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'A careful foot can step anywhere' The UAE and China in the Horn of Africa: Implications for EU engagement

Over the last decade, the UAE and China have vastly expanded their economic, political and military footprint in the Horn of Africa, and their actions now have the potential to shape developments in the region. Room for cooperation between Abu Dhabi and Beijing exists on issues such as maritime security, regional stability, and economic development. Moreover, the two countries' interaction could lead to improvements in the Horn's underdeveloped infrastructure by triggering a race to investment. Yet, development and stability in the region might suffer if the strategic interests of external players take precedence over local ones, or if local elites (mis)use external support for narrow domestic political calculations. The EU and its member states have high stakes in the Horn's stability. To optimise their engagement, European policymakers should be aware of the implications of the Emirati and Chinese presence, and they should strive to improve cooperation among the wide range of external players active in the Horn.

Introduction

Over the last decade, the Horn of Africa has become an increasingly contested geopolitical space.¹ For observers of the region, this trend may not come as a surprise. The Horn lays along one of the world's most important maritime trade routes, connecting Europe and the Mediterranean Sea to the Indian Ocean and Asia. An estimated 10-20% of global trade, including over 6 million barrels of oil per day, reportedly transits through the Red Sea and the Gulf of Aden, right along the Horn's shores.² In addition to trade, this route is

also significant from a security perspective, as it allows swift naval transit across different operational theatres (the Mediterranean, the Middle East, eastern Africa and the Indian Ocean) where several regional and global powers are militarily engaged.

The Horn's geostrategic location has prompted a growing number of external players to step up their presence in the region, often by developing commercial maritime infrastructure or by building military installations. These have included

1 Vertin, Z. 2019. *Red Sea Rivalries*, Doha: Brookings Doha Center.
2 Meade, R. 2021. 'Suez blockage extends as salvors fail to free Ever Green', *Lloyd's List*, 25 March, <https://lloydslist.maritimeintelligence.informa.com/LL1136246/Suez-blockage-extends-as-salvors->

[fail-to-free-Ever-Given](#) (last accessed 16 June 2021); Barden, J. 2019. 'The Bab el-Mandeb Strait is a strategic route for oil and natural gas shipments', *US EIA*, 27 August, <https://www.eia.gov/todayinenergy/detail.php?id=41073> (last accessed 16 June 2021).

not only countries in the neighbouring Arabian Peninsula, especially the United Arab Emirates and Qatar, but also more faraway ones such as China, Turkey, France, Italy, the United States, Russia and Japan.³ Among these players, the United Arab Emirates (UAE) has managed to establish a particularly prominent presence, developing a series of commercial ports on both sides of the Gulf of Aden and the Red Sea, as well as military bases serving as springboards for its operations in Yemen. At the same time, however, China has also made important inroads in the region, establishing commercial and military facilities in Djibouti, and developing strong economic and political ties with Sudan and Ethiopia.

While much attention has been devoted to the presence of the UAE and China in the Horn of Africa,⁴ little has been said about their interaction in the region. Seeking to fill this gap, this policy brief explores the implications that such interaction might have for Horn countries and regional stability. It shows that room for cooperation between Abu Dhabi and Beijing exists on issues such as maritime security, regional stability, and economic development. Moreover, the two countries' interaction could lead to improvements in the Horn's underdeveloped infrastructure by triggering a race to investment. Yet development and stability in the Horn might suffer if the strategic interests of external players take precedence over local ones, or if increased competition among external players is (mis)used by local elites for narrow domestic political calculations.

The European Union (EU) and its member states (MS) have high stakes in the Horn, as testified by the EU's recent decision to identify the region as a 'geo-strategic priority'.⁵ Therefore, this brief offers recommendations to European policymakers on how to optimise EU/MS engagement in the Horn in light of the strong Emirati and Chinese involvement. In particular, it suggests that policymakers: (i) improve coordination between the EU/MS approaches to the Horn of Africa, the Red Sea region and the Indo-Pacific; (ii) support coordination among external players active in the Horn/Red Sea region, including through the extension of existing multilateral fora; and (iii) support Horn countries in improving their infrastructure, including by addressing unresolved challenges that constrain trade and development in the region.

Emirati and Chinese strategies in the Horn of Africa and the Red Sea

For both the UAE and China, the Horn of Africa's relevance derives largely from its geostrategic position along the maritime route that connects the Mediterranean Sea and the Indian Ocean. This means that, for policymakers in both Abu Dhabi and Beijing, the Horn is often not considered as a standalone area but rather in the broader context of the Red Sea (through which this crucial maritime route transits) and the even broader Indian Ocean region (of which the Horn represents the north-westernmost tip).⁶ Only by adopting this broader geographical perspective, therefore, is it possible to fully grasp Emirati and Chinese strategies in the Horn of Africa.

3 For a better overview, see Vertin, Z. 2019. *Red Sea Rivalries*, op. cit.

4 On the UAE, see: International Crisis Group. 2018. *The United Arab Emirates in the Horn of Africa*. Middle East Briefing No. 65, Abu Dhabi/Washington/Brussels. On China, see: Alsudairi, M. *The People's Republic in the Red Sea: A Holistic Analysis of China's Discursive and Material Footprint in the Region*, King Faisal Center for Research and Islamic Studies; Ursu, A.E. and van den Berg, W. 2019. United States Institute of Peace. 2020. *China's Impact on Conflict Dynamics in the Red Sea Arena*, USIP Senior Study Group Report.

5 Council of the European Union. 2021. 'The Horn of Africa: a geo-strategic priority for the EU - Council conclusions', 10 May.

6 For a more detailed example of this relation in the specific case of China, see Vertin, Z. 2020. *Great Power Rivalry In The Red Sea: China's Experiment in Djibouti and Implications for the United States*. Washington DC: Brookings Institution, 4-5.

7 For a comprehensive list of sources, see the section 'Sources on Emirati and Chinese involvement in maritime infrastructure' at the end of this brief.

Figure 1 Emirati and Chinese involvement in commercial and military maritime infrastructure in the Red Sea and western Indian Ocean region⁷



The Emirati strategy: The Falcon expands its influence

The strategy of the UAE in the Horn of Africa/Red Sea region revolves around a mix of economic, security and geopolitical considerations. In terms of economic issues, the UAE is mostly interested in controlling the region’s trade infrastructure.⁸ In an effort to reduce their reliance on oil, Emirati policymakers have sought to transform the UAE into a major player in the global transportation network. This economic transformation – kick-started by the emirate of Dubai back in the 1960s, and later joined by Abu Dhabi with its Vision 2030 – has led the UAE to invest in maritime infrastructure all around the world.⁹ As a result of this strategy, the Emirates have gained control over a wide string of ports – from the Euro-Mediterranean to the Indo-Pacific (see Figure 1). The Red Sea region, owing to its crucial geostrategic position along this crucial trade route, has taken an important role in the UAE’s strategy. This importance

is reflected in the several ports managed or developed by the UAE on both sides of the Red Sea and the Gulf of Aden, notably in Somaliland, Puntland and Yemen, as well as on the strategic island of Socotra.

In addition to these economic considerations, the UAE has security interests in the Red Sea region. Since 2015, the Emirates have been directly involved in Yemen’s civil war, thus markedly deepening their security footprint in the broader region.¹⁰ In addition, the UAE’s strong interest in trade networks makes Abu Dhabi keen on ensuring the free flow of seaborne trade. This has led the UAE to take a role in local and international efforts to fight piracy off the Somali coast, for instance by supporting Puntland’s coastguard and by making Emirati airbases available to international forces involved in anti-piracy operations. Moreover, Abu Dhabi

8 Henderson, C. 2017. ‘The UAE as a nexus state’, *Journal of Arabian Studies* 7(1), 83–93.

9 *Ibid.*, 85; Dubai Ports World. N.a. ‘Our locations’, <https://www.dpworld.com/about-us/our-locations> (last accessed 15 June 2021).

10 Although the UAE pulled its troops out of Yemen in 2019, it has remained involved in the country’s conflict, most notably via its well-established ties with local political and armed groups. See Jalal, I. 2020. ‘The UAE may have withdrawn from Yemen, but its influence remains strong’, *The Middle East Institute*, 25 February, <https://www.mei.edu/publications/uae-may-have-withdrawn-yemen-its-influence-remains-strong> (last accessed 16 June 2021).

is also interested in preventing the smuggling of weapons from the Horn of Africa to the Arabian Peninsula.

Finally, the UAE's strategy in the Horn of Africa is also informed by geopolitical considerations. Seeing Iran's actions across the Middle East as a core threat,¹¹ Emirati policymakers have actively sought to counter Tehran's influence abroad – including in the Horn, where they have cultivated closer ties with former Iranian allies like Sudan. Similarly, particularly since 2017, Abu Dhabi has also been engaged in a struggle for influence with Qatar.¹² Against the backdrop of this competition, the UAE has developed closer relations with Eritrea (formerly Doha's ally), as well as with Somali regional leaders opposed to the Doha-backed federal government in Mogadishu. In addition, concerned about the progressive disengagement of the United States – the Emirates' core security ally – from the Middle East, the UAE has sought to diversify its global networks of partnerships, notably by deepening economic relations with China, India and Japan.

To implement its strategy in the Horn of Africa/Red Sea region, the UAE has relied on a broad set of tools. In economic terms, Emirati policymakers have widely leveraged their country's funds.¹³ Over the last three years, countries in the Horn have received increasing inflows of funds from the Emirates, often in the form of large central bank transfers and business investments,

primarily going to Sudan, Ethiopia and, to a lesser extent, Somalia.¹⁴ The funds have often been channelled through the Emirati Development Bank, the Abu Dhabi Fund for Development, or private foundations, for example the Khalifa Fund.¹⁵ As well as these money flows, the UAE's economic strategy has largely relied on Emirati state-owned enterprises (SOEs). A prime example in this regard has been the role played by Dubai Ports World (DPW), the vehicle through which the UAE has gained control over ports throughout the Horn/Red Sea region (as well as elsewhere around the world).

In addition to these financial and economic tools, the UAE has sought to advance its interests through diplomatic and security activity. Diplomatic initiatives have included Abu Dhabi's role in mediating the 2018 rapprochement between Ethiopia and Eritrea, as well as its recent offer to mediate the ongoing border dispute between Ethiopia and Sudan. In terms of security, Emirati initiatives have included, for instance, training and support for the security forces of Somali regional administrations in Somaliland and Puntland, as well as (until 2018) the Federal Government of Somalia.

The Chinese strategy: Connectivity and economic development

China's interests in the Horn of Africa revolve around a wide array of considerations.¹⁶ To begin with, as in the case of the UAE, the Horn/Red Sea region is important for Beijing as a key hub in China's broader connectivity strategy. Over the last decade, and especially after the official launch of the Belt and Road Initiative (BRI) in 2013, China has significantly increased its efforts to improve connectivity across Asia, Europe

11 Salisbury, P. 2020. *Risk Perception and Appetite in UAE Foreign and National Security Policy*, London: Chatham House, 13-15.

12 International Crisis Group. 2018. *Somalia and the Gulf Crisis*. Africa Report No. 260, Nairobi/Brussels.

13 For an example of how this works, see what Young has defined as the 'economic statecraft' approach: Young, K.E. 2017. 'A new politics of GCC economic statecraft: The case of UAE aid and financial intervention in Egypt', *Journal of Arabian Studies* 7(1), 113-136. Although this framework has been developed to analyse the case of Egypt, its relevance has also been highlighted in the case of the Horn of Africa, most notably Somalia, see: Marsai, V. and Szalai, M. 2021. 'The "Borderlandization" of the Horn of Africa in Relation to the Gulf Region, and the Effects on Somalia', *Journal of Borderlands Studies*, 5.

14 Meester, J., Van den Berg, W. and Verhoeven, H. 2018. *Riyal Politik: The political economy of Gulf investments in the Horn of Africa*, CRU report, The Hague: Clingendael Institute.

15 *Ibid.*

16 Ursu, A.E. and Van den Berg, W. 2018. *China and the EU in the Horn of Africa: competition and cooperation?* The Hague: Clingendael Institute.

and Africa.¹⁷ This effort has entailed the development of ports, roads, railways, pipelines and digital infrastructure along two main geographical corridors: the Silk Road Economic Belt, a network of overland infrastructure spanning across Eurasia; and the Maritime Silk Road, which connects China's coast to Europe via the Indian Ocean and the Red Sea. Owing to its geostrategic position, the Horn of Africa has been a major target of the Maritime Silk Road. This is well exemplified by the case of Djibouti, which has become a key hub of the BRI thanks to the construction of a port and a free trade area (linked via a railway connection to landlocked Ethiopia), as well as to its role as a node in Huawei's planned fibre-optic cable network connecting Asia, east Africa and Europe.¹⁸

While this strategy has led Beijing to get involved in developing infrastructure in the Horn much like the UAE has done, the two countries' strategies are different in terms of their underlying interests. For the UAE, the main objective is to establish itself as a key player in the logistics sector, thus fostering its programme of economic diversification and boosting its global standing. China's focus on infrastructure, by contrast, is part of a wider economic cooperation agenda between Beijing and African countries in which China stands to reap benefits in three main ways. First, the region's growing markets are potential outlets for China's large exports. Second, Africa's cheap labour force allows Chinese firms to outsource low value-added activities as they move up the value chain. Finally, the region's underdeveloped infrastructure sector provides an avenue for China to offload its overcapacity in the construction sector.¹⁹ Indeed, all these three

types of economic interaction have been at the core of China's so-called 'South-South cooperation' with Ethiopia, Beijing's main partner in the region.²⁰

Given its focus on connectivity, it may not come as a surprise to find that China has developed a strong interest in ensuring the free flow of trade along the maritime route running through the Red Sea and the Bab al-Mandeb strait. This route is particularly important for Beijing, given that it carries a large proportion of China's trade with the European Union (China's largest trading partner, with trade flows of around 1.5 billion euro per day), as well as oil supplies coming from western Saudi Arabia and (South) Sudan.²¹ China's concerns in this regard became clear in 2008, when Beijing decided to join international anti-piracy efforts in the Gulf of Aden by directly dispatching its warships to the area. Over time, the Chinese military footprint in the region has grown even further, owing to Beijing's continued naval presence as well as to the large deployments of Chinese peacekeepers in South Sudan and the neighbouring Central African Republic. This has gradually added a relevant security dimension to China's interests in the Horn of Africa, eventually leading to the establishment of Beijing's first permanent military facility abroad in Djibouti in 2017.

[insights/urbanization/critical-issues-in-the-next-decade-of-china-infrastructure-effort](#) (last accessed 16 June 2021); Rolland, N. 2017. *China's Eurasian Century? Political and strategic implication of the Belt and Road Initiative*, Washington: NBR, 99-101.

17 OECD. 2018 *The Belt and Road Initiative in the global trade, investment and finance landscape*, in *OECD Business and Finance Outlook 2018*, Paris, 9-12.

18 Chaziza, M. 2021. 'China consolidates its commercial foothold in Djibouti', *The Diplomat*, 16 January, <https://thediplomat.com/2021/01/china-consolidates-its-commercial-foothold-in-djibouti/> (last accessed 16 June 2021).

19 Kun, Z. 2014. 'Critical issues in the next decade of China's infrastructure effort', *McKinsey & Company*, 1 May, <https://www.mckinsey.com/featured->

20 For a brief background on Sino-Ethiopian relations, see: Meester, J. 2021. "'Designed in Ethiopia" and "Made in China": Sino-Ethiopian technology collaboration in South-South relations', The Hague: Clingendael Institute, 4-6.

21 As of 2018, China's trade in goods with the EU amounted to over EUR 580 billion in a single year – that is, 15% of China's overall trade in goods, and EUR 1.5 billion per day. Data source: European Commission. 2021. 'European Union, Trade with China', https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_china_en.pdf (last accessed 16 June).

Much like the UAE, China's strategy in the Horn/Red Sea region has relied on a broad spectrum of policy tools. In terms of financing, Beijing has made use of direct investments and official development aid, including both loans and grants.²² Ethiopia and Sudan have witnessed a particularly high volume of investments from China, with around USD 16.9 billion and 5.2 billion respectively between 2010 and 2020.²³ However, the number and volume of investments from China into the Horn have been falling since 2017. The bulk of China's financial engagement has focused on developing infrastructure projects, industrial parks and special economic zones, as well as investments in the energy and technology sectors.²⁴ As in the case of the UAE, state-owned conglomerates have also played a major role. Most notably, China's state-owned banks (particularly the Export-Import Bank of China) have provided financing for some of Beijing's largest projects, Chinese construction SOEs have often built those projects, while logistics SOEs like China Merchants Port (CMP) have taken the lead in China's investments in the Horn's infrastructure sector.²⁵

In addition to these economic tools, China has largely leveraged diplomatic instruments to further its interests. In addition to its tight relations with specific countries in the region, such as Ethiopia under the Ethiopian People's Revolutionary Democratic Front (EPRDF) and Sudan under Omar al-Bashir, Beijing has invested in broader diplomatic forums. The most evident example has been the Forum on China-Africa Cooperation

(FOCAC), which has been regularly held every three years since 2000, with the first African session hosted by Addis Ababa in 2003. This has resulted in deeper diplomatic cooperation between the two sides, including in multilateral forums where African countries have so far often stood by China on contentious issues such as human rights.²⁶ China's security engagement in the Horn, by contrast, has remained more limited than that of the UAE.

Cooperation, confrontation – or both?

The intersection between Emirati and Chinese strategies in the Horn of Africa and the Red Sea region takes place against the backdrop of a broad pattern of cooperation between the two countries. Over the last decades, this cooperation has largely revolved around an 'oil-for-diversification' scheme. On the one hand, the UAE has provided Beijing with a reliable flow of oil and gas supplies (on average, the UAE has accounted for 3.1% and 6.3% of Chinese imports of crude petroleum and gas respectively over the past decade).²⁷ On the other hand, China has been not only a major buyer of Emirati oil and gas, but has also provided investments, technology and know-how to support the UAE's quest for economic diversification, in line with Abu Dhabi's Vision 2030. A key target of Chinese investment has been the Emirati infrastructure sector (with a focus on ports and associated industrial zones), cementing the UAE's

22 Ursu, A.E. and Van den Berg, W. 2018. *China and the EU in the Horn of Africa*, op. cit., 3-6.

23 Data source: American Enterprise Institute and Heritage Foundation. 2021. 'China Global Investment Tracker', <https://www.aei.org/china-global-investment-tracker/> (last accessed 26 May 2021).

24 *Ibid.*; Ursu, A.E. and Van den Berg, W. 2018. *China and the EU in the Horn of Africa*, op. cit.

25 Huo, W., Chen, P.S.L., Zhang, W. and Li, K.X. 2019. 'International port investment of Chinese port-related companies', *International Journal of Shipping and Transport Logistics* 11(5), 430-454.

26 Olander, E.C. 2020. 'Score keeping: Which countries aligned with China at the United Nations on Xinjiang and Hong Kong', *The China Africa Project*, 13 October, <https://chinaafricaproject.com/2020/10/13/score-keeping-which-african-countries-aligned-with-china-at-the-united-nations-on-xinjiang-and-hong-kong/> (last accessed 16 June 2021).

27 Percentage of Chinese imports of crude petroleum and petroleum gas from the UAE from 2010 to 2019. Data source: OEC. 2021, Imports China, <https://oec.world/en/profile/country/chn> (last accessed 26 May 2021).

position as a key hub in China's BRI.²⁸ At the same time, the Emirates have reciprocated with their own investment in infrastructure along China's coast, where the UAE's Dubai Ports World (DPW) has stakes in four port facilities.²⁹

However, while both countries have been active investors in each other's domestic infrastructure, this pattern of cooperation has not translated into joint development of infrastructure in third countries. Hence, in the Horn of Africa, entities like the UAE's DPW and China's CMP have developed largely separate projects, and the foreign policies of their respective backers have shown little if any cooperation in foreign countries – a surprising development, given the two countries' comprehensive strategic partnership. Yet, with both the UAE and China interested in developing similar types of projects in the same region, interaction between the two countries in the Horn is virtually unavoidable. This interaction, as the next paragraphs show, has the potential to lead to patterns of both cooperation and confrontation.

Cooperation: Maritime security and complementary infrastructure

Opportunities for cooperation between the UAE and China in the Horn of Africa and Red Sea region are perhaps most evident in the domain of maritime security. Both countries heavily rely on trade flows running through the Bab al-Mandeb strait, and hence have a strong interest in ensuring its security. Indeed, when piracy in the Gulf of Aden threatened commercial shipping in the late 2000s, both countries readily responded – the UAE by supporting local and international

anti-piracy efforts, and China by dispatching its own warships to the region.³⁰

In addition, infrastructure projects backed by the UAE and China have shown a potential to be mutually reinforcing. The clearest example of such dynamics can be found in the development of the Djibouti-Ethiopia trade corridor in the early 2010s. Back in 2004, the UAE's DPW had gained a concession to develop the new Doraleh Container Terminal (DCT) in Djibouti, a project set to boost access to trade for the growing market of landlocked Ethiopia. Yet in order to effectively boost trade the new port needed an overland connection between Djibouti and Ethiopia. To this purpose, in 2011, China, Ethiopia and Djibouti signed the first contracts for the Ethio-Djibouti railway, to be financed and built by Beijing, and set to connect Djibouti's ports with Addis Ababa and the special economic zones in its surroundings. By this time, therefore, a Chinese-backed railway and an Emirati-managed port were meant to work in synergy to enhance access to trade for the growing Ethiopian market – a proof that Emirati and Chinese efforts, if properly combined, could contribute to improving the Horn's vastly underdeveloped infrastructure sector.

Such cooperation, however, never came to bear fruit. An escalating dispute between DPW and the Djiboutian government led the latter to replace the former with a Chinese competitor (see Box 1). Cooperation, therefore, gradually faded away, leaving room instead for competition between Abu Dhabi and Beijing.

28 Oxford Business Group, n.a. 'Abu Dhabi continues to carry out infrastructure partnerships with China', *Oxford Business Group*, <https://oxfordbusinessgroup.com/analysis/sino-emirati-ties-partnerships-between-china-and-abu-dhabi-infrastructure-development-continue> (last accessed 16 June 2021).

29 Dubai Ports World. N.a. 'Our locations', <https://www.dpworld.com/about-us/our-locations> (last accessed 15 June 2021).

30 Shaw-Smith, P. 2013. 'Somali anti-piracy effort moves to onshore capacity building', *Seatrade Maritime News*, 12 September, <https://www.seatrade-maritime.com/middle-east-africa/somali-anti-piracy-effort-moves-onshore-capacity-building> (last accessed 16 June 2021); Gardner, F. 2012. 'Seeking Somali pirates, from the air', *BBC News*, <https://www.bbc.com/news/world-middle-east-17095887> (last accessed 16 June); Blanchard, B. and Reynolds, I. 2008. 'Chinese ships head to Somalia', *Reuters*, 26 December, <https://www.reuters.com/article/us-somalia-piracy-idUSTRE4B00Q820081226> (last accessed 16 June 2021).

Box 1: Between Dubai and Beijing: The troubled story of Doraleh Container Terminal³¹

Doraleh is a port area located in Djibouti, approximately 5km west of the capital, Djibouti City. Projects to develop Doraleh Container Terminal (DCT) with Emirati support began in 2004, when the Djiboutian government and Dubai Ports World (DPW) signed an agreement that would see DPW owning 33.34% of DCT (the remaining 66.66% being owned by Port de Djibouti's SA (PDSA), the state's port authority), and enjoying the right to develop and manage the area's ports under a 30-year lease agreement. Soon after the opening of DCT a few years later, however, relations between the Djiboutian government and DPW gradually soured, with the former showing dissatisfaction with the agreement's terms and accusing the latter of corruption over the port's management.

In 2012, events took a sharp turn when the Djiboutian government decided to step up its engagement with one of DPW's rivals, China Merchants Port (CMP). In two years, CMP not only directly entered into DCT's ownership scheme by buying 23.25% of PDSA, but it also began to develop a new port in Doraleh, the Doraleh Multi-Purpose Port (DMPP), right next to DCT. These developments angered the Emirati logistics company, which claimed the exclusive right to develop ports in Doraleh under the 2004 agreement. The following years witnessed an escalation of the dispute – particularly in 2015 when the Djiboutian government refused the UAE's request to conduct its military operations in Yemen from Djiboutian territory. Since then, DPW started to develop other ports in the region (most notably Berbera in Somaliland) that would compete with Djibouti over managing trade bound for Ethiopia. For its part, the Djiboutian government further strengthened its ties with China, which in 2017 opened its first overseas military base right next to DMPP.

The dispute reached its peak in 2018, when the government of Djibouti eventually decided to unilaterally terminate the agreement with DPW over DCT, seizing the terminal and expelling the Emirati logistics company. This led to a raft of legal disputes, with DPW bringing to court not only the Djiboutian government (accused of breaching its agreement with DPW), but also CMP (accused of influencing Djibouti's government). While it is hard to assess conclusively the impact of this tripartite row over Doraleh, it is worth noting that since 2018 all official development assistance (ODA) from Gulf countries to Djibouti has come to a halt, possibly as a result of this fallout. Relations between the UAE and China, however, have continued, as testified by Xi Jinping's visit to the UAE in July 2018, at the peak of the dispute.

Confrontation: Same theatres, divergent priorities

As recent developments surrounding Djibouti's DCT show, therefore, cooperation is far from being the only potential outcome of Sino-Emirati interaction in the Horn of

Africa. On the contrary, the two countries' simultaneous involvement in the Horn's infrastructure sector has the potential to result in direct confrontation. In Djibouti's case, this confrontation was largely economic in nature, manifesting itself as a competition between the two countries' logistics SOEs – DPW for the UAE, and CMP for China. As relations between Djibouti's government and DPW deteriorated, CMP was quick to step up its own involvement in the geostrategic country. This involvement,

31 For a comprehensive list of sources, see the section 'Sources on the Doraleh Container Terminal dispute' at the end of this brief.

however, has been forcefully challenged by DPW. Protesting against the Djiboutian government's decision to expel DPW from Doraleh in 2018, the Emirati company has sued in international courts not only the Djiboutian government, but also CMP – thus pitting the Emirati and the Chinese logistics giants one against the other in court.³² Moreover, the UAE and China have since thrown their weight behind potentially competing projects, with Beijing supporting the development of the already established Djibouti-Ethiopia corridor, and Abu Dhabi promoting a competing corridor from DPW-run Berbera port in Somaliland to Ethiopia.³³

While so far direct confrontation has remained limited to the Djiboutian case, there are other theatres of potential competition between the UAE and China. One of them, for instance, is Ethiopia, where there is some evidence that Addis Ababa is decreasing its reliance on China while expanding ties with the Emirates. Since Ethiopian Prime Minister Abiy Ahmed assumed office in 2018, Abu Dhabi has significantly expanded its footprint in the country.³⁴ Economically, the UAE has increased its commitment to Ethiopia, with financial flows reaching almost USD 4.5 billion between 2018 and 2020.³⁵ Moreover, Abu Dhabi has supported the development of a trade corridor between Ethiopia and the UAE-managed Berbera port

(a move set to reduce Addis' dependency on Chinese-managed ports in Djibouti),³⁶ and it has provided support to Abiy for symbolic projects like the renovation of Unity Park in Addis Ababa.³⁷ In addition to economic support, Abu Dhabi has become a key diplomatic partner for Addis, helping to broker the Ethiopian-Eritrean deal of 2018 and offering its mediation services in Ethiopia's recent border clashes with Sudan.³⁸ By contrast, China's relations with Ethiopia, historically cultivated by the EPRDF, have been relatively cooling off since 2018.³⁹ Financial flows from Beijing to Addis have declined in recent years, with average investment per year falling from USD 2 billion in 2010-2018 to only 400 million in 2018-2020.⁴⁰ Additionally, the Ethiopian army's killing of former Foreign Minister Seyoum Mesfin, an influential figure in fostering Sino-Ethiopian ties, may add further strain to the relations.

Finally, as well as direct spats in the Horn of Africa, tensions between the UAE and China in the region could also arise as a result of geopolitical dynamics in the Indo-Pacific,

32 APO Group. 2019. 'Legal battle for control of Djibouti Ports comes to Hong Kong', *Africa News*, 9 December, <https://www.africanews.com/2019/02/12/legal-battle-for-control-of-djibouti-ports-comes-to-hong-kong/> (last accessed 16 June 2021).

33 Antonopoulos, P. and Garcia, A.G. 2020. 'Somaliland as a new shipping and military hub in the Horn of Africa: a challenge against Djibouti?', *Journal of Somali Studies: Research on Somalia and the Greater Horn of African Countries* 7(1), 107-122.

34 International Crisis Group. 2018. *The United Arab Emirates in the Horn of Africa*. op. cit., 7-8.

35 Financial flows consist of direct investments, both private and public, official development aid, and central bank transfers. Data source: American Enterprise Institute and Heritage Foundation. 2020. 'Gulf financial aid and investment tracker', <https://www.aei.org/multimedia/fadi-tracker/> (last accessed 26 May 2021).

36 Antonopoulos, P. and Garcia, A.G. 2020. 'Somaliland as a new shipping and military hub in the Horn of Africa', op. cit., 107-122.

37 AFP. 2019. 'Unity Park: Addis Ababa's newest tourist attraction', *Addis Herald*, 12 October, <https://www.addisherald.com/unity-parkaddis-ababas-new-tourist-attractions/> (last accessed 16 June 2021).

38 International Crisis Group. 2018. *The United Arab Emirates in the Horn of Africa*. op. cit., 7-8; n.a. 2021. 'Sudan's cabinet backs UAE mediation in border, dam disputes with Ethiopia', *Reuters*, 24 March, <https://www.reuters.com/article/uk-sudan-ethiopia-idUSKBN2BG0VO> (last accessed 16 June 2021).

39 Kibsgaard, D. 2020. 'Sino-Ethiopian relations from Meles Zenawi to Abiy Ahmed: The political economy of a strategic partnership', *China Research Center*, 3 June, https://www.chinacenter.net/2020/china_currents/19-2/sino-ethiopian-relations-from-meles-zenawi-to-abi-ahmed-the-political-economy-of-a-strategic-partnership/ (last accessed 16 June 2021).

40 Data source: American Enterprise Institute and Heritage Foundation. 2021. 'China Global Investment Tracker', <https://www.aei.org/china-global-investment-tracker/> (last accessed 26 May 2021).

the broader region spanning from the Horn's coast to the Pacific Ocean. On the one hand, the UAE enjoys a close security partnership with the United States (recently reinforced by a USD 23 billion arms deal),⁴¹ as well as increasingly strong economic ties with India and Japan.⁴² All three countries seek to counter China's growing influence in the Indo-Pacific,⁴³ thus potentially putting Abu Dhabi at odds with Beijing. On the other hand, China has traditionally cultivated cooperative ties with Iran, the UAE's regional rival, providing it with diplomatic support and economic cooperation in times of international isolation.⁴⁴ To date, this mismatch in regional partnerships has not prevented Abu Dhabi and Beijing from developing their strong bilateral relationship in line with their respective domestic interests. Yet, it is hard to know whether this arrangement can last forever, particularly as the Indo-Pacific heats up, and China's relations with the US and India appearing to be progressively souring.

Implications for the Horn of Africa

The Horn of Africa – where both the UAE and China are increasingly involved economically, politically and militarily – stands to feel the repercussions of Sino-Emirati interactions in the region and beyond. Such repercussions might be both positive and negative, and a clear assessment of the opportunities and dangers for countries in the Horn is necessary in order to devise policies that could maximise the former and minimise the latter.

Positive effects: More players, more investments, more leverage

The UAE and China's simultaneous involvement in the Horn of Africa has the potential to bring markedly positive outcomes for the region. First of all, as described in the previous section, complementary infrastructure projects might yield (at least in theory) positive-sum outcomes – not only for the UAE and China, but also for Horn countries, which have generally welcomed the growing inflow of investments.⁴⁵ In addition to that, the presence of multiple would-be investors could increase competition, potentially triggering a 'race to investments' and increasing the aggregate inflows of finance into the Horn's underdeveloped infrastructure sector.

The sprawling number of projects launched and developed over the last few years lends credence to this hypothesis. In terms of ports, for instance, besides the sites developed by the UAE (in Berbera, Somaliland and in Bosaso, Puntland) and China (in Djibouti), additional infrastructure projects have already been recently completed in the region (e.g. rehabilitation of Somalia's Mogadishu port by Turkey), and more are in the pipeline (e.g. Turkish and Qatari efforts to revive the old Sudanese port of Suakin; development of a port at Hobyo, in Somalia's Galmudug

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- 41 Zengerle, P. 2021. 'Biden administration proceeding with \$23 billion weapon sales to UAE', *Reuters*, 14 April, <https://www.reuters.com/business/aerospace-defense/exclusive-biden-administration-proceeding-with-23-billion-weapon-sales-uae-2021-04-13/> (last accessed 16 June 2021).
- 42 Khushnam, P.N. 2021. 'India-UAE relations: poised to climb to new heights', *Middle East Institute*, 23 March, <https://www.mei.edu/publications/india-uae-relations-poised-climb-new-heights> (last accessed 16 June 2021); Janardhan, N. 'Japan's oil diplomacy in the Gulf: old idea, new approaches', *The Arab Gulf States Institute in Washington*, 15 April, <https://agsiw.org/japans-oil-diplomacy-in-the-gulf-old-idea-new-approaches/> (last accessed 16 June 2021).
- 43 McCarthy, S. 2021. 'Quad summit: US, India, Australia and Japan counter China's "vaccine diplomacy" with pledge to distribute a billion doses across Indo-Pacific', *South China Morning Post*, 13 March, <https://www.scmp.com/news/china/diplomacy/article/3125344/quad-summit-us-india-australia-and-japan-counter-chinas> (last accessed 16 June 2021).
- 44 Conduit, D. and Akbarzadeh, S. 2018. 'Great power-middle power dynamics: the case of China and Iran', *Journal of Contemporary China* 28(117), 468-481.

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- 45 On the importance attached by Ethiopia to the attraction of investment, see Meester, J., Van den Berg, W. and Verhoeven, H. 2018. *Riyal Politik*, op. cit. 60-61.

region, by an Anglo-Turkish consortium). Given the underdevelopment of the Horn's infrastructure sector and its growing market potential, such an investment race could bring substantial economic benefits to the region.

In addition to bringing higher investment levels and consequent economic advantages, the presence of multiple investors could have a positive political impact in Horn countries. Faced with a wider array of would-be investors, local governments might be able to play them off against each other, thus having one more tool in their hands to have their voice heard. For instance, as the government of Djibouti grew increasingly sceptical about DPW's commitment to the development of Doraleh's ports, the presence of alternative sources of investment, most notably China's CMP, may have allowed government officials to take a harder line in its dealings with DPW. Similarly, the fact that DPW, China Harbour Engineering and a Qatari company are all vying for a role in Sudan's ports is likely to improve the Sudanese government's bargaining power vis-à-vis all three actors.⁴⁶ Needless to say, it remains to be seen whether this increased political leverage will be used by the Horn's rulers to the benefit of their countries rather than their own – an issue that will be explored below. Yet the presence of one more political tool in the hands of local governments vis-à-vis external actors may be, at least in theory, a welcome development.

Negative effects: Fostering whose interests?

The potential economic outcomes of Sino-Emirati competition in the Horn are not, however, necessarily positive. On the contrary, if the strategic considerations of the investors become more relevant than the commercial viability of the projects and their estimated socio-economic benefits,

46 In this case, however, Emirati- and Chinese-backed entities are not directly facing off each other, as DPW has expressed interest in developing a terminal at Port Sudan, while China Harbour Engineering has been vying with an unnamed Qatari company over the expansion of the port of Suakin (where Turkey has also been involved).

then there is a serious risk that external investments' net effect on local economies and societies might well be negative. The clearest risk in this regard is that investors deliberately put limits on the development of the Horn's infrastructure in order to foster their own agendas. For instance, DPW has been accused by some observers of stifling the development of ports throughout the Horn in order to preserve the dominance of its own flagship port of Jebel Ali.⁴⁷ When the government of Djibouti cancelled its contract with DPW in February 2018, this was indeed one of the accusations that it levied against the Emirati company.

Another danger is that external players may throw their weight behind specific infrastructure projects, but fail to address the broader range of challenges that prevent regional trade from blossoming. A relevant example in this regard is that of the Ethio-Djibouti railway, which two and a half years after starting operations is reportedly running well below its capacity.⁴⁸ While no unequivocal explanation for this underperformance has been put forth, issues like power outages, local protests, and collisions with animals have been cited.⁴⁹

47 Dupuy, E. 2018. 'Djibouti: ce que révèle la rupture entre le gouvernement et l'opérateur portuaire DP World', *Le Point*, 27 March, https://www.lepoint.fr/economie/djibouti-ce-que-revele-la-rupture-entre-le-gouvernement-et-l-operateur-portuaire-dp-world-27-03-2018-2205876_28.php (last accessed 16 June 2021).

48 Wondewossen, B. 2020. 'Ethiop-Djibouti Railway vows to reverse losses', *Addis Fortune*, 19 September, <https://addisfortune.news/ethio-djibouti-railway-vows-to-reverse-losses/> (last accessed 16 June 2021). As of the time of writing, the railway was operating only two pairs of freight trains per day, just one-third of the six pairs per day that it was expected to operate by 2024.

49 Chen, Y. 2019. 'Ethiopia and Kenya are struggling to manage debt for their Chinese-built railways', *Quartz Africa*, 4 June, <https://qz.com/africa/1634659/ethiopia-kenya-struggle-with-chinese-debt-over-sgr-railways/> (last accessed 16 June 2021); Tarrosy, I. and Vörös, Z. 2018. 'China and Ethiopia, Part 2: The Addis Ababa-Djibouti Railway', *The Diplomat*, 22 February, <https://thediplomat.com/2018/02/china-and-ethiopia-part-2-the-addis-ababa-djibouti-railway/> (last accessed 16 June 2021).

This indicates that more than infrastructure building is needed to successfully boost trade in the Horn, and it is unclear whether foreign investors would be willing (and, if so, able) to take up this challenge.

In addition to this, it should be noted that the dangers associated with cases of underperformance like the one just exposed are particularly stark when infrastructure projects are developed not through foreign investment, but rather through foreign loans to local governments. In these cases, underperformance (or, even worse, failure) can quickly turn a good loan into a bad one. For financiers like the UAE, China or their government-backed entities, such developments may be troublesome, but hardly critical: they are likely to have enough resources to cover the losses, and the strategic advantages associated with the loan may still provide some benefits. However, for fiscally weak governments in the Horn, the financial fallout could be serious, and it could be compounded by a political fallout in terms of unmet expectations. The Ethio-Djibouti railway, for instance, has been financed with Chinese loans and has created significant strains for the coffers of both Ethiopia and Djibouti. In this regard, China has been accused by some observers of purposefully saddling cash-stripped countries with debt in order to then extract concessions from them.⁵⁰ Although these allegations of a deliberate strategy on the part of Beijing have been

largely refuted by analysts,⁵¹ the growing debt resulting from unsuccessful projects financed from abroad remains a potential problem for Horn countries.

Finally, a last economic risk that policymakers may want to consider is that if investors' strategic considerations take precedence over local ones, the much-welcomed race to investments in the Horn's ports might eventually lead to infrastructure overcapacity, giving the region more ports than it would need. As of now, considering the Horn's positive outlook in terms of market growth and the dire state of its infrastructure, this prospect might look unlikely. Yet, in the medium or long term, it might be important to bear this issue in mind.

Besides these potential economic fallouts, Sino-Emirati competition in the Horn could have serious negative implications politically. Increased geopolitical competition among potential investors or financiers might open up opportunities for extraversion, with political leaders in the Horn offering international support to external partners in exchange for money to be used in domestic politics. The more polarised the geopolitical context becomes, the larger the sums of money traded are likely to become – thus raising incentives for Horn leaders to play the game, while also raising the potential for international tensions to translate into domestic ones.

The paradigmatic case in this regard is arguably that of Somalia, where different external players have supported competing Somali leaders from different political factions as well as from different regions. The UAE has been a very active player in this game. Over the last few years, Abu Dhabi has stepped up its support to regional administrations – most notably

50 See, for instance, the allegations made by this US Congressional Research Service brief on China's involvement in Djibouti, where a reference is made to China's takeover of Hambantota port in Sri Lanka (Congressional Research Service. 2019. *China's Engagement in Djibouti*, CRS In Focus, Washington DC. This view reportedly originated in an Indian think tank in 2017, and was then taken up by a number of high-level US officials, such as former Secretary of State Rex Tillerson and former Vice-President Mike Pence (Jones, L. and Hameiri, S. 2020. *Debunking the Myth of 'Debt-trap Diplomacy': How recipient countries shape China's Belt and Road Initiative*, Research Paper, London: Chatham House, 3).

51 See, for instance: Jones, L. and Hameiri, S. 2020. *Debunking the Myth of 'Debt-trap Diplomacy'*, op. cit.; Chen, Y. 2020. 'Chinese debt and the myth of the debt-trap in Africa', *Italian Institute for International Political Studies*, <https://www.ispionline.it/en/publicazione/chinese-debt-and-myth-debt-trap-africa-27024> (last accessed 16 June 2021).

in Somaliland, where DPW's Berbera port deal has cemented the Emirates' ties with Hargeisa, while drastically damaging those with Mogadishu. For its part, China has not forcefully entered the Somali fray. Yet, last year's decision by Somaliland and Taiwan to establish diplomatic relations has the potential to strengthen Beijing's backing of the Somali central government vis-à-vis Hargeisa. The increasingly strong external support enjoyed by different Somali political leaders may further harden their positions, thus adding an additional layer of complexity to an already fraught crisis.

Managing complex interactions

Overall, therefore, both the UAE and China are significantly involved in the Horn/Red Sea region. While the two countries' interests do not necessarily clash, they are also not fully aligned, as Abu Dhabi and Beijing often advance their own specific priorities. In terms of trade, for instance, while the UAE is more interested in controlling trade flows, China has a somewhat broader interest, seeking to boost regional trade and link it to Beijing's own economic development agenda. Moreover, while the UAE's fallout with Djibouti has led Abu Dhabi to develop the Berbera-Ethiopia corridor, China remains committed to expanding the Djibouti-Ethiopia corridor. In addition, Abu Dhabi and Beijing risk finding themselves backing opposing players, both locally (as in Somalia, where the UAE has strong ties with Somaliland, while China supports the federal government) and internationally (as in the Indo-Pacific, where the UAE has strong partnership with China's competitors, or in the Middle East, where China has warm ties with Iran).

In some cases, the two countries might manage to reconcile their differences in order to uphold their much-valued 'oil-for-diversification' cooperation at the domestic level. Yet, as their interaction becomes deeper and more frequent, Abu Dhabi and Beijing – as well as Horn countries and other external players with interests in the region – will need to be increasingly careful in accommodating these different interests in order to avoid potentially dangerous confrontations.

Policy recommendations: What role for the EU and its member states?

The EU and its member states have a strong interest in the Horn of Africa, as noted by the May 2021 Council conclusions, which identified the region as a 'geo-strategic priority for the EU'.⁵² Besides enjoying longstanding historical connections to the region, the EU/MS have high stakes in ensuring the free flow of trade across the Red Sea. In addition, the Horn offers significant economic opportunities (particularly in Ethiopia's large and growing economy), it is home to significant security challenges (most notably in Somalia, due to extensive presence of extremist groups), and it is a key hub in Africa's migratory flows – thus making developments in the region particularly important for European policymakers.⁵³

As a result of these stakes, the EU/MS have a strong interest in promoting stability and economic development in the Horn of Africa. While some of the EU/MS goals are broadly shared by Abu Dhabi and Beijing (most notably regional stability and maritime security), the European approach to the region is markedly different from that of the UAE and China – as shown for instance by the absence of European state-owned conglomerates active in developing the Horn's infrastructure sector. As the Emirati and Chinese footprint in the region grows stronger, however, European policymakers should reckon with the consequences. The interaction between the two countries' strategies in the region creates new opportunities as well as new challenges, and the EU/MS should strive to maximise the former and minimise the latter.

⁵² Council of the European Union. 2021. 'The Horn of Africa: a geo-strategic priority for the EU – Council conclusions', 10 May.

⁵³ *Ibid.*; Council of the European Union. 2011. 'Council conclusions on the Horn of Africa', 14 November.

To this purpose, this brief offers the following recommendations to European policymakers.

1. Improve coordination between the EU's approaches to the Horn of Africa, the Red Sea region and the Indo-Pacific

This brief has shown that the Horn of Africa cannot be understood as a standalone geopolitical space. Rather, the region should be seen as part of the broader Red Sea region, through which the crucial Europe-Asia maritime route transits, and also as part of the broader Indo-Pacific region, of which the Horn is the north-westernmost tip. The strategies of countries such as the UAE and China are based on such understanding, and European policymakers should adopt a similar approach.

The EU has recently shown awareness of these geographical connections – most notably in its new strategy for the Horn, which makes explicit references to the EU's broader regional approach to the Red Sea and the western Indian Ocean.⁵⁴ This is a much-welcomed development, which should be cemented in the implementation phase by stronger cooperation across departments dealing with the different geographical areas involved (most notably eastern Africa, the Middle East and South Asia). Such cooperation could take the form of more regular and frequent meetings across departments, and could later be further reinforced by the establishment of more structured forms of consultation (e.g. ad hoc working groups). Such cross-department coordination should take place not only in Brussels but also in EU capitals.

54 Council of the European Union. 2021. 'The Horn of Africa: a geo-strategic priority for the EU – Council conclusions', 10 May.

2. Support coordination among external players active in the Horn/Red Sea region, including through the extension of existing multilateral forums

As the Horn/Red Sea region attracts a growing number of external players, coordination among these players is of paramount importance. To date, such coordination (when present) takes place on a bilateral, ad hoc basis – thus remaining limited. Both regional and external players, therefore, would benefit from a more stable multilateral platform from which to discuss and coordinate their strategies. In recent years, countries in the region have created new structures for this purpose, most notably the Intergovernmental Authority on Development (IGAD) Red Sea Task Force and the Saudi-sponsored Red Sea Council. The Red Sea Council – with its broader membership and its focus on the widely shared concern of maritime security – provides a particularly interesting entry point for further multilateral cooperation. So far, the Council's membership has been restricted to littoral states. Yet, interest in ensuring the safe flow of trade through the region is shared by a much broader set of global players involved in, or dependent on, this trade. Therefore, the EU/MS should promote an extension of the Red Sea Council, proposing to give observer status to external players with a strong interest in trade across the region.⁵⁵

This extension would transform the council into a broader diplomatic forum where the wide array of external players involved in the Red Sea could at least minimise the risk of confrontation, and at best strengthen

55 The prospect of giving observer status to external players has been raised in some quarters (see Aluwaisheg, A.A. 2020. 'Council of Red Sea and Gulf of Aden to play critical role', *Arab News*, 13 January, <https://www.arabnews.com/node/1612471> (last accessed 16 June 2021)). Yet, there is no indication so far of whether the Red Sea Council would be willing to do so.

cooperation in the region. Owing to their extensive regional involvement, both the UAE and China would likely join the council under such a scheme, thus creating an additional opportunity for Abu Dhabi and Beijing to best coordinate their activities. As well as improving Sino-Emirati coordination, the Red Sea Council's extension could allow the EU/MS to join the forum with observer status. This position would enable European policymakers to promote cooperation with other external players that share their own interests in the region. In some cases, these players may have divergences with the EU/MS – as for instance in the case of Beijing, which is currently locked in a dispute with Brussels over reciprocal sanctions. European policymakers, however, should not let such disputes overshadow the interests they share with China in the Horn region (i.e. stability, maritime security, economic development), where cooperation could be beneficial not only for EU/MS and China, but also for local partners.

3. Support Horn countries in improving their infrastructure, including by addressing unresolved challenges that constrain trade and development in the region

In its new strategy for the Horn of Africa, the EU has included among its aims that of 'promoting sustainable connectivity' in the region. This is a much-welcomed commitment, which has the potential to improve the Horn's underdeveloped infrastructure sector while reducing the financial, environmental and social side-effects often associated with largescale infrastructure projects. Besides promoting their own projects, however, the EU/MS

could support Horn countries in maximising the performance of projects backed by other external players. As seen in this brief, Emirati and Chinese financial support can be important for the development of new infrastructure in the Horn, but might leave unaddressed a broader range of challenges that constrain trade and economic development in the region. In accordance with their role as key development partners for Horn countries, the EU/MS could step in to address some of these challenges. This would entail first of all developing a clear understanding of the projects developed by other actors, as well as of the bottlenecks that these projects leave unaddressed. On this basis, existing development cooperation programmes with Horn countries should be adapted, in close consultation with local partners, to address these challenges.

To maximise the effectiveness of their intervention, the EU/MS should focus on tackling issues that, if properly addressed, could have broader positive spillovers. In the case of the Ethio-Djibouti railway, for instance, this would entail addressing the power outages affecting the railway's functioning, as part of a broader effort to improve access to electricity in Ethiopia and Djibouti. In addition, the EU/MS could also leverage the breadth of its portfolio to create links across different programme areas. Environmental conservations projects in areas crossed by the railways, for example, could include measures to reduce the chances of animals being hit by trains, thus linking a focus on the environment with trade promotion elements. While undoubtedly challenging, such an approach could allow the EU/MS to act in synergy with other external players, and contribute to the region's development by adding value where other players (be they the UAE, China or others) would not be willing or able to step in.

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+31 70 324 53 84

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About the authors

Jos Meester is Senior Research Fellow at the Clingendael Institute's Conflict Research Unit. Jos' work focuses on the functioning of the private sector in conflict-affected environments. In particular, he is interested in supply chains spanning across political divisions, as well as the close relationship of political and private-sector elites and its consequences for the stability of political power structures. Jos previously worked as a management consultant on supply chain management and market assessments in developed and developing economies.

Guido Lanfranchi is Junior Researcher at the Clingendael Institute's Conflict Research Unit. Guido's research interests revolve around the interplay between economic, political and security dynamics. His work focuses on Africa and the Middle East, with a view on the role of the European Union in these regions. Before his experience at Clingendael, Guido interned at the Council of the EU, where he worked on EU-Africa relations.

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