South trade – now account for 25% of all world trade, and rising. Meanwhile, the largest emerging and growth markets multinational companies are competing globally, while major Western multinational companies see their future growth in the buying power of the emerging world's growing middle class. Private equity firms are setting their sights on the new frontiers of growth markets, and new entrepreneurs are emerging from Chile to China, Morocco to Malaysia.  The geo-economic and geo-commercial tectonic plates are shifting.

GEGMI aims to capture the multiple linkages in our new global economy and present a diverse range of voices from the private sector, academia, finance, multi-lateral development banks, and civil society.

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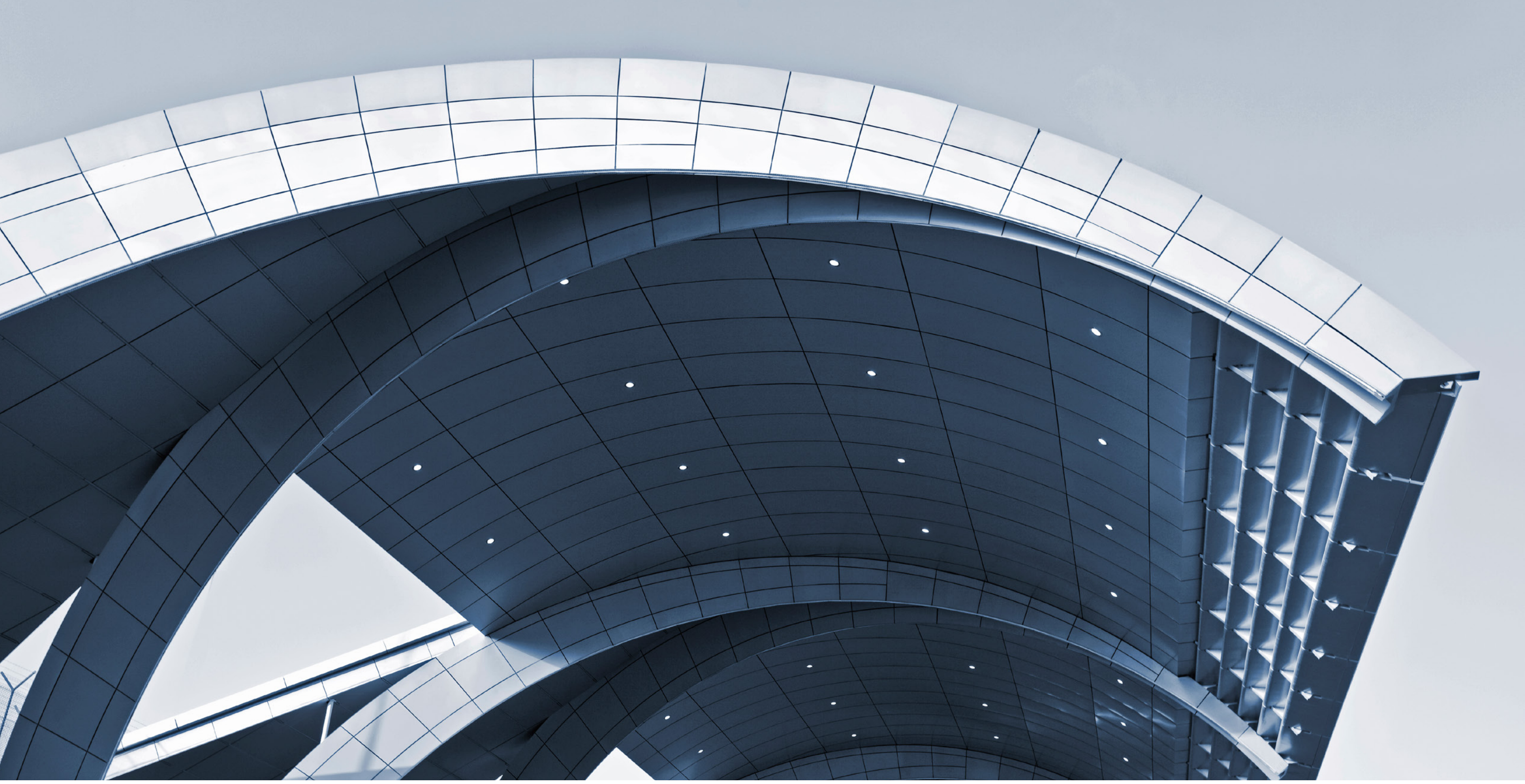

# Introduction

We are living amidst a global geo-economic transformation comparable in importance to the Industrial Revolution. The transformation centers on the rise of emerging markets, the growth of a new global middle class, and rapid urbanization. These three powerful economic drivers will continue to dramatically transform our world over the next several decades, lifting millions from poverty, reshaping global trade patterns, and altering geopolitical alliances.[1]

The world's rising economic powers are not relying predominantly on the West for their external trade, investment dollars, air and shipping links, or infrastructure investment – and the same holds true for Africa, no longer predominantly reliant on former colonial powers or Western advanced economies. Increasingly, Africa is connected and linked with emerging economy powers like China, India, Turkey, Brazil, and the United Arab Emirates, in growing South-South trade corridors quietly reshaping the commercial geography of our world. As the scholar Gregor Dobler writes, "the old image of unilateral dependency of African countries on the 'the West' or 'the North' is no longer accurate...China, India, Brazil, or the Emirates emerge as new nodal points...often completely independent of old colonial structures."[2]

Africa's rise over the past decade represents a welcome development in the global economy, and heralds the promise of a better future for a billion Africans who have largely been bypassed by the fruits of rising global trade. In the year 2000, the entire continent of 54 countries had a collective GDP of $600 billion — roughly equivalent to the economic output of Spain in that same year. Today, Africa's collective GDP stands at some $2.2 trillion[3], a remarkable growth turnaround.

Africa has seven of the ten fastest growing economies in the world. From 2002-12, sub-Saharan Africa achieved average growth rates of 5.7% — a significant rise, but still below the rapid growth rates of developing Asia. Its population now exceeds one billion, and rising. By the year 2030, one in five people in the world will live in Africa, and it will be the youngest continent on earth.[4] Africa is clearly rising.

Amid Africa's dawn, new trade and investment partnerships are forming across the continent, particularly driven by countries in the so-called global "South." UAE companies are making a significant and positive impact. From transformational investments by UAE companies in sea ports, telecommunications, and power to rising air links via UAE-based carriers and globally linked hub airports in Dubai and Abu Dhabi, and an influx of African traders into Dubai, this is clearly a relationship on the rise – and a key South-South trade and investment corridor to watch.

Global investor sentiment toward the continent has improved dramatically. Foreign investment in Africa is projected to hit a record $80 billion in 2014.[5] The Carlyle Group closed its first sub-Saharan Africa Fund after raising $698 million. Meanwhile, the Abraaj Group, the global emerging markets investor, is attracting top institutional investor interest for its third Africa fund, targeting $800 million.

Of course, many challenges remain. Despite Africa's rise, thirty of Africa's fifty four countries are classified as among the least developed, according to the United Nations, and far too many countries are reliant on food imports and, therefore, price volatility. Weak infrastructure also remains a major impediment to sustained growth. Further, the continent is diverse, and the catch-all "Africa" fails to distinguish among countries with radically different histories and levels of development. Africa also faces a looming jobs crisis in many countries. Taken as a whole, Africa is young, with a median age that is half of much of the rest of the world.

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Many African states stand at a crossroads, driven by a rising and increasingly urbanized middle class, steady growth, and greater global integration, while still facing a myriad of deficits from infrastructure to education to access to finance.

Peter Lewis, Director of the Africa Studies program at the Johns Hopkins University School of Advanced International Studies, notes: "Across Africa, we are seeing more and more countries 'open for business' with a more amenable policy and regulatory environment. We are also seeing much lower debt loads, better budget balances, realistic exchange rates, low inflation rates, and, in most countries in Africa, the macroeconomic picture has been much more favorable and pragmatic."[6]

Perhaps most importantly, Lewis says, "there is an undeniable growth in urban economies." At Africa's independence, there were three cities with a population above one million. Now, there are

fifty.[7] "Those urban economies are not only bringing up a lot of growth in the informal sector but they are generating formal sector gains as well. There is the growth of a substantial consumer middle class that is about 15% of the population of sub-Saharan Africa. This new consumer middle class is driving growth in finance, media, telecommunications, and infrastructure investments, and more," he said.[8] It is estimated that the African consumer will spend $1.4 trillion a year by the year 2020.[9]

## US-AFRICA TIES AND THE UNITED ARAB EMIRATES

The groundbreaking US-Africa Summit on August 4-6, attended by some 45 African heads of state and hundreds of senior corporate executives from the U.S and Africa, laid down an important marker: Washington is beginning to see Africa as a commercial partner, not simply a continent to be "saved." (Incidentally, American multinationals had seen this long ago).

For approximately six years, the administration of President Barack Obama had largely neglected the Africa growth and dynamism story and many scholars argue that the President had achieved less than his predecessors in terms of Africa policy. As Todd Moss of the Center for Global Development wrote in 2012, "[the Obama] administration has failed to meet even the lowest of expectations. Even Obama's most vocal supporters quietly admit that he has done much less with Africa than previous presidents have."[10]

As Washington and corporate America broaden their engagement with Africa, it is vital for policy-makers to understand Africa's external environment and growing trade and investment alliances. While the China footprint in Africa[11] has absorbed most of the attention, it should be noted that a key U.S ally, the United Arab Emirates, has emerged as a strategic trade and investment partner in several African states. The relationship is mostly commercially driven.

It remains to be seen if the Obama Administration's convening of a high-level summit of African leaders signals a new seriousness of purpose on Africa policy or an elaborate photo-op. As Washington seeks to build strategies toward growing Africa's trade network and its electricity capacity — two of President Obama's stated initiatives — it can look to the United Arab Emirates as a key partner, one that is already making a difference on the ground.

# I. The Emerging Dubai Gateway to Africa

When Jeffrey Singer, former President of the Dubai International Financial Center (DIFC), sat down with senior Dubai-based executives from 15 of the world's largest banks for a breakfast meeting a few months ago, he asked them a simple question: "what is on your mind?" The answer was unanimous: Africa.

"They were all pursuing deals in Africa, and all wanted to know how we could support them," Singer said. "They see significant deal flow in Africa, in mining, agriculture, infrastructure, telecommunications, and a wide variety of sectors, and they are looking to finance those deals."[12] And as Singer noted, it's not just major global multinational banks. Chinese and Indian banks also see Dubai as a hub for Africa. "We have four of the top Chinese banks. The top 20 banks from India, in DIFC. Take Bank of India, the largest, DIFC. Why? Ask them: Africa!"[13]

The fact that the "regional"[14] heads of some of the world's biggest banks would find it natural to talk about expanding into Africa from Dubai reflects a new geo-economic and geo-commercial reality: Dubai's emerging gateway status to Africa, via sea, air, and now finance links.

Dubai is strategically located at the heart of several new trade corridors, including the SAMEA corridor of some 3 billion people – South Asia, Middle East, and Africa – as well as the CHIMEA corridor (China, India, Middle East, Africa) of more than 3.5 billion people. It also has increasingly become a hub of the "New Triple-A" growth economies in Africa, the Americas, and Asia.

## THE WORLD'S MOST INFLUENTIAL CITIES

1. London
2. New York
3. Paris
4. Singapore
5. Tokyo
6. Hong Kong
7. **Dubai**
8. Los Angeles
9. Beijing
10. Sydney

*Source: Forbes Magazine, Authors Joel Kotkin, Ali Modarres*

As Asia grows in importance, so, too, do Asia's key hub cities, linking Asia to the Middle East and Africa. Ben Simpenforder, author of the illuminating book, The New Silk Road, points out that the three key trading hubs of Dubai, Hong Kong, and Singapore "already play an outsized role" linking the Middle East, East Asia, and Africa and "their importance is expected to grow within the region and globally."

The city-state's transport and logistics infrastructure has made it a powerful trade enabler. Dubai has emerged as a globally recognized hub – of people, goods, services. Every 90 seconds, a plane takes off or lands in Dubai. Every minute, 100 containers land in Dubai ports. Every day, more than 30,000 international visitors arrive in Dubai. The city ranks 7th in the world in terms of international visitors, ahead of Hong Kong, Rome, Shanghai, Amsterdam, Tokyo, and Los Angeles.[15]

Recently, *Forbes* magazine named Dubai the 7th most influential city in the world, owing a great deal to its global connectivity and its role as a hub connecting other regions of the world. Dubai ranked first in the world in terms of air connectivity, beating out London, New York, Singapore, and Hong Kong. The author of the piece, Joel Kotkin, a world renown specialist on cities, also saw great potential in Abu Dhabi, ranking it as the 20th most influential city in the world, on par with Shanghai.[16]

The authors of the report noted eight factors in quantifying a city's influence: "the amount of foreign direct investment they have attracted; the concentration of corporate headquarters; how many particular business niches they dominate; air connectivity (ease of travel to other global cities); strength of producer services; financial services; technology and media power; and racial diversity."[17]

While Dubai was ranked number one in terms of air connectivity, its ports, too, would rank among the most connected in the world. Dubai's Jebel Ali Port is a shipping colossus, among the top ten busiest container terminal ports in the world and the largest between Rotterdam and Singapore (with more activity than Rotterdam). Virtually all of the major global shipping lines call on Jebel Ali, making it one of the world's most important transshipment hubs, and an important feeder to African markets. No other Middle East port comes close to Jebel Ali's global shipping penetration.

Obviously, all of that cargo is not headed for Dubai, a city of just over 2 million people. Jebel Ali is a major re-export center, including to Africa. The global confectionary Nestlé uses Dubai as its Africa headquarters, owing mostly to the world-class warehousing and shipping connections available in the Jebel Ali Port. Louis Dreyfus, one of the world's largest commodity traders, and MiDCOM Group, the largest Nokia distributor in Africa and the Middle East region, all base their Africa office in Dubai.[18] Global carmakers operate central replacement parts warehouses in Dubai as well as the emirate of Sharjah to cover Africa.

China's global telecoms company, Huawei, recently opened a logistics facility in Dubai's Jebel Ali port and free zone to serve Pakistan, the Gulf Cooperation Council (GCC) states, and Africa. Jebel Ali has become a central hub of China's exports to the Middle East and Africa. "The UAE has served as a central logistics hub through which to support more and more of our customers across the African continent," Peng Xionji, UAE General Manager of Huawei, was quoted as saying.[19]

As a result, trade and investment ties between the UAE and Africa have seen exponential growth. Since 2002, Dubai's non-oil trade with Africa has grown more than 700%. From 2008 to 2013, Dubai's trade with Africa grew by 141%, hitting $25 billion, according to the Dubai Chamber of Commerce and Industry (DCCI). Much of that trade comes from re-exports, from Dubai ports to the African continent. "This makes Africa the fastest-growing market as a group for Dubai," says Hamad Buamim, Director General of the Dubai Chamber of Commerce and Industry. "It is a very important export market for consumer goods."[20] Buamim is leading an aggressive charge for more robust links with Africa with office openings planned across the continent.

Another key driver of the rising Dubai-Africa trade are a new generation of African traders and migrants using Dubai as their base to trade with the continent. They are using Dubai in much the same way mainland Chinese traders used Hong Kong or Singapore in the 80s and 90s: a place to trade more efficiently with the "mainland."

As the scholar Akbar Keshodkar notes: "One of the major attractions Dubai offers to traders from Africa is that it has developed as a prominent location for goods transit and re-export, efficiently facilitating re-distribution of goods throughout the region." In a study of Zanzibari migrants to Dubai, Keshodkar noted that Dubai competes directly with Guangzhou, China, a major center where African merchants source goods.[21]

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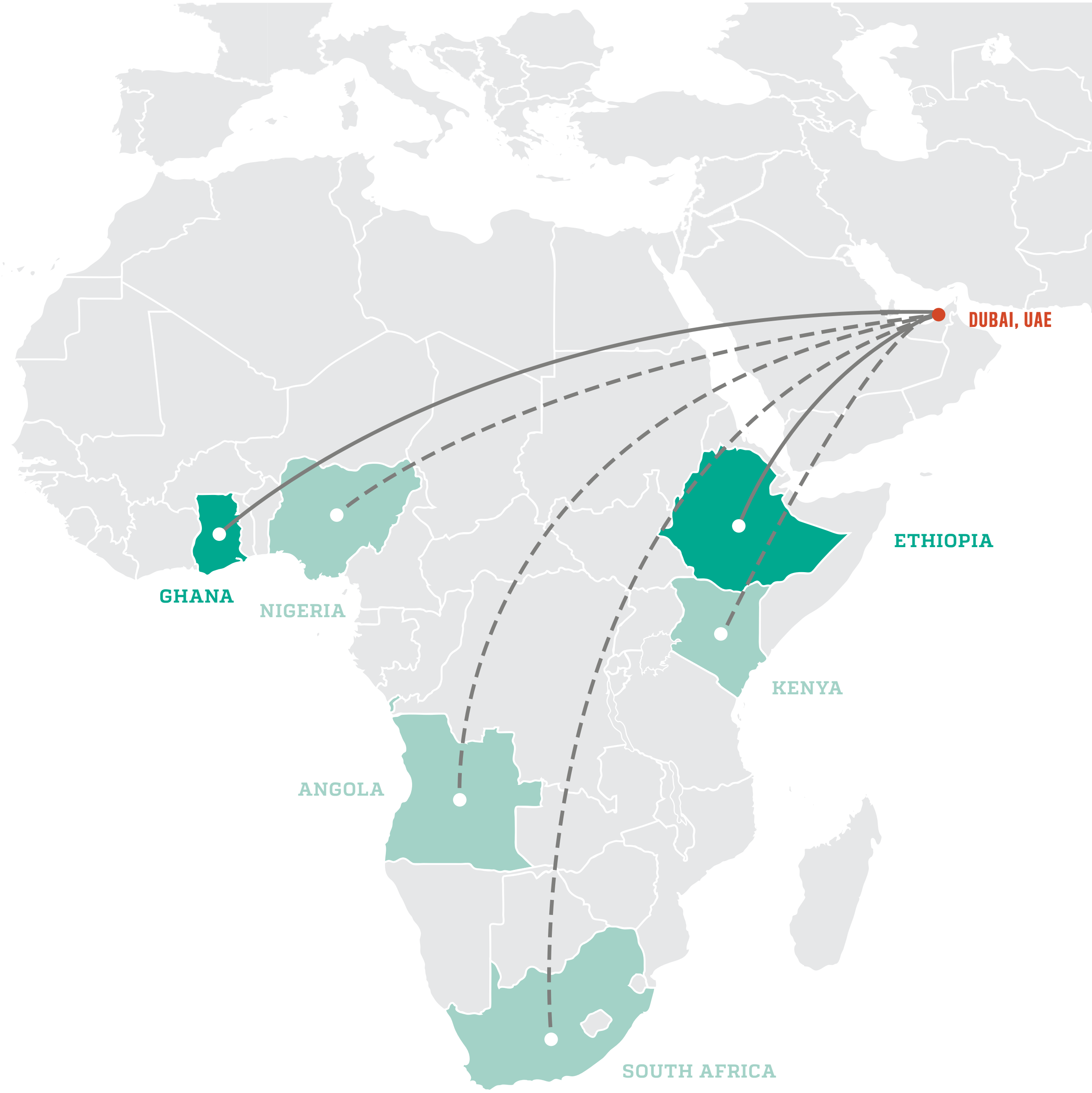
Keshodkar also pointed out Dubai's soft lure: African traders simply like visiting the city. His research found that African traders who travel to Dubai tend to have a high estimation of the city and also enjoy its social freedoms. "Dubai is perceived by Africans as a modernized city, with its ultramodern appearance, developed infrastructure and visible prosperity, where they can experience high level of mobility."[22]




## DCCI EXPANSION

*The DCCI is also expanding into the continent. Last year, it opened a trade office in Ethiopia and, more recently, it added Ghana to its expanding portfolio of offices. Dubai-Ethiopia trade has increased 100% since the office opening. The DCCI is eyeing future offices in Nigeria, South Africa, Angola, and Kenya.*

Existing Offices

Future Offices

This positive perception has led many African traders to prefer goods sourced in Dubai over China, even if those goods are made in China. As Keshodkar notes, "a common perception prevails among African consumers that goods from China are cheaper and accordingly of lower quality which last for a short period, but goods coming from Dubai are of higher quality and last longer." This has partly fueled the rise of Chinese traders from Guangzhou setting up wholesale centers in Dubai "where African traders can now acquire their goods without having to travel to China."[23]

Dubai's government has developed a multi-pronged strategy to continue to grow this relationship. The Dubai Chamber of Commerce is leading an effort to attract African businesses or Africa-facing companies to Dubai. African company membership in the Dubai Chamber has increased from 2914 companies in 2008 to 7,906 through mid-2014, a 171% growth rate.[24]

According to the Dubai Chamber of Commerce and Industry, trading dominates activity of African companies registered in the Emirate, with 60% of all business, followed by construction (14.2%), logistics (8.2%), real estate (8.1%), manufacturing (2.5%), agriculture, (0.2%), and tourism and hospitality (0.9%).[25]

In early October, the Chamber will host the second annual Global Africa Business Forum, a select gathering of 500 leading executives, investors, officials, and others to discuss the future of the continent. One of the attendees will be Africa's richest man, Aliko Dangote of Nigeria. One of his most thriving businesses, Dangote Cement, recently received a $300 million investment from the Investment Corporation of Dubai (ICD), the government sovereign wealth fund. A Dubai official noted that the Dangote deal could lead to more investments from ICD in the future.[26]

**This kind of thinking, writes, Michael Peel in the *Financial Times*, "is one small example of the way Dubai has emerged as a hub for investment into and from Africa, in a regional power play that shows the emirate's growing role in commercial flows outside the western world."** [27]

On September 9, 2014, UAE Prime Minister and Dubai Ruler Sheikh Mohammed bin Rashid al Maktoum hosted six heads of state from West Africa, as well as senior officials for a West Africa Forum that led to pledges of some $19 billion in much-needed infrastructure investments by UAE companies in 17 projects spanning railways, roads, bridges, and power stations. Given Africa's enormous infrastructure deficit, this marks an important milestone in UAE-Africa ties.

The UAE's commercial engagement with West Africa has tended to be less deep than its broad reach into east and north Africa and southern Africa, but the recent forum and deepening of ties brings all of sub-Saharan Africa into a closer relationship with the UAE. UAE Minister of State Reem Al Hashimy, an extremely capable public official fluent in French and English as well as Arabic, was recently honored by the President of Senegal Macky Sall with the Commander of the National Order of the Lion.

## THE PULL OF DUBAI

Increasingly, African graduates are also flocking to the UAE for jobs, trade, or just a place to launch an international career.[28] The London-based Ugandan writer Joel Kibazo was struck by the large numbers of Kenyans and other Africans he met on a recent visit to Dubai. After he left Dubai, the city remained with him when he landed in South Africa. "I spoke to the young gym attendant in my hotel? His ambition? To get a job in Dubai or Abu Dhabi." [29]

Reem al-Hashimi was also managing director of Dubai's successful bid to win the World Expo in 2020. In that capacity, she engaged broadly across Africa, and the continent proved to be a key factor in Dubai's win in two respects: first, Dubai received more votes from African delegates than other competing cities; second, part of the Dubai "pitch" to the Expo voters was the fact that their event would be in Africa's "region" – as Dubai has clearly become.

For more than a decade, Dubai has been positioning itself to grow its relations with African states. As one Dubai official put it: "Some people see Africa's population as a billion problems. We see a billion opportunities."

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There are some 40,000 Kenyans in the city[30], working in construction, hotels, and other service industries, as well as business. According to a dispatch in a Kenyan newspaper, Kenyans are also among the successful business owners in the Africa diaspora community as well as Ugandans and Tanzanians of Asian origin. The report notes that 40,000 East African Asians live in Dubai and are engaged in jewelry business, export-import, supermarkets, and publishing.[31]

A recent mass exodus of businesses from the Eastleigh suburb of Nairobi due to a slump in business saw some 20,000 businesses relocate or move out of the country. They emigrated to Tanzania, Somalia, Malawi, Mozambique – and Dubai.[32]

Collins Cheruiyot, managing director of Kenya Tea Packers, was quoted by the *Wall Street Journal* as saying: "Dubai is a central point in terms of where a lot of businesses meet." He sees Dubai as "a large supermarket" that creates "an opportunity for our product to be experienced by different nationalities – without us having to do direct shipment ourselves."[33]

**“Unquestionably, Dubai has emerged as a key hub for African business and trade,” Peter Lewis of Johns Hopkins SAIS said.[36]**

As the *Wall Street Journal* reports, “Tea Traders say they’re using Dubai as a place to gather leaves from Africa to the west and Asia to the east before blending, packaging, shipping, and marketing them elsewhere. The DMCC (Dubai Multi-Commodities Centre) has a tea center with facilities for them, while Dubai offers tax-free living and air connections to most of the world’s major cities.”[34]

CBRE, the property consultancy, also reports rising interest from Africa-based entities to move to Dubai. “We are seeing a significant increase in companies currently based in Africa which have two difficulties – one is traveling around the continent of Africa and two is staff. Expanding their business to match the growth in GDP is critically difficult and therefore the assumption is that there’s an easier way of doing that by relocating their business within Dubai,” said Nicholas Maclean, CBRE Managing Director, Middle East.[35]

Dubai’s relentless push to become a world’s leading logistics centers will drive future growth in the relationship. A massive new development, called Dubai World Central, will be one of the world’s largest logistics centers, that will tie together one of the largest harbors, a massive freight and passenger airport that will be the largest in the world, and a large free trade zone. The airport will have seven runways. Rail transport will be added linking the rest of the United Arab Emirates.

In many ways, Africa and Africans are engaging with the core of what drives Dubai — trade, logistics, supply chain, tourism and financial services. While Dubai’s glitzy hotels and high rise skyscrapers capture global headlines, the quiet hum of its ports, the steady flow of aircraft, the merchant and trader communities and the hand-shakes that cement deals in local restaurants and hotels represent its value to the growing South-South trade corridors, and are driving UAE-Africa commercial ties.

“Unquestionably, Dubai has emerged as a key hub for African business and trade,” Peter Lewis of Johns Hopkins SAIS said.[36]

# II. The New Maritime Silk Road

The growing trade and investment relationship between the United Arab Emirates and Africa reflects a larger story of two important drivers shaping our world today, and over the next few decades: the rise of new "South-South" trade corridors driving future growth, and the continued dominance of shipping in global trade.

HSBC calls this new commercial and investment geography "The Southern Silk Road," linking Latin America, Asia, Africa, and the Middle East. These "'South-South' connections are set to revolutionize the global economy," HSBC notes. " We believe that trade and capital flows between emerging areas of the world could increase tenfold in the next forty years…In the same way that trade between the developed nations exploded in the 1950s and 1960s, we expect the 21st Century to see turbocharged trade growth between the emerging nations."[37]

To some extent, it is already happening. The majority of exports from Brazil and India are already headed to other "South" countries, and China is close to half. According to HSBC, by the year 2050, 73% of China's exports will be to other emerging[38] economies and India and Brazil will send 83% of their exports along the Southern Silk Road.[39]

The vast majority of that trade will move by sea. A list of the world's busiest container terminals in the world reflects the growing weight of trade in the global "South." Seven of the top ten are in China. Dubai's Jebel Ali port is the 9th busiest in the world, ahead of Rotterdam, Hamburg, and Los Angeles. In fact, Jebel Ali port handles more containers than New York-New Jersey and Los Angeles combined. With 90% of world trade by volume carried by ship, these relatively new and dynamic ports of call are literally changing the map of world trade.

As the author Marc Levinson noted, the advent of container shipping over the past few decades has dramatically transformed the world of trade and "proved to be such a dynamic force that almost nothing it touched was left unchanged, and those changes were often not as predicted."[40] He also noted that "in an industry (shipping) that almost everywhere wrapped itself in nationalist pride, the long-term survivors were profoundly international."[41]

The same will be true of cities and countries in the new global economy.

The United Arab Emirates – with its extensive air and sea links to the world, its lightly regulated free trade zones, its critical mass of global expatriate talent and a mercantile leadership that has embraced globalization — has emerged as a key global nexus state of commerce, investment and tourism.

It also has emerged as a key node of the "Southern Silk Road" and a major artery of the New Maritime Silk Road, serving as a gateway and hub for emerging economies from Asia to Africa to the Americas — the new "AAA." As a result, as South-South trade grows, the UAE will play a more prominent role as a global nexus state, one that both catalyzes trade via its hub and gateway model, but also as an active investor building infrastructure on the ground.

Despite the nay-saying about emerging markets, based mostly on the vagaries of the stock markets, it's clear that the demographic weight of the future lies in Asia and Africa, and an urban consumer revolution has already changed the way global companies look at the world.

As Arif Naqvi, CEO of the Dubai-based global growth markets investor Abraaj Group, notes in the *Financial Times*, approximately a million people across the world migrate from rural environments to urban every week. This, he notes, "will create an urban consumer class of 4bn people by 2025, up from 1bn as recently as 1990."[42] Most of them will be in "growth"[43] economies, Naqvi notes.

Meanwhile, a new global middle class is dawning. By the year 2030, an extra 3 billion people will enter the global middle class[44] and the vast majority of these new entrants will come from "growth markets." They will be mostly urban and ever more wired and tele-connected (there are more mobile phones than toilets in the world).[45]

The story of the urban emerging markets consumer driving growth is not new, but the lights blinking on the investment and trade map have mostly been in Asia, and parts of Latin America. Today, lights are blinking across Africa.

Africa's ports, however, are neither prepared for its growth nor enablers of future growth. According to the African Transformation Report 2014, "the cargo that goes through ports is expected to rise from fewer than 300 million tons today to more than 2 billion in 2040."[46] The consultancy PWC forecasts the steepest rises in logistics activity to be in Nigeria, Kenya, Tanzania, Ghana, and South Africa.[47] Africa's infrastructure gap has been a hindrance to greater trade integration and, therefore, broader development. As the World Bank notes, "inefficient logistics raises the costs of trading and reduces the potential for global integration. This is a hefty burden for developing countries trying to compete in the global marketplace."[48]

## TOP TEN BUSIEST PORTS IN THE WORLD

**1.** Shanghai
**2.** Singapore
**3.** Hong Kong
**4.** Shenzen (China)
**5.** Busan (South Korea)
**6.** Ningbo (China)
**7.** Guangzhou (China)
**8.** Qingdao (China)
**9.** Dubai, Jebel Ali port
**10.** Tianjin (China)

*No African port makes the Top 50

*Source: Containerisation International*

## DP WORLD AND AFRICA

DP World, the Dubai-based ports operator, has been an active investor in Africa, upgrading and managing ports and creating jobs across the continent. DP World operates eight marine terminals (including non-container terminals) in five African countries (Egypt, Mozambique, Djibouti, Senegal and Algeria), and it has stevedoring operations in Port Elizabeth, Capetown, Durban and Richards Bay, South Africa. All told, DP World employs some 5,000 people in Africa, the vast majority of whom are locals, and it regularly brings African staff to the Jebel Ali port for advanced training – critical as Africa's container terminal needs grow, it will need highly trained staff.

In Senegal, DP World signed a 25 year concession agreement with authorities in 2007 to develop and manage its main port. Today, DP World Dakar is a favored first-port of call for vessels southbound from Europe. It sits at the junction of three key trade lanes: North America-Africa, Europe-Africa and Europe-South America. The port connects cargo to Guinea-Bissau, Mauritania, and Gambia. Today, the Dakar port handles around a third more volumes than it did four years ago, according to company officials, and DP World Dakar is West Africa's largest and most modern container terminal. It's a clear example of an investment that has boosted the trading capacity of a key West African nation.

DP World also operates an increasingly important container terminal in Maputo, Mozambique, on the southeastern coast. The Maputo port links regional production, mining and commercial hubs to South East Asia and serves as a key port for land-locked regions of Southern Africa such as Gauteng Province, Swaziland, Botswana, Zimbabwe and Malawi. DP World operates three terminals in the port.

DP World is also active in North Africa, in Algeria and Egypt, operating two of the region's most important ports, on the Mediterranean and in the Red Sea.

In Djibouti, DP World built and grew the Doraleh Container Terminal, which has become the largest and most technologically advanced terminal in East Africa, winner of numerous regional ports awards, and well on its way to becoming a major transport and logistics location.

In addition to DP World's high level of professionalism on par with the world's leading ports operators, African ports benefit from their link to one of the largest, best connected ports operators in the world. DP World operates 65 marine terminals across six continents, including new developments in India, Africa, Europe, South America, and the Middle East.

According to Drewry's Shipping Consultants, DP World is the fourth largest operator worldwide, handling more than 5% of world sea trade.

It operates for the long-term in Africa, with average concession life of 40 years on its projects. It has a global annual capacity of 70 million TEUs[49] (twenty foot equivalent units) and, by 2020, it will have capacity of some 100 million TEUs. In 2013, DP World handled 55 million TEUs across their portfolio. Based on world handling of 516m TEUs in 2013[50], this means that around 11% of all world container trade went through DP World-operated terminals. And according to DP World, 75% of their business is from emerging markets. This is clearly a ports operator that is at the heart of the South-South transformation taking place in our world.

The industry clearly loves the Jebel Ali Port, Dubai. It has won the award for best seaport in the Middle East for twenty years in a row at the Asian Freight and Supply Chain Awards. Business Monitor International notes that its capacity and ability to handle the largest ships in the world means that "Jebel Ali will continue to be the destination of choice for major shipping lines."[51] Jebel Ali's near-term growth targets will likely land it in the top six global container ports worldwide in the next two years.

Jebel Ali is also a major force for exports to Africa, feeding markets from Capetown to Cairo. The vast majority of Africa's trade with Dubai is routed through Jebel Ali, mostly in the form of re-exports to the African continent.

Meanwhile, in Abu Dhabi, the newly established Khalifa Port has gotten off to a strong start, according to industry sources.[52] With its emphasis on heavy manufacturing in its associated free trade zone, the Khalifa Industrial Zone could also become a significant feeder of steel and chemicals to growing Africa. In 2012, the UAE exported $6.5 billion of aluminium and petrochemicals to non-Arab African countries. There is considerable room to grow this trade, as UAE exports accounted for less than 2% of non-Arab Africa's total imports, according to a study by the UAE Ministry of Economy.[53]

All told, more than $400 billion of non-oil related goods passed through UAE ports in 2013.[54] Other countries of the Gulf Cooperation Council are also building up significant port capacity, most notably Qatar for air and sea and Oman for sea. But as a leading logistics trade magazine notes, "the UAE, and Dubai in particular, are a hard act to follow…Efficient customs processes and modern transport and logistics facilities have cemented the UAE's current place as the leading logistics player in the Middle East."[55]

The African Transformation Report 2014 stresses the importance of Africa growing and diversifying its export base, particularly expanding to the emerging economies such as China, India, and Brazil. With 90% of world trade going by sea, African sea connectivity will be a major driver of its future trade with the world, and its growth.

DP World's engagement across the continent has contributed in a measurable way to improving the connectivity of several regions, and UAE ports from Dubai to Abu Dhabi are poised to take on a greater role as a link between Africa and the world.


# III. Air Connectivity and "Chindia"-Africa Ties

Dubai International Airport, the busiest in the world in terms of international passenger traffic, has become a major transit point and hub to Africa. Dubai-based Emirates Airline flies to 25 destinations across the continent, including six daily flights to all three of South Africa's main gateways, and FlyDubai, the low-cost carrier, covers 6 cities on the continent. As global cities expert Joel Kotkin wrote in a study of the most influential cities published by *Forbes* magazine, Dubai is the most air connected city on earth.[56]

In August, Emirates announced a fourth daily flight from Dubai to Johannesburg beginning in October to meet rising demand, bringing the number of weekly flights to 49. This raises Emirates' position as the most active foreign carrier in South Africa. It is the only foreign carrier that operates out of all three of South Africa's major airports, and has a 10% share of international seat capacity. According to Emirates officials, in 2013 its South African network had an average seat factor of 85%.

According to Emirates, 92% of the destinations in their network are not served by any South African airline. Thus, Emirates has become a key air link to the world for South African travelers, in much the same way that it has become for Indian travelers.

Emirates Airline has reshaped global aviation over the past two decades, posing a direct challenge to legacy carriers in Europe, and emerging as the largest long-haul carrier in the world.


Today, Emirates carries 45 million passengers a year [44.5 m in FY 13/14] to 143 destinations in 81 countries. As *Air Finance Journal* notes, “Emirates is the world’s largest airline in terms of scheduled international passenger kilometers flown” and also the world’s largest operator of the jumbo A380s in the world.[57] *Air Finance Journal* noted that Emirates’ reported profits of $887 million at the financial year ending March 31, 2014 makes it “one of the most profitable airlines in the world.”[58] Only Delta Airlines and Japan Airlines are more profitable.

Clearly, Emirate Airline is no lumbering, subsidy-riddled state-owned enterprise. It is profitable and growing larger. According to company forecasts, by the year 2020, the airline will carry 70 million passengers to 170 destinations with a fleet of aircraft exceeding 250. For an airline that began in 1985 with three destinations – Mumbai, Karachi, and Delhi – it has been an extraordinary rise. Today, it is the most important foreign carrier in several African markets.

Several African carriers also operate regular flights to Dubai. The city has emerged as a major tourist destination for Africans, but it is also a key air network hub, feeding travelers from Africa onward to Europe, Asia, and the Americas. In some cases, African fliers even use Dubai as a connecting point to travel to other parts of Africa – a role played by Paris and, to some extent, London in the past.

Amid much fanfare, Arik Air, a major Nigerian domestic carrier, made its inaugural flight to Dubai in late July 2014. It will be a five times weekly flight. It is a testament to the growing demand for flights to Dubai: Arik Air only flies to three other international destinations: London, New York, and Johannesburg.

Ashish Thakar, CEO of the Atlas Mara Group, a pan-African conglomerate that operates in 19 sub-Saharan Africa countries uses Dubai as his base of operations. “Dubai,” he says, “is a brilliant transit point that connects Africa so well to Asia and Europe.”[59]

Pasha Bakhtiar, a former Geneva-based banker, heads a private equity firm targeting Africa. When thinking about setting up his home base, he quickly settled on Dubai, partly owing to lifestyle issues, but mostly due to the air links. “Emirates Airline is actually part of my business plan. Their Africa network is better than most African carriers,” he said.[60]

Other African airlines also fly regularly to and from Dubai International Airport, which surpassed London Heathrow as the busiest airport in the world in terms of international passengers this year. Among the African carriers that call on Dubai: Jubba Airways, Afriqiyah Airways, Air Algerie, Arik Air, Daalo Airlines, TAAG Angola, Ethiopian Airlines, Kenya Airways, Lybian Arab Airways, EgyptAir, SudanAir, TunisAir, Rwandair, and African Express. Few cities in the world offer as many air and cargo links to Africa as Dubai.

**This year, China is likely to surpass India as Dubai's largest trading partner.**

African air traffic into Dubai's airport grew 18.2 per cent over the past year and now accounts for about 10 per cent of passengers.[61] For Emirates Airline, Africa is an increasingly important part of its business strategy, accounting for 9.6% percent of revenues in FY 2013/14.

On Bakhtiar's regular flights to Africa, he estimates that some 30% of travelers are Chinese. Hongbin Cong, a veteran global consultant and a senior advisor to the Dubai government on China-Dubai trade (and a Chinese national), says that Emirates could handle even more traffic from China to Africa if they were given greater access to Chinese cities.[62]

The airline currently flies 35 times a week between Dubai and three Chinese cities, Beijing, Shanghai, and Guanghzou. The load factors on those flights are among the highest in the Emirates network.

## THE UAE-CHINA-AFRICA TRIANGLE OF TRADE

The UAE's growing relations with China will continue to supplement its relations with Africa. In the first half of 2013, combined trade between China and UAE neared $25 billion, with much of the goods from China landing in UAE ports, and re-exported across the Middle East, Africa, and Europe.[63] In the heart of Dubai, a massive shopping mall-cum-wholesale center known as Dragon Mart is the largest Chinese trading hub outside of China. African traders fly to Dubai simply to visit Dragon Mart.

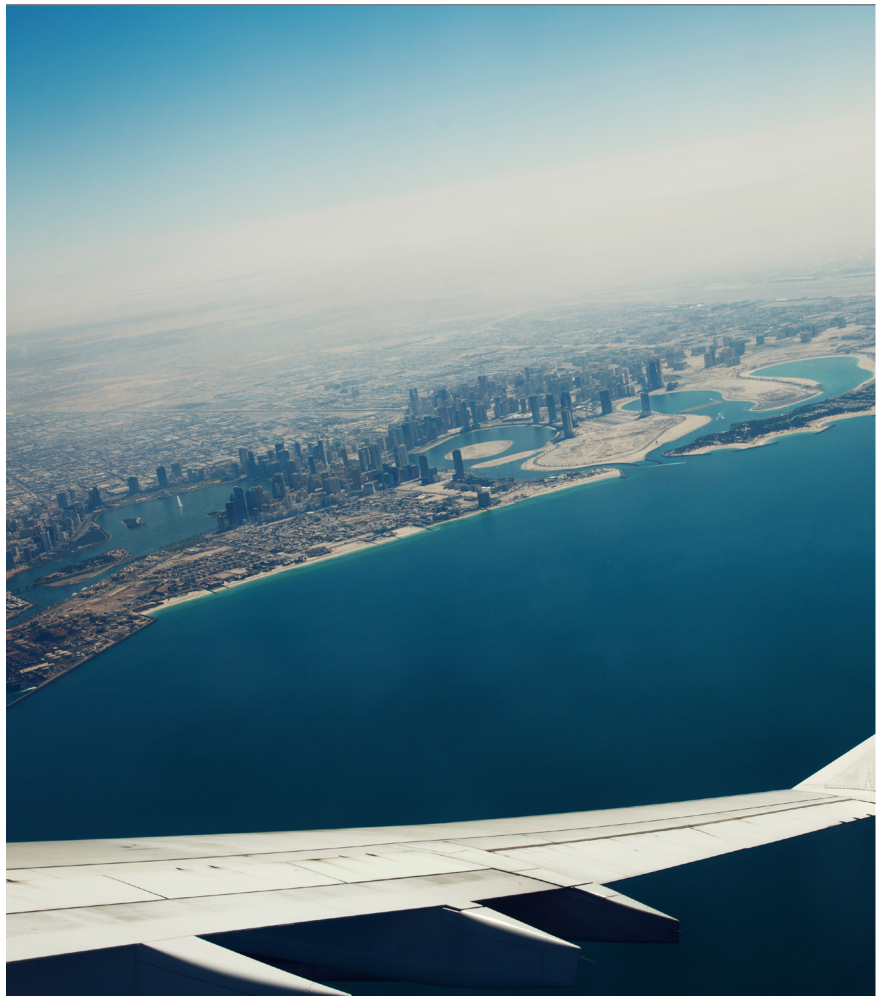
But it's not just trade. The Dubai Tourism and Commerce Marketing committee has 4 offices in China, helping fuel the rising influx of Chinese tourists.[64] The exclusive Jumeirah Group hotel sees almost one-third Chinese occupancy during the year at the famously "seven star", iconic sail-shaped Burj al Arab hotel, and some 70% occupancy during the Chinese new year. During the Chinese new year 2013, a silhouette of a red dragon was illuminated on the Burj al-Arab's exterior sail.

According to a 2014 Chinese study, Dubai ranks among the top three most popular destinations for high net-worth Chinese travelers.[65] China's rising and increasingly traveling middle classes also have put Dubai on their travel circuit. In 2013, Dubai received more than 275,000 Chinese visitors – roughly equivalent to the number of Chinese travelers that visit New York.

In April 2014, the UAE hosted one of the largest Chinese tour groups in history. When the Chinese company Nu Skin decided to reward its high-achieving sales staff of 14,500 people with a foreign trip, they chose the United Arab Emirates. As Adam Buyamorn writes in *The National*, "By the time they had gone, 40,000 hotel room nights had been booked, 300,000 bottles of water drunk and 13 dhows had provided no fewer than 94 dinner cruises, according to Arabian Adventures, who helped to organise the trip. One feast put on for 7,250 Nu Skin reps at Dubai's Meydan city required 300 chefs, 2,500 kilograms of rice and 4,600kg of beef and chicken." [66]

Those Nu Skin tourists would also have been able to use the Chinese yuan in many shopping malls and stores. China UnionPay Credit Cards are also welcome in most major establishments.

Dubai is making a bid to become an offshore renminbi center. The Dubai regional office of Standard Chartered bank began offering yuan accounts for corporates in October 2010, with a landmark deal with local retailer Rivoli. Growth in yuan transactions at Standard Chartered from its Dubai office from 2011-2012 was 750%, according to Haytham El Maayergi, head of transaction banking for Standard Chartered in the UAE.[67] "The direction is clear," El Maayergi said. "With trade between the UAE and China growing larger, people are interested in more transactions in yuan. Look at the progress (of the yuan trade) in just a few years. It will grow more internationally as more people trade in it, especially in the UAE, which is a key trading partner of China."[68]



As more Chinese visit Dubai and the UAE, the idea of the UAE as a hub that links China to Africa will grow. The English language *China Daily* newspaper made the Africa-Dubai connection, writing, "Besides the growing China-UAE trade, the boom in yuan settlements in Dubai is also because of the emirate's strategic position as a gateway to Africa."[69]

This year, China is likely to surpass India as Dubai's largest trading partner.

Dubai authorities continue to aggressively court Chinese trade and investment. The Dubai government has cut a sponsorship deal with the Chinese national ping-pong team and leading Chinese business executives are regularly invited to attend the annual Dubai World Cup horse race, as a special guest of the government.

All of this has set the UAE apart in the minds of many Chinese officials and businesses. The UAE has been designated a favored tourist destination by the Chinese government. Exemplifying this attitude, the *China Daily* wrote, "Though the region known as MENA is still prone to political and economic instability, the United Arab Emirates remains a bright spot that provides a much-needed steadying influence."[70]

There are currently 200,000 Chinese and 3,000 China-based companies in the UAE, many of them doing business in Africa. China-Africa trade hit a record $210.2 billion in 2013, and China's Ministry of Commerce reports that more than 2000 Chinese companies have invested in Africa over the last ten years.[71] As UAE-China relations grow and China-Africa ties continue to accelerate, the UAE will be even more strategically positioned to play the role of hub and gateway.

The UAE-China-Africa triangle is thus poised for further growth.

## THE UAE-INDIA-AFRICA TRIANGLE

Dubai has also emerged as a key link between Indian travelers to Africa. The UAE relationship with India is much deeper than with China, with deep historic roots. India is the UAE's largest trade partner and the UAE has become a gateway to the world for India with vital air and commercial links. Dubai has emerged as India's de facto Hong Kong. Indian airline executives often joke (or lament) that Emirates Airline has become the "national airline of India."[72] They have a point. For international travel, more Indians choose Emirates than any other airline, including India's national carriers when traveling westwards or connecting to the Middle East, Europe, Africa or North America. Thus, Terminal 3 at Dubai International Airport – the massive steel and glass complex of duty-free shops and restaurants that has become the contemporary caravanserai of the "Southern Silk Road" – has become a virtual Indian highway to the world.

A large cohort of Indian clerks, mid-level managers, senior bankers, and C-suite executives support the UAE's development (and, of course, Indian laborers play an important role in the construction sector). Bollywood hosts an award show in Dubai, Abu Dhabi hosts India-Pakistan cricket matches, and local English language newspapers cater to Indian expatriates. All of this helps explain the oft-told joke among Indian expatriates: "what is the best city in India? Answer: Dubai."

In addition to Emirates, Abu Dhabi-based Etihad Airways has also become a major player in the Indian travel market, particularly with the recent purchase of a 24 percent stake in Jet Airways, a leading Indian carrier. Etihad is sure to pick up some of the Indian traffic to Africa, and vice-versa. Abu Dhabi International Airport also hosts the only U.S Customs and Immigration office in Asia. This will likely be an incentive for

travelers to pass through Abu Dhabi on their way to the U.S, dispensing with customs formalities with American agents in Abu Dhabi, and bypassing long lines in US airports.

Etihad, which flies to seven destinations in Africa, recently opened an office in Johannesburg, and has inked strategic alliances with two key carriers, South Africa Airways and Kenya Airways. Africa needs a much more integrated air network, and here is where Etihad Airways – with its history of investing in regional leaders – could play a positive role. A substantive investment in a major African carrier could bolster African aviation and allow Etihad a deeper reach across the continent.

India, like China, has its own direct links across Africa, but still sees the UAE as a useful gateway to Africa. South Africa-India trading ties are growing rapidly, expected to hit $15 billion by 2015. Emirates has become the airline of choice linking business executives and travelers from the two countries. The airline reports that it carried 106,000 passengers between the two countries in 2013.

As India and China engage more broadly and deeply with Africa, they will continue to need gateways and strategic partners to service the relationship. The UAE is well positioned to be the nexus state between "Chindia" and Africa, and partner with companies from both countries as they pursue Africa business strategies.

**A large cohort of Indian clerks, mid-level managers, senior bankers, and C-suite executives support the UAE's development (and, of course, Indian laborers play an important role in the construction sector). Bollywood hosts an award show in Dubai, Abu Dhabi hosts India-Pakistan cricket matches, and local English language newspapers cater to Indian expatriates. All of this helps explain the oft-told joke among Indian expatriates: "what is the best city in India? Answer: Dubai."**

## AFRICAN AVIATION

According to the International Airline Transport Association, the aviation industry supports 6.7 million jobs across Africa and generates some $67.8 billion in economic activity. Foreign air carriers also contribute to local economies. According to a study by Oxford Economics, Emirates alone — not counting Dubai International Airport or Etihad – contributes $800 million to South Africa's economy via greater connectivity.[73]

Africa's airports — like much of its infrastructure — will need to grow rapidly to boost its trade and support rising tourism. While air cargo represents only a small percentage of world trade in terms of volume (10%), it represents 35% of all international trade by value. Tourism can also be a major driver of growth in several African countries. International tourist arrivals to Africa have grown by almost 5 times since 1990, according to the Airbus Global Market Forecast 2013-2032.[74] Tourism accounted for $36 billion in earnings in 2012, amounting to 2.8% of regional GDP.[75] Today, Africa accounts for 5% of global tourism, according to a World Bank study,[76] but this is surely far below their potential.

As more travelers seek African holidays, more will find themselves boarding Emirates or Etihad Airways. Traffic to and from the Middle East has grown 307% since 1990[77], a by-product of the growing links between carriers such as Emirates, Etihad, and Qatar Airways.


# IV. UAE Investments in Africa

Dubai tends to dominate the trade picture between the UAE and Africa, but Abu Dhabi-based companies are also pursuing aggressive Africa investment strategies. One of the most important is the Emirates Telecommunications Company, otherwise known as Etisalat. The company, 60% owned by the UAE government, has one of the most expansive Africa mobile networks in the world, operating in 14 countries across sub-Saharan Africa. Their recent purchase of a 53% stake in Maroc Telecom — a major player in west Africa mobile — will further add to Etisalat's extensive Africa footprint.

Etisalat currently operates mobile networks in Gabon, Mali, Burkina Faso, Ivory Cost, Tanzania, Sudan, Morocco, Egypt, Nigeria, Mauritania, Benin, Togo, Niger, and Central African Republic. According to its latest filings, Etisalat serves 69.7 million subscribers across Africa as of 30 June 2014.The company, with a market value of nearly $25 billion, ranks among the top tier of the largest mobile carriers in the world. It sponsors pan-African literature and innovation prizes, and sees the continent as a key part of its future growth. Over the past two years, Etisalat has been the fastest growing carrier in Nigeria, one of Africa's largest and most dynamic markets. According to statistics provided by the Nigerian Communications Commission, Etisalat is the fourth largest carrier with 18.72 million subscribers at the end of the 1st quarter of 2014, and is on pace to overtake Glo Mobile, and become the third largest in the market.[78] Etisalat is also in the fourth place in terms of the number of users who access the Internet through mobile networks, but here

## THE DUBAI LODESTAR AND AFRICA

Economists and pundits often look for regional models, success stories that can be emulated to support sustainable development elsewhere. The reality, of course, is that each country and city must find their own development path, one that suits their environment, and maximizes their potential. Aspirational lodestars, however, are important across the developing world. Many of them tend to be smaller city-states, such as Singapore, Hong Kong, and now Dubai. They act less as "models," and more as inspiration.

The United Arab Emirates, and Dubai in particular, has emerged as short-hand for "success" among many African governors or headline writers, proclaiming this city or that region as the next "Dubai of Africa." The governor of Bayelsa state in Nigeria, Henry Seriake Dickson, is not shy about this distinction. He openly proclaims his ambition to make his state the "Dubai of Africa."

In a recent speech, he said: "we are preparing our state for industrialisation. We are preparing our state to be a foremost tourism and investment haven. We are preparing our state to join the league of developed states. I am in a hurry to see development....I am in a hurry to see this place become the Dubai of Africa... Very soon, you will see tourism unfold; very soon you will see people rushing into Bayelsa as they already doing now."

It is a theme that he has repeatedly stated, and one that he underscored at an investment forum in Bayelsa in early July, 2014.

Headline writers in the region regularly proclaim this or that state as either the up and coming "Dubai of Africa" or lament that the city or state failed to become the "Dubai of Africa." Senegal, it is often said, has the ability to be the Dubai of West Africa. Nairobi is casually called the Dubai of East Africa. Most importantly, these are not Western headline writers or voices, but local ones.

A Dubai-based non-Emirati CEO well-connected to government described to this author a scene in a West African business conference in which several business executives urged him — "half-joking, but half-serious" — to "tell the UAE government to simply run our business and economics ministries."

Mohammad Omar, the Minister of Investment and Commerce of the autonomous state of Somaliland, also talks openly of the "Dubai model." He said: "We are looking at ... building free zones like Jebel Ali. We have already created a tax regime that reduce tax on foreign investment ... In many ways we are looking up to the Dubai model of business promotion."

It's an increasingly common refrain. At a speech in Dubai, Dr. Seth Adjei Bah, the president of Ghana's Chamber of Commerce and Industry, told the audience that he hopes his country can gain valuable knowledge from Dubai in the realm of tourism, information technology, financial services, telecommunications and construction.

In Sudan, the chairman of a Development company, Hani Al-Khidr, dreams of building a major new urban project in Khartoum "to raise a symbol of Khartoum's post-war renaissance and a beacon of modernity in the region." In doing so, he said: "We looked for inspiration by studying similar construction projects in the United Arab Emirates, in Malaysia and in Beirut and we drew up our own after making sure it was adapted to our culture and environment." The headline for the article was somewhat hyperbolically and prematurely entitled "Sudan: the Dubai of Africa."

The Head of Marketing for RwandAir, Michael Otieno, a growing airline in one of Africa's economic success stories, noted recently that "we dream of Rwanda which will be the Singapore or Dubai of Africa."

Meanwhile, the head of a Namibian project that seeks to modernize its transport infrastructure proclaimed their vision to become the "Singapore and Dubai of Africa by 2030."

again, it is demonstrating faster growth than most competitors.[79]

The company operates under the brand Etisalat Nigeria and has, according to *Africa and Middle East Telecom Week* industry magazine, maintained "premier ranking for customer satisfaction", and "significant strengthening of margins." [80]

In a speech at the 2013 Africa Global Business Forum held in Dubai, Etisalat CEO Ahmad Julfar said: "Africa is the next growth engine globally. The growth is coming from the wireless as it is easy and quick to deploy and can reach very remote villages in Africa even before electricity. Not only mobile voice but mobile broadband; this is where growth is going to come."[81]

When Etisalat announced its 2014 1st quarter net profits, the company attributed its 11% rise to growth in the UAE and three key African markets: Egypt, Niger, and Nigeria. Africa (including Egypt) contributes nearly 20% of its revenue. In announcing 1st quarter results, Ahmad Abdulkarim Julfar noted, "Africa remains a strategic region for our business and we will continue to invest and build even closer relationships with the communities in which we operate on the continent."[82]

Etisalat has also aggressively entered the mobile money space in Africa, rolling out a new service call "Flous" that will allow Africans on the Etisalat network to use their mobile phones as digital wallets or, more simply, as banks. Africans are the most un-banked people in the world. That's why mobile money solutions have been growing so fast across the continent. With a few key strokes and a mobile line, a world of possibilities opens to African consumers, farmers, small business owners, and others.

Beyond telecoms, several subsidiaries of the Abu Dhabi-based investment and development group, Mubadala, currently have Africa growth strategies, for investment in petroleum, mining, and infrastructure. Mubadala Petroleum is drilling offshore Tanzania, and Mubadala Development is eyeing mining projects in Sierra Leone in bauxite, alumina, and iron ore. Mubadala Petroleum signed a cooperation agreement with Somalia's Ministry of Petroleum and Mineral Resources to support the development of ministry staff as well as developing upstream opportunities in the future.[83]

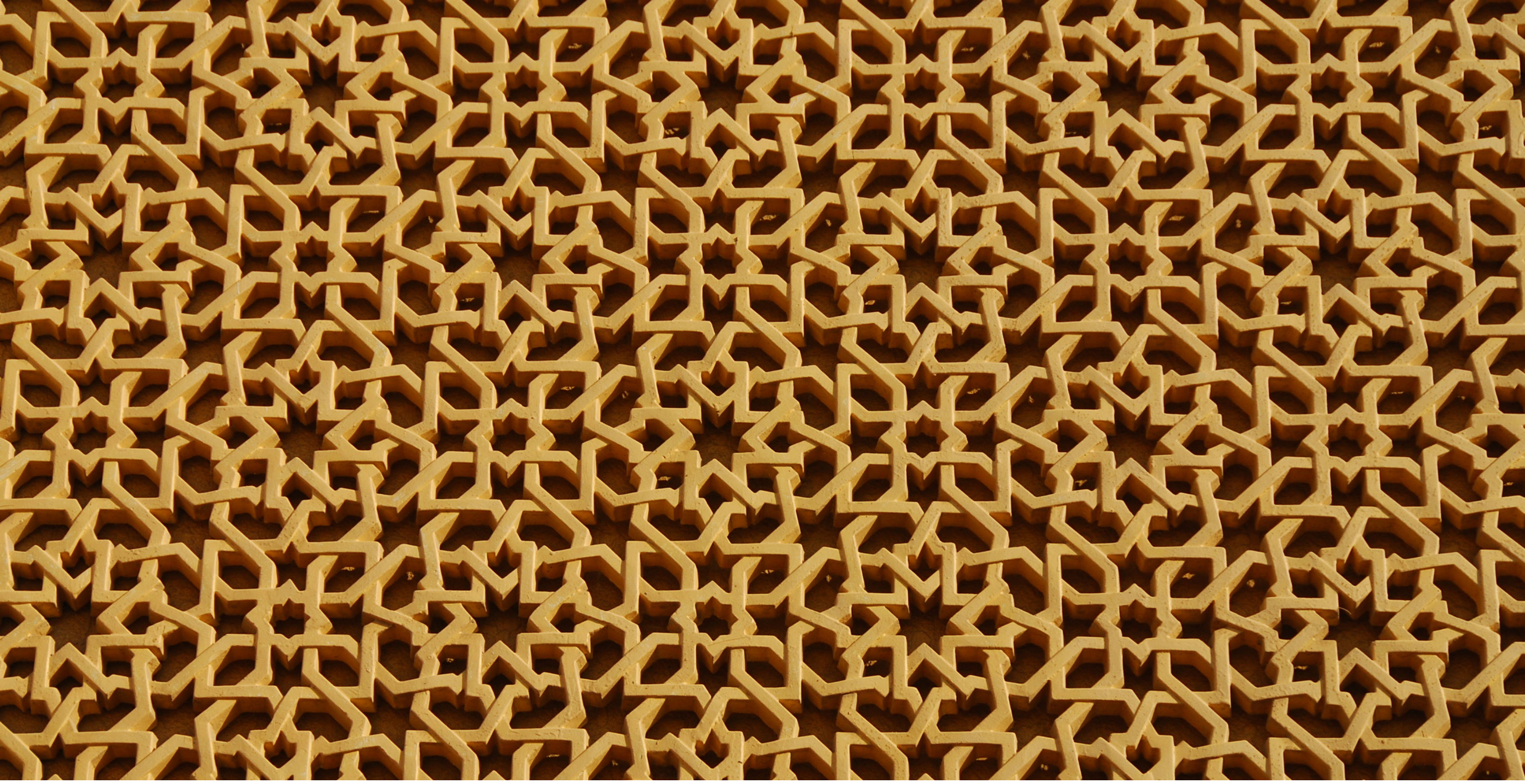
Meanwhile, the Abu Dhabi Energy Company, Taqa, has invested substantively in expanding power capacity in Ghana, thus helping fuel that West African nation's growth. Frank Perez, Taqa's head of power and water operations, noted that the company is unlikely to stop with Ghana. He was quoted in the Abu Dhabi daily, *The National*, as saying: "We think Africa has several decades of good growth and a huge need for power as they develop their natural resources and their growing economy." [84]

Power sector investments are vital to Africa's future. The continent is the most electricity insecure in the world. The 48 countries in SSA generate only 68,000 megawatts of electricity, equivalent to Spain. The World Bank notes that less than a quarter of the population of Sub-Saharan Africa has regular access to electricity.[85] The World Bank notes that Africa needs to spend $41 billion annually on power simply to keep up with electricity demand.[86] Further investments in this realm by Abu Dhabi companies would have catalytic effects on entire regions.

Abu Dhabi companies should also seek to partner with US firms engaged in power generation. President Barack Obama has announced a Power Africa initiative that aims to provide $7 billion in financial support and loan guarantees from several US government agencies, including the Export-Import Bank of the United States (Ex-Im Bank), Overseas Private Investment Corporation (OPIC), and the US Trade and Development Agency (USTDA). The initiative hopes to catalyze some $15 billion in private sector investment into six countries – Kenya, Tanzania, Ethiopia, Nigeria, Liberia, and Ghana. Non-US companies will likely lead these projects, according to *African Energy*, and several industry leaders have welcome the Power Africa initiative.[87]

Meanwhile, two UAE companies, Mubadala and Dubal, have joined together for a $5b investment in Guinea to develop a bauxite mine. According to Mohammed Lamine Fofana, Guinea minister of mines and geology, "the development plan will create at peak 14,000 direct and indirect jobs and contribute substantially to Guinea's GDP." The deal also includes the development of an export mine and a port by 2017 in Kamsar, a coastal city connected to Sangaredi by railway.[88]

Clearly, Africa's infrastructure investment needs are immense. UAE companies are making a modest impact, but both sides should begin to explore partnerships with companies in the United States and elsewhere to scale up their projects. In the end, the difference between Africa achieving its immense potential or failing further behind will be driven by its infrastructure.



# V. Conclusion: UAE as a Nexus State and Potential UAE-US-Africa Trade and Investment Triangle

Of the $18 trillion or so in world trade each year, more than 25% of that trade is so-called "South-South."[89] Thirty years ago, South-South trade amounted to only 8% of global flows.[90] As the economic center of gravity balances ("shifts" is the wrong word as it implies a zero-sum game) toward the East and the so-called "South," the commercial geography map of our world is changing.

Unfortunately, policy-makers in Washington are largely lagging behind this South-South trade phenomenon. They still largely categorize the world into political geographies, such as Middle East/North Africa (MENA), or East Asia-Pacific (EAP), or Sub-Saharan Africa (SSA), thus locking their minds, limiting their imagination, and erecting bureaucratic barriers that obscure what the merchants and business leaders are seeing: the immense trans-regional opportunities and new trade corridors forming.

The United Arab Emirates provides a good example of how the traditional categories limit the imagination and, therefore, limit U.S and global policy-making. In many Washington policy circles, the UAE is seen as a moderate Arab ally in a turbulent Middle East, or as the State Department anachronistically refers to the region "The Near East." In this rendering, the UAE is a strategic defense partner, a major purchaser of U.S goods, from Boeing airplanes to Ford automobiles, and a key ally in the Middle East.

On its own, the UAE would be viewed as an important export destination, the 17th largest buyer of U.S goods. But this is a far too one-dimensional view of a country that is emerging as a major commercial nexus state — a state that links entire continents, states and cities via air and sea connectivity, investment and trade. Other notable nexus states include Singapore and Hong Kong. Nexus states like the UAE can be leveraged toward broader U.S policy goals of sustainable development and job creation worldwide.

## THE MIDDLE EAST OR WEST ASIA?

Interestingly, neither Beijing nor Delhi use the geographic term for the UAE's region invented by an American naval strategist in 1902— "the Middle East." They refer to the region as "West Asia."

In the early 20th century, Alfred Thahan Mayer, writing in a British strategy journal, wrote: "the Middle East, if I may adopt a term of which I have not seen", should be an area of emerging strategic interest for the British navy, mostly because of its location: between Europe and the Far East and India; hence, the "Middle East." The name stuck, even widely used in the "Middle East" today. A leading pan-Arabic, London-based newspaper, is simply called "Middle East," in Arabic, *Asharq Al-Awsat*.

Thus, the growing ties between Asia and the Arabian peninsula as well as Iran and Iraq can be seen as "West Asia" rekindling its historic ties with East Asia. Today, Dubai has taken its place alongside Hong Kong and Singapore as among the top three hub cities of Asia. In fact, as the world's demographic and commercial weight balances more equally to Asia and 'the East," the key hubs of that region will play a vital role in the global economy. Hong Kong, United Arab Emirates, Bombay (Mumbai), Shanghai, and Singapore — call them the HUBSS — will drive growth in the most populous regions of the world. Of these HUBSS, the UAE is best-positioned to link Africa to Asia.

In a sense, the UAE's growing ties with Africa should also be seen as a revival of historic trading ties. As Simeon Kerr, Dubai-based correspondent for the *Financial Times*, writes, "the rise of African economies and the emergence of Dubai as a trading and operations hub, are reviving ancient links."[91]

While the UAE is clearly a nexus state on the Southern Silk Road, it also has emerged as a global nexus state of trade. It has become a node of connectivity linking Europe and the Americas to Asia and Africa, and vice-versa. It would be inaccurate to simply think of the UAE as a South-South trade node. It has become a North-South one as well.

That's why UAE-Africa ties matter so much to the continent. It could have a meaningful impact in connecting Africa to a wider world, while also playing a modest role in investing in the infrastructure needed for Africa's growth.

Washington should thus seek to partner with the UAE as its grows its own Africa commercial strategy, thus creating a UAE-US-Africa triangle to supplement already existing UAE-China-Africa and UAE-India-triangles of trade and connectivity.

## THE HUBSS OF ASIA

**H**ong Kong
**U**AE
**B**ombay
**S**hanghai
**S**ingapore

*These four cities and one country represent the most crucial commercial and economic gateways for emerging Asia, and its links to the world. The UAE, in particular, is best positioned to serve as the key hub between Africa and Asia.

# About the Author

## AFSHIN MOLAVI

A fellow at the Foreign Policy Institute and Director of GEGMI, Molavi co-founded the World Economy Roundtable at The New America Foundation, has advised Fortune 100 companies on emerging markets strategies, serves as a senior advisor at Oxford Analytica, and has written and spoken widely on emerging and growth markets, particularly "The New Silk Road," the rise of Dubai as a geo-commercial hub, global multinational consumer companies and the emerging middle class, China's economic footprint in the Middle East, the power and global reach of the new emerging market multinationals, and the geopolitics of energy.

# Notes

[1] For more on the emerging markets-led transformation of our world, see a remarkable series of essays in SAISPHERE, 2013-14 cover story, "Emerging Markets: on the World Stage," http://www.sais-jhu.edu/sites/default/files/resource-article/files/SAISPHERE%202013-2014.pdf

[2] Gregor Dobler, "From Scotch Whisky to Chinese Sneakers: International Commodity Flows and New Trade Networks in Oshikango, Namibia," Africa Volume 78, Issue 3, August 2008, pp 410-432.

[3] Statistics cited by African Development Bank President Donald Kaberuka during a speech celebrating the 50th anniversary of the African Union, May 25, 2013.

[4] "The Africa Competitiveness Report 2013," World Economic Forum, p. 3, http://www.worldbank.org/content/dam/Worldbank/document/Africa/Report/africa-competitiveness-report-2013-main-report-web.pdf

[5] Briefs, Africa Business, June 2014, p. 8

[6] Peter Lewis, Interview with author, July 1, 2014

[7] Ibid

[8] Ibid

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