

# Towards Africa:

## DP World as a model



مركز دبي لبحوث السياسات العامة  
Dubai Public Policy Research Centre

### DP World, Djibouti & Somalia

### DP World and Senegal

### The United Arab Emirates and the African Continent

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### Introduction

In the first report of this series, we discussed the importance of African countries, especially the Horn of Africa, for the countries of the world in terms of the abundance of natural, agricultural, animal and mineral resources, including uranium and precious metals, as well as the availability of fresh water that flows from rivers throughout the continent; as well as the extent of competition over this region among the countries of the world at the regional and global levels in order to extend their influence and win the exploitation of those resources.

In this report, we will discuss the UAE's relationship with Africa and the extent of competition it faces from the rest of the world, by referring to the investments of DP World as an example.

### The United Arab Emirates and the African Continent

The UAE is seeking to strengthen its relations with Africa, as this appeals to many African leaders who consider Dubai as a gateway to developing their economies. Currently, China is reviving one of the oldest trade routes in the world, the Belt and Road Initiative (BRI), which the UAE welcomed and became a part of. This initiative gives a great impetus to the governments of the UAE and China and to African governments to link these three regions together, after the UAE has imposed itself as a major gateway to Africa and as the second largest foreign investor in the continent next to China.

Non-oil exports and re-exports from the UAE to Africa in 2018, amounted to about 18 billion euros, most of which are through Dubai World Ports located

in 7 African countries, as Africa represents 10% of the giant port's revenues. However, there are also other Emirati companies active on the continent. DP World has remained optimistic about Africa's growth prospects, with its current investments in Egypt, Sudan, Algeria, Djibouti, Rwanda, Somaliland, Mozambique and Senegal, the port operator has shown a growing interest in the continent despite a legal dispute over its operations in Djibouti.

Trade among world countries in the past years was either stable or declining, but it grew with African countries, and even nearly doubled. Instead of selling to Africa, Dubai settled in big markets such as Kenya and Tanzania and is forward looking to Ethiopia, which has a population of 100 million, ten times more than the population of the UAE. Therefore, Dubai seeks to establish this way of work and to actually exist to provide solutions to the challenges in Africa. Of course, financing is not easy; if companies receive good advice and have the right business model, then they can get to Dubai and get an access to a network of venture capitalists interested in Africa who would like to reach the African markets.

Emirati companies are seeking to avoid the political deadlock that has caused previous investments in Africa to produce food to fail, as food and water security remains an important interest for the UAE and other Gulf states in East Africa. The private Al-Dahra Holding Company headquartered in Abu Dhabi, which owns agricultural land in Africa, claims to work on a (50-50) basis to share production with local companies and employ local workers.

Dubai's approach to African companies attracted them to Dubai because of its experience in many fields. There are about 21,000 African companies in the Emirate of Dubai looking up to an environment in which incentives for tax exemptions, visa and Islamic financing are available. Many of these companies require Shariah-compliant financing documents, and this involves an innovative approach to business. It is true that Africa has uncertainties and risks, but it is also full of investment opportunities. Dubai is looking forward to having the model it followed in the African continent to be applied in other emerging markets; e.g. Latin America, Oceania or Central Asia.

Dubai promotes this type of cooperation because it benefits its economy and the economy of Africa, and opens a new chapter between the two parties. Africans are also focusing on innovation as a means to solve various issues, from crime fighting to children's education, and from food security to public transportation and emergency response.



## DP World, Djibouti and Somalia

Since its inception, DP World has been able to spread in most parts of the world, so that its operations currently include 70 seaboard and land terminals in 31 countries, and it handles more than 60 million TEUs annually, at a rate of more than 150,000 containers per day, and serves about 70,000 container ships per year; i.e. approximately 190,000 ships per day, amid expectations that this number will exceed 100 million containers by 2020, in line with the requirements of the growth of global trade volume while maintaining its business structure that focuses by 70% on origin and destination goods, and by 75% on the fastest growing emerging markets.

The Doraleh Container Terminal (DCT) set up by DP World in Djibouti, opened in 2009 and is the sole Container Terminal in the Horn of Africa capable of handling 15,000-ton container ships. This project soon became the most important reservoir of the largest country and most important economy in the region, Ethiopia, which became landlocked after Eritrea's independence in 1993.

4 A dispute occurred between Abu Dhabi and Djibouti and escalated to the point of estrangement and to resorting to International Courts. This dispute reached its peak after Djibouti terminated the contract concluded with the UAE in February of 2006, due to its conflict with the basic interests of the state, as Djibouti claims.

In April 2019, the London Court of International Arbitration issued a new ruling obliging the Djiboutian government to pay US\$385 million to DP World over the dispute in the DCT case, as the Court concluded that the Djiboutian government had violated the concession agreement, signed in 2006, which provides for the establishment of a container terminal in Doraleh with the exclusive right over all container handling facilities in the Djibouti region. The



Court also found that by developing new container terminal opportunities in cooperation with Hong Kong-based China Merchants Holdings Ltd., Djibouti had infringed DP World's rights, especially the exclusive rights.

The Eritrean and Emirati authorities also agreed to establish huge facilities to be built by the UAE pursuant to an agreement between the DP World and the Eritrean government in Assab, the Eritrean port. The agreement stipulates that Eritrea will receive 30% of the port's revenues after its operation, and the real operation began, according to the agreement, at the Assab port and airport during 2018.

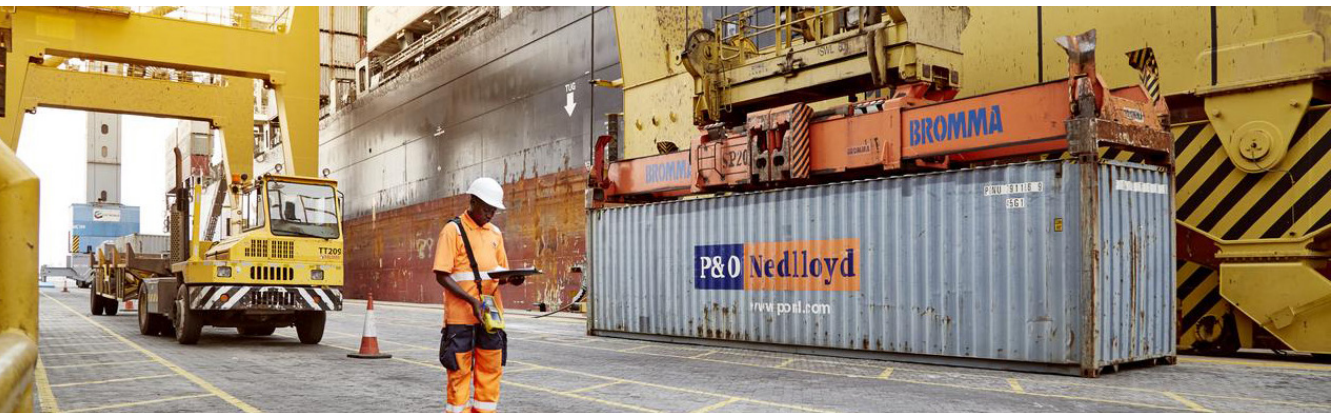
Another related development was recently revealed, which is that a year after DP World concluded an agreement with the Republic of Somaliland (Somaliland) – a semi-autonomous region – to develop a commercial port in Berbera at a value of US\$442 million, Ethiopia signed a deal with the port operator and the Somaliland government to acquire a 19% stake in the port.

## DP World and Senegal

DP World, the leading global provider of integrated smart logistics solutions, is targeting further expansion of investments in the African continent, which reflects the commitment of the Emirate of Dubai and its economic institutions to develop and implement projects that will enhance the economic growth. In this context, DP World recently signed an agreement with Senegal to enhance the benefits of the Dakar Port Concession for a period of 50 years, with investments of approximately 4.15 billion dirhams (about 1.13 billion USD).

DP World confirms that the agreement it recently signed with the government of Senegal to develop a deep-water seaport in Ndayane, about (50 km) away from the existing port, comes within the framework of its commitment to the Dakar Port Concession, which has a term of up to 50 years on two periods of each 25 years, starting with the launch of the new port's operations, according to the annex that was added to the existing Concession granted in 2017.

DP World shall not only develop and operate the 300-hectare Container Terminal, but also shall design, finance, and develop the land and maritime infrastructure of the new 600-hectare port. Investment in the first phase by DP World Dakar is about US\$837 million, expected to be followed by a second phase of investment of US\$290 million.



The first phase of the project will be operated alongside the existing DP World Dakar Container Terminal, as the Government's vision for the development of the Port of Ndayane as a site for the next 100 years of port activities in Senegal, DP World is also planning to develop a special economic zone next to the Port of Ndayane to further strengthen the attractiveness of Senegal to foreign investors looking for investing in West Africa. The development of such an SEZ serviced by a world class port and airport will become another strong driver for growth of the economy and generation of jobs for the next generation of Senegalese citizens. Senegal recently became the second country to join the World Logistics Passport, a major initiative by Dubai established to increase trading opportunities between developing markets, to overcome trade impediments, and further boosting its position as a trade hub for West Africa.

## DP World and Angola

Angola's location on the Atlantic Ocean in southern Africa promotes its opportunity to benefit from trade flows into the surrounding region. Angola has strong potential for further economic growth. DP World's plans in Angola come after it concluded the largest port investment deal in Africa following an agreement to develop a deep-water seaport in Ndayan, Senegal. The terminal is located in the port of Luanda and will handle containers and general cargo, and has a pier of 610 meters, a depth of 12.5 meters and a yard of 23 hectares.

DP World will invest US\$190 million over the 20-year period of the concession, with plans to rehabilitate the existing infrastructure and acquire new equipment to bring operations in line with global standards and improve

the efficiency of the Terminal, as well as further training and development of Angolan staff employed at the terminal; therefore, achieving the broader aim of increasing the terminal's annual throughput to approximately 700,000 TEUs per year.

The Terminal at the port of Luanda shall handle both containers and general cargo, and has a pier of 610 meters, a depth of 12.5 meters and a yard of 23 hectares. . The Multi-Purpose Container Terminal will be the first operated and managed by DP World on the western coast of southern African continent, and this terminal is expected to enhance DP World's presence in the African continent.

## Conclusions

The United Arab Emirates, Saudi Arabia, Qatar and Turkey are seeking to expand their influence in the Horn of Africa, and they are not the only external powers currently competing over the region. China recently established its first foreign military base in Djibouti, only about ten kilometers away from the only American base in Africa, turning the Red Sea into an emerging theater of competition between the great powers.

The UAE's investment in DP World is linked to the British Empire's investment in the East India Company in terms of its importance in expanding external influence. This is usually linked to the presence of military bases near the ports, especially in the Horn of Africa, in order to refer to the company as a type of strategic move that links economy to security.

The real gains for the UAE in light of the international competition over the African countries come from the so-called "Arm of Economic Development". As the military conflict over Africa and its resources shall definitely cease, but what will be grounded in the long run is economic investment, which is what the UAE has been using in its prosperous relations with all African countries in which it invests.

African countries can benefit a lot from new alliances with the Gulf Countries only under the proper management of their economies and resources. African countries in particular will be able to benefit from investment and assistance to improve infrastructure, create jobs, and enter global markets as they attempt to modernize/ upgrade their economies.

Investment in ports is an investment in logistic corridors, which represent the arteries of trade and economy, but since most of the African countries in which investment is made lack infrastructure investments, ports have begun to establish urban areas in which investment between ports can be integrated as a basis for economic attraction and real estate infrastructure, which may create a new role for Nakheel (a property developer based in Dubai) in real estate development for the cities in which ports are being built, which will create new investment opportunities for Dubai and will enhance its development model.





## About b'huth

b'huth is an independent public policy research Centre founded in Dubai, UAE in 2002, that focuses on International Affairs, Geostrategic Affairs, Public Policy Studies and Public Opinion Research. We bring together experts in all these areas to work with us, to learn from one another and to foster creative thinking. Our scholars & Analysts develop practical policy recommendations and offer them to policymakers and stakeholders for political and social improvement as we strive to always bring forward «actionable knowledge». Quite often, b'huth is involved in implementing this recommendation.

b'huth believes in knowledge sharing for the advancement of our societies, both in the Arab Region and globally, and we aim in our public policy analysis and recommendations to help expand opportunities for all people and strengthen the effectiveness of public policy.



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