

3 JULY 2015

# The United Arab Emirates, Africa and Angola in the new Silk Road

GUSTAVO PLÁCIDO DOS SANTOS

Portuguese Institute of International Relations and Security (IPRIS)

In June 2015, the Angolan President, José Eduardo dos Santos, paid state visits to Beijing and Abu Dhabi. These two stop-overs came at a complicated time for Angola: the sharp decrease in oil prices had a troubling impact on state finances, placing the post-war course of Angola's socioeconomic development and political stability at risk.

Given the close proximity between Luanda and Beijing, the visit of José Eduardo dos Santos to Beijing is hardly surprising. In fact, the trip to the Middle Kingdom aimed at guaranteeing the steady flow of Angolan oil to China, extend economic ties beyond the oil sector, obtain better conditions on Chinese loans and, equally important, raise part of the \$10bn that Luanda needs "to push ahead with key infrastructure projects".<sup>1</sup>

For its part, the stopover at Abu Dhabi is also relevant for Angola's interests. The United Arab Emirates (UAE) has been actively investing in the African continent, namely in infrastructures, and asserted itself as a key axis in the new Silk Road, i.e. in the "new 'South-South' trading routes connecting Asia, the Middle East, Africa and Latin America," which "are set to revolutionise the global economy".<sup>2</sup>

As a result of the UAE's geographical position at the center of the new trade corridors and its state of the art logistics and transports, Dubai extended its commercial portfolio to such an

extent that it today manages nearly 80% of national imports, exports and re-exports, and established itself as a hub for emerging economies in Asia to other regions. Dubai's Jebel Ali port is the 9<sup>th</sup> busiest in the world and one of the most important transshipment hubs globally. In addition, the Dubai International Airport is the 7<sup>th</sup> busiest in the world and the global leader in aerial links.<sup>3</sup>

UAE's affirmation as an axis of global trade, coupled with the fact that it is an oasis of stability in a turbulent region, led several multinationals to establish headquarters in Dubai to manage operations in Africa and the Middle East.<sup>4</sup>

## The Emirates' shift towards Africa

The UAE, and Dubai in particular, has been deepening its involvement in the African continent. It is estimated that trade between Dubai and Africa is worth \$35bn.<sup>5</sup> Although trade is largely dominated by oil, economic ties have been diversifying beyond energy resources: non-oil trade with Africa grew 700% since 2002, increasing 141% between 2008 and 2013.<sup>6</sup> Most of that trade is in the form of re-exports, turning the African con-

1 Andrew England, "Angola seeks \$10bn for infrastructure despite oil price collapse" (Financial Times, 22 April 2015).

2 Most of Brazil's and India's exports are destined to other countries in the "South", while China's near half already. Around 2050, 73% of Chinese exports will be directed at other emerging countries, while India and Brazil will send 83% of their exports through that very same route. Stephen King, "The Southern Silk Road" (HSBC Global Economics, June 2011), p. 3.

3 A new airport is being built in the Jebel Ali area. When of its inauguration – expected for 2020 –, the new airport will become the world leader in air freight transport. Natalie Robehmed, "How Dubai Became One Of The Most Important Aviation Hubs In The World" (Forbes, 4 June 2014).

4 Some of those multinationals are Nestlé, Louis Dreyfus, MIDOM Group and Huawei.

5 Sarie Khalid, "Dubai is Africa's emerging trade and financing hub" (Khaleej Times, 2 November 2014).

6 John Bambridge, "Chamber of Commerce chief details the rise of the gateway emirate" (Gulf Africa Review, 14 September 2014).



continent into “the fastest-growing market as a group for Dubai”.<sup>7</sup> Several UAE-based companies have also been investing in Africa, especially in transports, ports, airports, telecommunications and tourism. These investments provide an important boost to the development of infrastructures in Africa, which in turn plays a key part in improving the continent’s internal and external connectivity. In fact, it is Africa’s infrastructural deficit that represents some of the greatest obstacles to the development of national economies and to greater regional integration. Having said this, since 90% of world trade is made via sea routes, the development of maritime links in African countries can surely be a driving force to their global and regional trade ties, as well as to their national economies. In this context, the active investments by Dubai Ports World (DP World) – the world’s fourth largest port operator – in Africa, is a potentially game-changing factor, in the sense that the company’s operations rely on developing and managing ports in the continent, while providing training to African staff.

Air links are also key to economic development and regional integration, in which Emirates Airlines have had an important role. The company is the major air carrier, in terms of cargo and passengers, in several African markets – operates direct flights to 25 African destinations – and plans to create new routes in the continent. Africa is in fact crucial to the company’s strategy: the continent represented 9.6% of Emirate’s revenues during the financial year 2013/2014, having grown 15.1% annually.<sup>8</sup>

Moreover, Dubai has attracted an increasing number of African businessmen, who regard the city-state as a base to trade with Africa. The Dubai Chamber of Commerce and Investment (DCCI) has been making efforts to attract companies to Dubai – the number of African companies listed in the DCCI increased 171% between 2008 and June 2014 –,<sup>9</sup> has organized two Global Africa Business Forum, and has offices in Ethiopia and Ghana – plans to open new ones in Angola, Nigeria, South Africa and Kenya. It is also worth noting that four of the main Chinese banks and 20 of the main Indian ones have already settled in Dubai, with the purpose of basing there their centers of operations to Africa.<sup>10</sup>

China was UAE’s main trade partner during the first half of 2014, with nearly 60% of Chinese exports transiting via the UAE, from where they are re-exported to Africa and Europe. On the other hand, with China’s growing involvement in Africa, a growing number of businessmen have been travelling to the African continent using Dubai as a transit point. In addition, there are already more than 3,000 Chinese companies registered in Dubai.<sup>11</sup>

Also relevant is the fact that more than 2,000 Chinese com-

panies have invested in Africa over the last decade, with estimates suggesting that by 2020 Chinese foreign direct investment in Africa will quadruple, while trade will double.<sup>12</sup> Having said this, one can conclude that as the relationship between China and the UAE deepens, and China-Africa ties accelerate, the UAE will position itself as an increasingly strategic gateway and hub for China’s relations with the African continent. Angola, given its status as a regional power and China’s strategic partner, is well placed to benefit from this.

### The UAE as Angola’s strategic partner

The countries from the ‘South’ have become Angola’s main trade partners. In the first quarter of 2015, Portugal, Angola’s former colonial power, ceased to be the country’s main supplier, only to be surpassed by South Korea (21.5%) and China (16.8%). Additionally, China is the main recipient of Angolan exports with 43.9%, followed by India with 7.7%.<sup>13</sup> According to some estimates, there are 500 Chinese companies operating in Angola and 260,000 Chinese nationals living in the country – a quarter from the total of Chinese people in Africa. In addition, Luanda is among Beijing’s main African partners and is China’s second largest oil-supplier. Angola has benefited from the development of infrastructures by Chinese companies and is increasingly regarded as a promising consumer market for Chinese exports. Thus, the deepening of ties between Luanda and Abu Dhabi is likely to boost Angola’s relationship with China.

Moving forward to UAE’s interests, Angola is seen as a market with high potential, not only in the trade field – UAE was the 10<sup>th</sup> largest exporter to Angola in the first quarter of 2015 –<sup>14</sup> but also in terms of investment. In September 2013, DCCI’s chair, Abdul Rahman Saif Al Ghurair, stated that the Angolan economy presents good investment opportunities in a number of sectors for Dubai-based companies.<sup>15</sup>

The \$19bn pledged, in September 2014, by UAE companies to West African nations for the construction of infrastructures through public-private partnerships (PPPs),<sup>16</sup> is likely to have caught Luanda’s attention to the UAE’s potential in meeting Angola’s finance needs. In fact, when on his visit to Abu Dhabi, José Eduardo dos Santos expressed his interest in creating PPPs with UAE companies so as to “press ahead with infrastructure construction” and promote the diversification of Angola’s economy.<sup>17</sup>

7 “Dubai Chamber seeks stronger economic ties with African countries” (Dubai Chamber of Commerce and Industry, 18 December 2013).

8 Londiwe Buthelezi, “Emirates grows African revenue as profit soars” (*Business Report*, 9 May 2014).

9 “Chamber of Commerce chief details the rise of the gateway emirate”.

10 Simeon Kerr, “Dubai becomes centre for Mideast-Africa trade” (*Financial Times*, 25 November 2014).

11 18 in 2005. “China to overtake India to become Dubai’s largest trading partner for 2014” (*Emirates* 24/7, 17 December 2014).

12 Denise Leung e Lihuan Zhou, “Where Are Chinese Investments in Africa Headed?” (*World Resources Institute*, 15 May 2014).

13 South Korea’s lead is a one-off event, as previous data on Angola’s imports from the Asian country is acutely less representative. “Estatísticas de Comercio Externo” (Instituto Nacional de Estatística de Angola, 2015).

14 Ibid.

15 Such as in infrastructures, transports, agriculture, tourism, logistics, banking and industry. “Dubai Chamber examines business opportunities in Angola” (*Albawaba*, 9 September 2013).

16 “UAE firms sign contracts worth \$19bn for West Africa” (*Arabian Business*, 10 September 2014).

17 “Angola: Presidente da República convida empresários dos Emirados Árabes Unidos a investir no país” (Agência Angola Press, 15 June 2015).



Some UAE companies have already invested, or are willing to invest, in Angola, thus contributing to the desired economic diversification: Dubai Investments is studying the possibility of setting up an industrial park in Angola;<sup>18</sup> in 2014, Araaj Group announced it had successfully exited an investment in Fibrex, an Angolan industrial company;<sup>19</sup> in September 2014, Dubai-based air carrier Emirates signed an agreement with Angolan air carrier TAAG – of which it is the main shareholder – to manage the company for a 10 year period and also to cooperate in commercial opportunities in Africa; and hotel chains Rotana and Jumeirah have shown interest in exploring Angola's tourism market.<sup>20</sup>

The mining sector is also key to this relationship. Angola is the world's fourth largest diamond producer by value, and nearly half of its diamond exports are destined to Dubai – from where it is re-exported to other countries. Diamond trade in Dubai has grown to such an extent that in 2013 and 2014 it was worth almost \$35bn.<sup>21</sup>

With this said, it is worth noting that diamonds are Angola's second major source of export revenue after oil, although it represents a mere 2% of the country's total exports. In 2013, Angola's Vice-President, Manuel Vicente, reiterated that the diamonds industry will be a priority for the country over the course of the next decade, as it can play a key role in the diversification of the national economy. To that effect, the government has designed a strategic geological plan aimed at developing the mining sector until 2025.<sup>22</sup>

Being located at the centre of the new Silk Road, Dubai has

The deepening of UAE-Africa relationships makes the Angolan President's visit to Abu Dhabi no less than a strategic need. Due to the impact of low oil prices in Angola's national finances, the government in Luanda urgently needs to diversify its economy and safeguard finance sources. Otherwise, the country risks falling into a dangerous spiral of socioeconomic instability and political turbulence.

been affirming itself as a global diamond trade hub, opening up the possibility for Angola to use the diamond sector as an economic driving force. In sum, Angola has in Dubai a strategic partner to develop and build key infrastructures, boost exports and thus contribute to its economic diversification.

### Conclusion

The new Silk Road promises to radically change international trade and investment patterns. The UAE, and Dubai in particular, have taken advantage of its extensive air and sea links, efficient customs processes and modern transport and logistic facilities, in order to consolidate itself as the main logistical actor in the Middle East and as an axis of global trade and investment.

Dubai's success is directly relevant to the African continent, to the extent that it can boost trade and investment between African countries and promote regional integration. In fact, as the data related to EAU-Africa interaction show, this relationship is well placed to be deepened and improved in every domain.

Africa's relevance to Dubai's economy will certainly increase as the UAE emerges as the next global logistical hub. The strategic investments in Africa, such as in the case of DP World and Emirates, point to a growing strategic consideration with which the UAE regards the African continent. With this said, Africa will become increasingly key to UAE's interests, in terms of

diplomacy, trade and foreign investment and, consequentially, in regards to national security.

The deepening of UAE-Africa relationships makes the Angolan President's visit to Abu Dhabi no less than a strategic need. Due to the impact of low oil prices in Angola's national finances, the government in Luanda urgently needs to diversify its economy and safeguard finance sources. Otherwise, the country risks falling into a dangerous spiral of socioeconomic instability and political turbulence.

It is widely known that Brazil and China are Angola's major sources of infrastructure building. Nonetheless, Luanda needs to recognize that in order to overcome economic and financial challenges it has to widen the array of strategic partners.

18 "Dubai Investments invests in industrial park in Angola" (*Macauhub*, 19 March 2015).

19 Fibrex produces materials for the Angolan construction industry. "Abraaj successfully exits first investment in Angola" (*Gulf Africa Review*, 17 August 2014).

20 Sananda Sahoo, "Rotana leads UAE hotels checking in to Africa" (*The National*, 15 January 2015).

21 Stian Overdahl "The New Diamond Capital" (*Bloomberg*, 1 April 2015).

22 Oil represents 97% of total exports. Avi Krawitz "Angola, 100 Years Later." (*Diamond.net*, 28 June 2013).



With this in mind, UAE's financial availability and private sector experience, coupled with the country's assertion as a trade, investment and financial hub, serve this purpose, providing a potentially game-changing contribution to the diversification of Angola's export base and economic development.

**EDITOR** | Paulo Gorjão  
**ASSISTANT EDITOR** | Gustavo Plácido dos Santos

**DESIGN** | Atelier Teresa Cardoso Bastos

Portuguese Institute of International Relations and Security (IPRIS)  
Rua da Junqueira, 188 - 1349-001 Lisboa  
PORTUGAL

<http://www.ipris.org>  
email: [ipris@ipris.org](mailto:ipris@ipris.org)

IPRIS Viewpoints is a publication of IPRIS.  
The opinions expressed are solely those of the authors and do not necessarily reflect the views of IPRIS.

Partner



Mecenas

