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IAG's programs combine networking, advocacy, dialogue and research on policy issues. We strive to achieve these goals through the following major activities in collaboration with governments, inter- governmental organizations and CSOs:

- Organizing conferences and forums for informative exchange of views on social, political and economic issues concerning the Horn of Africa
- Undertaking research on critical socio-economic, political and peace building issues in the sub-region
- Publishing and disseminating information on vital socio-economic, political and peace building concerns to policy makers and citizens at large that have wider relevance to the Somali, Kenya, Uganda and Djibouti, while also dealing with issues continent.



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CONFERENCE ON GULF STATES ENGAGEMENT IN THE HORN



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Preface

In the past decade and half, we have witnessed changes that have taken place in the global realm of politics and economics which have situated the Gulf States among the emerging global actors such as China, India and Turkey. Pursuant to this new role, they are showing increasing political and economic interest in the Horn. However, this rise of the Gulf States as global political players, particularly, their engagement in the political economy of the Horn, is not adequately researched nor explained in terms of its significance and consequence to the peace and security or the development of the Horn.

The long and short-term implications of this increasingly enhanced Gulf States involvement in the Horn requires to be explored in depth and put in proper perspective. Political influence and economic interests need to be critically assessed along with impact.

In general, the current revitalized relationship between the two regional blocs invokes the following questions:

1. Given the challenging regional dynamics in the Horn, and in view of the paramount strategic importance of the Red Sea -an asset and liability to the Horn- what does the relationship entail in terms of peace and security in the Horn?
2. What is the role and impact of the Gulf States in the economic development of the Horn (especially as it relates to their particular interest in the agriculture sector)?
3. How do the economic incentives (luring with petro dollar diplomacy) sub serve the political interests of the Gulf States?

It is against this back drop of critical questions that InterAfrica Group organized a conference to provide a platform whereby the current relationship between the Gulf States and the Horn would be thoughtfully explored and deliberated. To this end, during the conference three papers that examine closely the issues raised, were presented under the following titles:

1st Role of Gulf States in the Peace and Security of the Horn

2nd Gulf States in the Political Economy of the Horn, and

3rd Gulf States Particular Interest in the Agriculture Sector of the Horn

I am confident the three papers presented by the knowledgeable experts and the proceedings of the conference provided in this publication, will offer vital insights about the ongoing relationship between the two regional blocs. InterAfrica Group hopes that the outcome of the conference will shed light on how best the Horn member countries could utilize the relationship with the Gulf States in a manner that exploits its valuable positive potential. We also expect this publication will provide the basis for further research and discussion on this important agenda for the Horn.

In closing, I wish to thank Mr. Mosses Okello for honoring this conference delivering the opening remarks representing CEWRN/IGAD. Likewise I would like to

thank Professor Harry Verheoven, Ms. Lidet Tadesse and Dr. Dagneu Eshete for sharing with us their valuable research papers and expertise. I would also like to express my thanks to Dr. Deredje Alemayehou and Ato Brouk Mesfin for having lead the deliberations on the papers presented as discussants.

Finally, on behalf of InterAfrica Group, I express profound gratitude to the Kingdom of the Netherlands that funded the research and the conference.

Tamrat Kebede

InterAfrica Group Country Director

PROCEEDINGS

During the past decade, shifts in global and regional dynamics have once again turned the attention of rich Gulf countries to the Horn of Africa. To further our understanding of Gulf interest and its implications for the political economy and peace and security of the Horn, IAG organized a one-day conference in Addis Ababa in April 2017. As noted in IAG's Executive Director Tamrat Kebede opening address to the conference participants: “Gulf-Horn relations goes back to biblical times. However, the strength of the relationship kept fluctuating to this day, driven by variable political and economic interests of the two regional blocs. This inconsistent nature of their relation remains an under-researched area. The long-term and short-term implications of Gulf engagement in the Horn needs to be addressed in depth and put in perspective”.

The conference was an important step towards this direction.

Opening remarks - Moses Chrispus Okello (IGAD/CEWARN conflict analyst)

In recent years the Horn of Africa has attracted global attention due to two main reasons: migration and violent extremism. Most of the asylum seekers reaching Europe come from this region, which has forced Europe to readjust its priorities in the Horn. The region is both an

exporter and importer of violent extremists, partly due to the unchecked flow of people between the two regions and partly due to development deficits in the HoA. While the relationship with Europe is somewhat structured, the relationship with the Gulf is fragmented but closer due to historical inter-migratory patterns. However, strengthening the Gulf-Horn relationship will not be without its challenges. To begin with, the relationship must be strengthened in such a way that it is seen as mutually beneficial instead of unilaterally beneficial. East Africa suffers from a variety of problems, especially those related to governance, peace and security. We therefore need to especially be careful not to further complicate these problems and instead start solving some of them first. At the same time, the two regions do need to integrate and cooperate more. In doing so, a re-examination of the short-term and long-term strategic priorities of engagement is necessary in order to improve relations and guarantee mutual gain.

The Role of Gulf States in Peace and Security in the Horn of Africa

Presentation 1 - Lidet Tadesse

In recent years, global and regional dynamics have been shifting in ways that have changed the foreign policies and agency of Gulf Cooperation Council (GCC) member states (particularly Saudi Arabia, Qatar and the UAE) to turn into big regional players and interventionists. The primary reasons behind these changes are:

- I. The 2011 Arab Spring and the subsequent strengthening of Muslim Brotherhood which was creating fear among Gulf countries (excluding Qatar);
- II. The US's pivotal shift to Asia under the Obama administration due to the 2008 global financial crisis and Obama's gradual disengagement from MENA, signalling to their Gulf allies that the US is no longer as reliable as their guarantor as in the past;
- III. The deepening of sectarianism and Saudi-Iran rivalry in the MENA region.

These rapidly changing global dynamics have contributed to an elevated role of some Gulf states in global and regional politics, demonstrated through the Saudis, Qataris and Emiratis enhanced engagement with the

Horn of Africa (henceforth HoA) - conveniently enabled by their close geographical proximity. Their increasing engagement in the Horn is mainly due to the reasons mentioned above (“power dynamics and sectarian rifts”) as well as financial investment opportunities, but not because of a genuine interest to cooperate more with their Horn neighbours. This relates back to Mr. Okello’s statement about the importance of the relationship between the two regions being cooperative and mutually beneficial and not a zero-sum game.

Gulf states have increased their hard power and regional security role with an upgraded military presence in the HoA, chiefly due to the war in Yemen. This show of hard power, demonstrated by the war in Yemen, has led to Saudi Arabia acquiring strong regional support from Sudan, Eritrea, Djibouti and Somalia. Subsequently, all of them broke off ties with Iran. Each country had their own reasons to why they supported the Saudis to such an extent:

- Sudan and Eritrea suffer from economic sanctions that have damaged their national economies severely, so they sought to benefit from some Gulf cash and investment deals. Saudi Arabia also lobbied on behalf of Sudan for the US to lift its sanctions against Sudan, which it did in 2017 just before Trump’s inauguration. Eritrea’s financial incentives for cutting ties with

Iran are not exactly known, though probably some monetary compensation and natural gas.

- Both Saudi Arabia and UAE signed an agreement with Eritrea for the establishment of military bases in Assab. In 2015 Saudi Arabia overtook Russia in military expenditure. Also Qatar's and UAE's military expenditure has been increasing annually in recent years.
- Somalia is trying to form new alliances and seeks to step out of the shadow of regional powerhouses such as Kenya and Ethiopia. UAE is said to be investing 422 million USD in rebuilding the Berbera port in Somaliland - a development which potentially could ease landlocked Ethiopia's dependence on Djibouti. The UAE is also interested in setting up a naval base in Somaliland - further adding to the militarisation of the HoA. There is also some overt involvement in counterterrorism and anti-piracy measures in Somalia.
- Djibouti is lending its ports to Saudi Arabia in the Yemeni war with likely financial investments in return. An agreement on a Saudi military base being built in Djibouti is nearly finalised.
- UAE is said to have secured a lease to rent a port in Eritrea. Renewed interest in Eritrea by Gulf countries may break its isolation. Also Egypt and Eritrea agreed to set up a joint command post in the Red Sea.

- In 2015 UAE opened a training centre for Somali security forces in Somalia. This allows UAE to keep a watchful eye over the Gulf of Aden, countering any potential Iranian influence.

Gulf engagement in the Horn has not been limited to economic, security, and military engagement. For example, Qatar has quite successfully been involved as conflict mediator in the Eritrea-Djibouti border dispute. They have also mediated in the Sudan-Darfur area, using their wealth as leverage over the conflicting parties, though with dubious results.

However, there are mounting fears with regards to Gulf involvement in the HoA. Ethiopia has accused Qatar and Saudi Arabia of financially sponsoring Salafi and Wahhabi groups in the HoA. Tracing these cash flows is difficult as they are disguised in various forms (e.g. humanitarian aid), though they are believed to be a mixture of both state and private funds. As a result, Ethiopian-Qatari diplomatic relations were cut off in 2008 until 2013.

To conclude, Gulf foreign policy is very *ad hoc*, issue-based, lacking long-term vision, serious diplomatic engagement and a deeper understanding of the HoA and regional political dynamics. It seems that the Saudis and UAE's recently elevated interest in the HoA is mainly due to the Yemeni war. If this characterises their engagement, then what does it mean for

the HoA which already suffers from conflict and instability? Horn states might be able to leverage the increased global interest in their region to their own benefit. However, there are potential risks such as Gulf rapprochement with Eritrea which could further antagonise Ethio-Eritrean relations or it could advance Salafi radicalisation in the Horn (particularly Kenya and Ethiopia are wary of this).

It is yet to be seen what the Trump administration has waiting for the Horn. Normally, the US follows its long-term vision for the area, which is what the Gulf states are lacking.

Discussant - Berouk Mesfin

Berouk largely agrees with Lidet's analysis, considering it to be highly informative and valuable to the debate. It contains a sound literature review on the conditions framing Gulf-Horn relations, despite the shortage of literature. Though he adds that her paper could have been further enriched using primary data.

Perhaps the only major condition Lidet excluded from her paper is the economic migration from the Horn to the Gulf (a key source of remittances and political support). This point was raised by one of the audience members as well. Berouk also highlighted a few other topics that went unnoticed or needed more exploration in the paper, such as the

presence of Qatari peacekeeping forces in the border between Djibouti and Eritrea, as well as, the allegations of the UAE's Eritrea base serving as a hub for Saudi-Emirate strikes in Yemen and UAE plans to establish a military base in Somaliland's Berbera.

Berouk ultimately agrees with Lidet that the foreign policies of particularly Saudi Arabia, Qatar and UAE towards the Horn countries are based on quick, short-term gains. It is clear, he says, that such an approach cannot create a solid sphere of influence. Their impromptu, opportunistic approach to the Horn will soon strain relations between the two regions and Gulf states will be forced to rethink their policies in the region. Otherwise they might soon find themselves dragged into the conflicts of the Horn.

Plenary Discussion

There were a number of interesting questions raised by the audience members. Given the Bab-El-Mandeb strait's strategic importance to the global economy as a major trade route, a participant from CDRC asked what the response of global powers such as the US and European countries would be against the concession and militarisation of Horn of Africa ports to GCC countries? He also wondered what the role of Israel was with regards to Gulf engagement in the Horn. Lidet responded that

Israel is indeed keen on developing a foothold in the Horn; Benjamin Netanyahu has conducted a number of state visits in Ethiopia and Uganda and Israel is seeking observer status in the African Union. Whether this is related to the recently enhanced Gulf-Horn relations is unclear. Increased Israeli engagement could potentially balance Ethio-Eritrean tensions as many Gulf states are more active in engaging with Eritrea but Israel is politically closer to Ethiopia. To this Berouk added that after Ethiopia cut diplomatic relations with Qatar between 2008-2013, Qatar then began to rethink its policies in the Horn and their image as being “too Eritrea-friendly”. With regards to Israel, Berouk responded that the priority for Israel is keeping the Red Sea free of hostile forces as it is vital to its trade.

Prof. Harry Verhoeven remarked that from a historical perspective there is not really a sudden awakening of the Gulf states (echoed in the earlier presentation and discussion paper) but that they had been deeply involved in HoA politics (e.g. Somalia and Sudan) at least in the last 40 years. From a Gulf, particularly Saudi perspective, the overall cause of instability in the Horn is Ethiopian imperialism and Ethiopia’s overreach *vis-a-vis* their Muslim population, but also against Somalia, Eritrea and Sudan. This is also the case from a Somali and Eritrean perspective, which see a Gulf presence as countering Ethiopian influence. The “Other’s” perspective need to be weighed in, otherwise it is going to be

difficult to assess the implications of Gulf engagement in the Horn today. Adding to this, another participant from the Australian Embassy commented that we should refrain from generalising the Gulf countries as they sometimes have divergent or completely different interests and policies among themselves. In response to Prof. Harry's comments, Lidet questioned the extent to which Gulf states' foreign policy in the Horn were driven by this perception of Ethiopian imperialism, though it certainly did influence the foreign policy of some neighbouring states such as Somalia. Whilst Ethiopia's neighbours might feel it is encroaching on them, Ethiopia in turn feels "surrounded" by hostile neighbours. Related to this, another participant commented that Djibouti is seen as a bulwark against Ethiopia, to contain Ethiopia. Lidet, however, noted that Ethiopia and Djibouti had excellent relations and Djibouti's interests in the Gulf were primarily economic and not ideological. Following up on Ethiopia's feelings of alienation, an audience member wondered to what extent Ethiopia's unofficial Christian identity affect its relations with its own Muslim population and Muslim neighbors in both the Horn and Gulf. Lidet agreed that despite Ethiopia being officially secular, there is an unacknowledged view of Ethiopia as a Christian nation which has in turn affected its perception of being "surrounded". Kenya also experiences tensions with its Muslim population.

A participant from CDRC - having noted that the growing interest of the Gulf countries in the Horn and the seemingly concurrent realignment of Sudan, Yemen and Egypt in one bloc causing alarm among observers in Ethiopia's foreign policy circle - wondered what would be the likely counter-balancing measures that Ethiopian foreign policy-makers should adopt. He noted that while suggested policy options being circulated around include forging stronger associations with Israel and Turkey, the recent visit by the Emir of Qatar to Ethiopia has showcased the fluidity of the situation.

Commenting on Gulf-Horn relations in the context of intergovernmental organisations, a participant mentioned the relationship between the African Union (AU) and the Gulf countries. Lidet responded that the AU is trying to build a relationship with the Gulf. There is for example the Qatar-Africa Summit which primarily touches upon economic issues. There have also been some attempts at cooperating in peace and security though to Lidet's knowledge nothing concrete has come of these attempts yet. Another participant from the British Embassy mentioned the Arab League in which Sudan, Somalia and Djibouti are members and Eritrea has observer status. What these countries also have in common is religious affiliation as Sudan, Somalia and Djibouti are Muslim countries though with Eritrea, Ethiopia and Kenya having sizeable Muslim populations as well. The participant also contested the idea that Qatari

mediation in the Djibouti-Eritrea border conflict was successful - for example there are still a number of Djiboutian prisoners of war in Eritrea and also Eritrea suffered from sanctions following a UN Security Council motion. Finally, he critically questioned whether there was any solid evidence concerning the UAE securing a 30-year lease to rent a port in Assab, Eritrea. Lidet responded by saying that indeed, a lot of the information available on this was hearsay and there was no concrete evidence available to confirm this.

Another participant pointed out that it could be worth looking into the objectives of the now defunct Sana'a security forum made up of Yemen, Sudan, Ethiopia and Djibouti even though it is no longer active (presumably due to the collapse of Yemen). It might also be useful looking into whether there is potential for the future re-establishment of the forum. Also worth considering is the implications of a potential improvement of the Ethio-Eritrean relationship, which is often assumed to be permanently hostile. Lidet responded that the relationship between the two states is not moving in a positive direction, though it is not impossible for the situation to change. Berouk added that as long as President Issayas is in power, any improvement in Ethio-Eritrean relations is unlikely, especially as Ethiopia is currently busy with internal conflicts.

A participant from Addis Ababa University wondered whether the external interest in the Horn is related to the vulnerability of the Horn, in terms of the region's lack of internal cohesion, conflict and general weaknesses. Lidet responded by saying yes, it does give space for outsiders and even Horn countries themselves to manoeuvre in proxy relationships. However, she emphasised that Gulf-Horn relations are not uni-directional as often thought; Horn states are also agents and participants in the power-game. They are not passive.

According to one of the participants, social and structural questions such as gender, racism, capitalism and so-called “piratism” in the Horn had been overlooked/absent during the presentations and discussions. She particularly underscored the importance of including a gender component in the discussions, particularly in relation to the thousands of women from the Horn working under in the Gulf, which in some cases mirror “modern day slavery”. Further, what is the relationship between the capitalism of Europe and the Gulf and how does this filter down to the Horn? Also, “how is the Saudi bombing of Yemen going to affect our relationship with them?”, she asked.

A participant from the Ethiopian Foreign Relations Strategic Studies Institute questioned the legitimacy and sustainability of the Saudi-led intervention in Yemen especially as it was carried out outside of the UN

Security Council framework. Because if Yemen became a failed state, then this could have a highly negative impact on the Horn. He also added that in a potential dispute between Egypt and Ethiopia, Israel would side with Egypt because of its long-term interests (e.g. river Nile water security, proximity of Egypt, and Egypt seen as more powerful).

Noting the absence of a civil society perspective, a participant from the Civil Society Support Programme commented that the conference focus had been on state actors and too little on non-state actors - something to think about for future discussions, he thought. He also added that the discussions had been one-dimensional, i.e. Gulf “interventions” in the Horn (“the receiving end”) and nothing on Horn engagement in the Gulf. IAG’s Director, argued that the term “intervention” can be both positive and negative - depends on the intervention. Berouk thought that Gulf-Horn engagement is sustainable but at the same time may not be in the long-term because of a variety factors. One such factor is for example how the wealth of the Gulf nations provides them with an ability to become involved in almost any region they like. Another factor is how Qatar’s state institutions (political, military, intelligence) are dominated by foreigners due to the lack of indigenous manpower and the government being dominated by the royal family - with a clear discrepancy between the perceptions of foreign policy between the elite and the bureaucrats.

Another audience participant noted that the competition in commercial aviation is a topic of interest. Major Gulf airlines such as Qatar Airways and Emirates are not only in a serious competition with Ethiopian Airlines but also seek to dislodge it.

As to what can be concluded from Gulf engagement in the peace and security of the Horn, Lidet thought that it was difficult to make a decisive conclusion, particularly as economic issues cannot easily be separated from peace and security issues. This is against a backdrop of Gulf states frequently using their wealth as leverage. Much of Gulf engagement thus far has not really achieved much positive results, except for Qatari attempts at conflict mediation in the region. As mentioned earlier, their engagement in the Horn had so far been *ad hoc* and un-strategic which makes it harder to say something conclusive about the situation. Adding to this, the chair of the session, Ambassador Robleh commented that the Horn or even IGAD does not have a coherent policy *vis-a-vis* the Gulf either. As long as this is the case, the Horn will always be reactive instead of proactive.

A Sustainable Partnership or a Poisoned Chalice? Gulf States in the Political Economy of the Horn of Africa

Prof. Harry Verhoeven - Presentation 2

In his presentation, Prof. Harry aimed to bring about the perspective of the Gulf into the discussions and the impact on political economy and development policies.

Harry reiterated what Lidet and Berouk said; the geographical proximity between the two regions are of great importance to questions on trade, culture, social affairs, and aid flows. The Horn is still a region of great historical significance to the Gulf since ancient Abyssinia across the Red Sea has been a refuge where Muslims escaping religious persecution in the Arabian peninsula sought shelter (the first *hijrah*). This historical fact is still today not forgotten among the people and the elites. Therefore, there is a sense of familiarity with the Horn - it is integral to the history of the Gulf nations and vice versa.

In addition to positive historical memories, there are the negative, less-talked about ones such as the Indian Ocean slave trade to India and the Middle East. But it was not just facilitated by Arabs, the ancestors of Sudanese, Ethiopian, Eritrean and Somali people participated as middle-men in the slave trade and made great profit from it. In some ways the

human labour exploitation and racism of the time still echoes today, especially when speaking of economic migration to the Gulf today, and shapes attitudes on both sides of the Red Sea.

Historically, the trade between the Arabian peninsula and northeastern corner of Africa were fairly balanced in terms of import and export, which included slavery as well. This historical relationship between the two blocs changes when oil prices peaked in the 1970s and suddenly increased the power and sway of Gulf states. During the oil shocks of the 1970s, most African countries were importing oil and many were already experiencing severe economic problems such as budget deficits, increasing unemployment and higher inflation. When oil prices skyrocketed, it added to their trade deficits. To compensate for the sudden need for cash, East African countries encouraged their citizens to migrate to the Gulf in order to find employment and send valuable remittances back home.

As a response to the power asymmetry created between the Horn and the Gulf, Horn countries attempted to attract aid and investment in return for political loyalty and the supply of raw material and food resources from Africa. It was a strategy aimed at meeting economic needs as well as a maintaining political stability. Sudan's "breadbasket" idea under Nimeiri's rule was such a strategy (which later backfired and ultimately

led to his downfall). From these strategies, Africanists coined the term “extraversion”. Weak African elites sought to make use of state sovereignty in order to extract financial, military, ideological or political support outside of Africa (sometimes to defeat internal rivals), offering political support and national resources to these external actors in return. Extraversion is a lucrative but risky strategy if market prices fluctuate for example because while financial loss would be a mild irritant to Gulf countries, it could be destructive for Horn economies.

In 2007-2008, there was a huge spike in commodity prices (including food). Arable farmland prices across the world went up immensely, being more expensive than prime real estate in London for example. Gulf countries are dependent on food import and are looking to secure access to valuable farmland to ensure regular supplies, not necessarily to cultivate the land but to one day bring it into production. This has drawn the Gulf closer to the Horn. However, there are negative impacts on the local population; farmers and pastoralists are being displaced and their livelihoods jeopardised.

Migration from the Horn to the Gulf is not only done by “unskilled” labourers but there are also “skilled” people with degrees from higher education working in for example Qatar as doctors, engineers and lawyers and are making a lot of money. Many of them have been

returning home, particularly to Sudan but to a lesser extent also Somalia, bringing with them some Gulf trade and investment. They have become an integral part of the small but growing middle class in the region's cities, which in turn makes Gulf investors (e.g. Kuwaiti telecom operators, Qatari property developers, Saudi banks) more confident about investing in the Horn as the number of potential customers has grown.

However, many of these investments are also driven by geopolitical concerns due to rivalries between Middle Eastern states (Saudi-Iran axis) as well as inter-Gulf rivalries. For example, both Qatar and UAE consider Saudi Arabia acting as the regional hegemon and there have been territorial border disputes between these countries. Through commercial projects in the Horn, these countries are competing for greater political and social influence in the Horn. Profit from economic investments is actually not an expectation and therefore not as important as political influence. So the key determinants are political and not really economic.

Gulf countries like Qatar, UAE and Saudi Arabia depend very little on Horn imports. Less than 5 % of Saudi imports come from Africa. You will rarely find any African products on the supermarkets shelves in the

Gulf. Therefore the economic benefits are mostly one-sided, benefitting Africa perhaps but matters little to the Gulf.

Further, only 5-10% of Saudi development assistance has come to the Horn of Africa. Most of it is spent either in the Middle East or South Asia - regions considered to be more important. It should be noted here that there is no clear differentiation between private and public ownership in the Gulf because almost all key entities are controlled by key individuals in the royal families or their clients.

In conclusion, both sides have a mutually dependent but unequal relationship. Extraversion - using external resources to win domestic struggles - is an idea still important from an African perspective. Extraversion determines how effective and sustainable these investments are. As Harry suggest, they are neither effective nor sustainable. In terms of development outcomes, Gulf money has made little difference.

Discussant - Dr. Dereje Alemayehu

Against a background of the slave trade, colonialism, imperialism, and extraversion, Dereje sought to emphasise that any sort of domination is not possible without some cooperation of natives and Africa is not unique in that sense. Africans have at all times resisted economic policies

forced upon them by the more powerful. African states have not been accommodative to subservient integration to the global economy. The idea of Africa living off the life support of rich countries has changed. Africa is the main exporter of resources for the rest of the world. He disputes the idea of extraversion; that African leaders receive external resources in return for being submissive to the donors and sorting out their short-term interests. Such a view is simplistic in that it does not consider the structural impediments and other regulations in place that prohibit African states to participate in the global economic market on equal terms. African states want to thrive, they do not want to be subordinated.

All in all, Dr. Dereje commends Prof. Harry's paper for offering the perspective of the Gulf, but criticises its African perspective for lacking nuances and for its reliance on Sudan as a representative case study.

Plenary Discussion

The first participant raised the Egypt/Sudan/Ethiopia river Nile issue and the controversy surrounding the Renaissance Dam currently under construction in Ethiopia. What implications will the dam building have on Sudan and Egypt or what will be the shifts in the power dynamics between these three countries? He suggested that the real dispute was

between Egypt and Sudan (due to water-related geographic factors) and not between Egypt and Ethiopia as commonly portrayed. Prof. Harry responded that in addition to the Grand Ethiopian Renaissance Dam being a question of hydropower generation, there is definitely a clear political motive as well because it will reshape how power and politics are talked about in the region. Sudan has chosen to develop a closer relationship with Ethiopia instead of Egypt, although he doubts that the rift between Egypt and Sudan would be so severe that Ethiopia could exploit it. Following up on this, another participant asked how the current pro-Gulf coalition or re-alignment in the Horn would continue to evolve, including how Egypt's growing tensions with Sudan and Saudi Arabia and intra-Gulf rivalries affect this re-alignment.

Highlighting the importance of conceptualisation, an audience member questioned the meaning of such terms as “the Gulf” or “the Horn” and who we are talking about with regards to regional actors. Prof. Harry agrees that we need to disentangle who we are talking about and to take into consideration the differences and nuances that exist. People's perceptions about themselves and others does significantly impact their interactions with one another.

With reference to Prof. Harry's conclusion that political factors rather than economic motivations are the real drivers behind Gulf activity in the

HoA, Tamrat mentioned the “comparative advantage” between the Horn and the Gulf in the sense that each seeks what the other possesses (farmland vs. capital). He therefore asked whether Prof. Harry was questioning the way this comparative advantage was being utilised or whether it was abused. Related to this, another participant thought that the focus on comparative rather than competitive advantage has been troublesome for Africa and is creating problems in the Horn at the moment. Dr. Dereje added that the theory of comparative advantage in relation to Africa is mostly on primary products and therefore it is only perpetuating Africa’s asymmetric integration into the rest of the world. He agrees that competitive advantage would be better but there are too many obstacles for that. Gulf investments in the HoA are focused on agriculture which will not serve Horn countries in the long run. Prof. Harry thought that the HoA need to be separated from the rest of Africa when talking about the global economy and neoliberalism because none of the Horn countries (or the Gulf) look like neoliberal economies. Further, Prof. Harry, echoing the words of others, added that there is indeed an unfair global economic structure that Africans did not choose or create and it is rigged against Africans. But the more important question is: how can African nations navigate within this structure to use their leverages and utilise other opportunities available to them? With regards to the field of agriculture, the response has been disappointing - the Sudan breadbasket project being a prominent example.

The State and Implications of Gulf Agro-Investment in the Horn of Africa

Presentation 3 - Dr. Dagnew Eshete

According to Dr. Dagnew, the GCC countries are looking to meet their long-term food security demands and the Horn countries possess comparative advantages in fertile lands, water and labour force. The two regions geographic proximity makes it almost natural for them to develop stronger ties in trade and investment. There is an increased commitment on both sides to strengthen structural mechanisms to boost this economic relationship (not just in agriculture, but also energy and infrastructure). Thus, his paper brings attention to how Gulf-Horn trade and investment can be improved, with a focus on the agricultural and livestock sectors. Points of suggested improvement include:

- Horn countries (and Ethiopia in particular) should focus on adapting according to the agro-investment potential of the Gulf, specifically producing and supplying agricultural products as per the needs of the Gulf. This would further add to the Horn's comparative advantage, boosting investment capital in agriculture;
- Developing stronger markets for exports of both agricultural produce and agro-industrial products in the Gulf countries;

- Shifting from the export of live animals to exports of value added animal products, making it easier to comply with sanitary standards, food safety and avoiding bans due to animal diseases;
- Increasing the variety of agricultural products exported to avoid dependency on a few products as well as to increase the quality and quantity of these products (to bridge the current gap between Ethiopia's potential for agricultural export and its actual performance);
- Gulf investors engaging more at a community-level in the host country in order to win local support and trust for their investment projects, including putting more effort into ensuring transparency on scope, ownership and purpose of agro-investment projects for communities in the Horn;
- Including local landowners and local stakeholders as part of improving transparency during land deals and ensuring local communities do not lose out on compensation. This will in turn support the economic development of these countries and help create a more sustainable and long-term agro-investment relationship between the two regions;
- The Ethiopian government developing policy plans that specifically encourages producers and investors to engage in raw material production as well as manufacturing. For example, tax

exemptions and attractive lease prices on land are ways to spur investor interest;

- Building the necessary infrastructure (roads, electricity, water irrigation, including marketing infrastructural services, etc.) to facilitate trade. Infrastructure development needs to be accompanied by sustainable growth too;
- Addressing constraints to the livestock sector through location and commodity specific interventions as well as targeting of production systems and households. The constraints have technical, organisational, institutional, infrastructural, environmental and policy aspects. Improved use of technology, more efficient supply system, and access to knowledge and credit are crucial too;
- Better government attention to livestock research and pastoral agro-production systems in relation to livestock resource development in the Horn.

Plenary discussion

A participant asked why there was so little Gulf investment and import from the Horn - what is the missing link actually? Dr. Dagnew responded that there are a variety of reasons, political volatility in the Horn being a major one, but he also wondered whether the Horn countries had done

their best in attracting FDI for their agricultural products. But further assessment is needed, he added. Another participant once again highlighted that Gulf investments in the HoA are *ad hoc* and inconsistent. Dr. Dereje questioned the idea of using agriculture to attract FDI. Agriculture has become an industry but very few countries in the world actually rely on it to sustain their economies or develop their countries. How worthwhile is it to rely on the agricultural sector and its growth as a development strategy for the Horn? Dr. Dagnew responded that agriculture is an integral part of Ethiopia's economy; 80 % of people in Ethiopia are in agriculture. Therefore, it needs to be given priority in Ethiopia and besides, development needs to start somewhere.

Closing

The conference was closed by the chair, Amb. Peter Robleh, who remarked that it had been a very fruitful, informative and thought-provoking conference. He subsequently thanked all the participants and conference organisers.

The Role of Gulf States in Peace and Security of the Horn of Africa

Ms. Lidet Tadesse

Background

The East African sub-continent and the Arabian Peninsula have shared economic, political and social ties that go back to millennial. The two regions are naturally separated by a 20 km long strait of Bab-el Mandab – that separates Djibouti from Yemen, and also by the artificially constructed Suez Canal dividing mainland Egypt from the Sinai and the Arabian Peninsula. Historically, empires and kingdoms from both regions have crossed over the natural or man-made divides to rule over territories and people. The Abyssinian Empire – now modern day Eritrea and Northern Ethiopia- used to rule over Yemen in 2nd and 3rd century BC¹. Likewise, The Omani Emirate in 17th century extended to the eastern coast of modern day Tanzania, and its historical legacy is still visible in the architecture and cultural traits of Zanzibar – an island city of Tanzania.

Socially, the intermixing of people and cultures around the coasts of East Africa and the Arabian Peninsula are still quite vivid and

¹ Adeoye A. Akinsanya. “Afro-Arab Relations and North Africa”; p. 3. Conference Paper. Regional Integration in Africa: Bridging the North- Sub-Saharan Divide. 5-7 November, 2010, Cairo-Egypt

evident. Ki-Swahili, a language widely spoken in the southern coast of East Africa, for example, is a language born out of the intermixing of Arabic and local languages in the coast of Kenya and Tanzania. Tigrigna and Amharic – languages spoken in the highlands of Eritrea and Northern Ethiopia are in the same Semitic language family as Arabic – and contain several Arabic words in their vocabulary.

History aside, the two regions continue to be relevant for each other's economic, political and social well-being. Rapid globalization as well as recent social and political developments, such as the Arab Spring, the rise of violent extremism, growing sectarianism, state failure and piracy in the Middle East and North Africa (MENA) and HoA – have once again drawn the two regions together. Troubled by changing global dynamics and situated right in the middle of a region undergoing turbulent times, Arab states, most particularly the rich Gulf States, have risen to be key regional and global economic and political actors. Given the geographical proximity, shared historical relations, as well as contemporary interests, the HoA is increasingly becoming the region where the rise of Gulf States is demonstrated.

However, while the heightened interaction of the two regions is apparent and dynamically unfolding, research and literature on the

nature, scope and patterns around Gulf-HoA relation lags behind. Even while a growing volume of literature continues to follow the socio-economic and political interaction of HoA vis-à-vis non Western powers, such as China and Turkey, non-historical literature on the interaction between HoA and Arabian Peninsula is limited.

In light of this reality, the objective of this paper is to provide some analysis on the factors, trends and main actors behind a renewed Gulf-HoA role and impact in the peace and security realm in the past decade. With this objective in mind, the paper first offers a contextual overview of the HoA and the Gulf States in order to provide for a background based on which the rest of the paper should be seen. It subsequently goes into an analysis of the factors that drive the foreign policy of Gulf States in HoA. The third section presents the ‘state of affairs’ of Gulf States in peace and security in the HoA in order to highlight the scope, level and areas of their engagement in the region. The fourth and final section is an analysis of the challenges, opportunities and future prospects of Gulf engagement in peace and security in the HoA. It will particularly touch on the ramifications of the growing interest of other regional powers, such as Turkey and China in the HoA, as

well as the international role of the US in light of the new Trump administration.

Introduction: The Horn of Africa and Gulf States

The Horn of Africa

The Horn of Africa (HoA) is generally taken as the region comprising primarily of Ethiopia, Eritrea, Djibouti, Somalia, Sudan and South Sudan since 2011. Kenya and Uganda are also considered part of the ‘Greater Horn of Africa’ and are members of the East African Economic block – the Intergovernmental Authority on Development (IGAD) - while Egypt and Yemen are key players in regional dynamics.

The HoA is a region that suffers from recurrent drought and protracted conflicts. The countries making up the Horn have a shared history and the identities of several ethnic groups in the region are mixed and fluid – often transcending national boundaries. The HoA is often characterized as a “security complex” where the “the political fate of each state in the region has always been inextricably intertwined with that of neighboring

states”². As such, the actors, factors and trends explaining peace and security issues in one of the countries are also relevant for the other countries in the region, as well as for the region as a whole. While the region has registered laudable socio-economic growth in the past two decades, millions of people are affected by chronic drought and are dependent on humanitarian aid every year. Further, despite encouraging results in regional integration and organized preventive diplomacy and mediation spearheaded by IGAD, political stability and peace remain elusive in the region. The region struggles to stabilize and rebuild Somalia, put an end to the civil war in South Sudan, unresolved border tensions between Eritrea and Ethiopia, and border disputes and strained relationships between the various states in the region (Sudan-South Sudan, Eritrea-Djibouti).

Bridging between the Arabian Peninsula and Sub-Saharan Africa, the HoA region has always borne great economic and political strategic relevance in the world. Its proximity to the Suez Canal and Red Sea – both of which are key international trade routes where goods to and from Africa, the Middle East, Europe and Far

² Berouk Mesfin. “The Horn of Africa as a Security Complex: Towards a Theoretical Framework”. Op. cit.

East are transported- has made the Horn a geostrategically vital region.

During the Cold War, the HoA was one of the frontiers where the United States and Russia competed for influence and confronted each other through proxy wars³. In the interest of guarding its oil supply from the Gulf States via the Persian Gulf, the US wanted to prevent the influence of Soviet Union in the Middle East and HoA. Russia for its part wanted to strengthen its alliances in these regions in order to curtail US oil supply from the region and in so doing, obliterate its influence in the region.

Having realized their geostrategic influence, Horn countries also put their alliance up for bargaining with the super powers and changed sides when convenient or in response to political shifts at home. For example, while Ethiopia under Haile Selassie was a staunch US ally, the 1974 revolution brought about the Derg regime and with that the birth of Socialist Ethiopia shifted Ethiopia's alliance towards the Soviet Union. Similarly, Somalia, which was another Soviet ally in the region prior to 1977 sought the support of the US in the 1978 Ogaden war with Ethiopia, as a

³ Berouk Mesfin. "The Horn of Africa as a Security Complex: Towards a Theoretical Framework". Op. cit

reaction to Soviet's support of Ethiopia in the war⁴. Towards the end of the 1970s and in the 1980s, the region was divided between US allies - Sudan, Egypt and Somalia – on the one hand, and Soviet allies on the other: Ethiopia, Yemen and Libya⁵.

After the end of the Cold War, the HoA was still in the global security scene as a result of the rise of insurgencies and terrorist activities in the region in mid 1990s. After the attack on the US Embassy in Nairobi in 1998, the region's relevance to global terrorism and counter terrorism actions became even more important following 9/11 attacks in the US. State failure in Somalia, weak governments and porous borders in the region were seen as conducive environments for the operation of terrorist organizations such as Al-Qaeda. In the early 2000s, the sprouting of international groups, such as Al-Qaeda, and local violent extremists groups, such as Al-shabab in Somalia, matched with weak governance in the region had once again made the Horn one of the frontiers where counter-terrorism and later, anti-Piracy measures were exercised.

⁴ Jeffrey Lefebvre, (1996) "Middle East Conflicts and Middle Level Power Intervention in the Horn of Africa." Middle East Journal, vol.50 no3.

⁵ Berouk Mesfin. "The Horn of Africa as a Security Complex: Towards a Theoretical Framework". P. 12. Op. cit

Of late, there's growing interest from old and new global powers (such as China, Turkey, and Gulf States) to extend their influence in the region through investment, development, humanitarian aid and increased military presence, in the region. The fact that the US has its largest military base in Africa (Camp Lemonnier) in Djibouti since 2002⁶, and China and Saudi are also building bases in Djibouti,⁷ while Turkey⁸ and UAE⁹ are working towards the same end in Somalia and Somaliland respectively – attest to the continuous geostrategic importance of the HoA to global actors far and near.

The Gulf Countries

The Gulf States are generally taken to be Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (UAE). The six states i.e with the exception of Iraq, form the Gulf Cooperation

⁶ Tomi Oladipo. "Why are there so many military bases in Djibouti?". BBC News. 16 June 2015. <http://www.bbc.com/news/world-africa-33115502>

⁷ Joseph Braude and Tyler Jiang. "Why China and Saudi Arabia are Building Bases in Djibouti. Huffington Post. 16 September, 2016. http://www.huffingtonpost.com/joseph-braude/why-china-and-saudi-arabi_b_12194702.html

⁸ Press TV. "Turkish army establishing military base in Somalia: Report". 19 January, 2016. <http://www.presstv.com/Detail/2016/01/19/446356/Turkey-military-base-Somalia-alShabab-Africa>

⁹ Judy Maina and Jamal Ibrahim. "UAE seeks to open military base in Somaliland". All East Africa. 11 January, 2017. <https://www.alleastafrica.com/2017/01/11/uae-seeks-to-open-military-base-in-somaliland/>

Council (GCC) which is an economic and political intergovernmental organization. The GCC is an economic and political union (as well as a loose security alliance) between the six countries that is based on the member states' shared identity as Arabs, religion (Sunni Islam), system of governance (monarchy) – and a measure taken in response to the Iranian Revolution in 1979 and the Iran-Iraq war of 1981¹⁰. Iraq, once one of the region's key players has been mired in a political crisis that's increasingly turning sectarian since the US invasion in 2003. Given this reality, as well as the ease of access to literature referring to GCC than the Gulf States (including Iraq), the reference to “Gulf States” in this paper pertains only to GCC member states.

While the respective countries in GCC have their own distinct history, ideology and socio-political features, they are all predominantly Muslim countries with large natural gas resources, small population size (except Saudi Arabia) and governed under a form of monarchy (ranging from constitutional, absolute, and federated monarchy). These countries also enjoy strong relationships with the US and most host US naval forces on their soil (Bahrain, Oman, UAE and Kuwait) while Qatar is a host to

¹⁰ BBC World. “Profile: Gulf Co-operation Council”. 15 February 2012.
http://news.bbc.co.uk/1/hi/world/middle_east/country_profiles/4155001.stm

US' biggest military and logistical base in the Middle East Base¹¹. Despite the difference in world view between the liberal democratic United States and Islamic Monarchical Gulf states, the relationship with the US had also served as Gulf States' security guarantee from external attacks.

The Arab Spring, that took root in the Middle East and North Africa (MENA) in 2011 and ousted long standing autocratic regimes in Tunisia, Egypt and Libya, however, tested the depth of Gulf-US relationship and questioned the sustainability of Gulf military reliance on the US. While the US supported the various protests in MENA, and cheered the rise of the Muslim Brotherhood in Egypt, socio-economic ratings than the countries where the Arab Spring erupted in MENA. However, the undemocratic, monarchical nature of government puts power in the hands of a few families and survives by repressing political opposition (such as the Muslim Brotherhood) and social minorities (such as the Shia) which Gulf states - most notably Saudi Arabia, UAE and Oman were unhappy with the development.

¹¹ Ben Piven. "Map: US bases encircle Iran". Aljazeera. 01 May, 2012.
<http://www.aljazeera.com/indepth/interactive/2012/04/2012417131242767298.html>

The Gulf countries had much better question the power of the (Sunni) monarchy.

In fact, the Arab Spring wind also blew in the direction of Bahrain and Oman where people took to the street demanding better socio economic and political rights – short of asking the respective regimes to go. Bahrain is a predominantly Shia society (70%) that ruled by a Sunni monarchy. In February 2011, protestors in Bahrain took to the street demanding a restoration of the parliament and a new constitution. It was clear, at this point that US military presence in Bahrain or in the region would not rescue the GCC from internal opposition. The Bahraini Monarchy, and its more powerful GCC partners, Saudi Arabia and UAE, framed the protests as an Iranian-backed Shia plot that would have negative repercussions for the region as a whole, and sent in their forces to quell and contain the protests¹².

Similarly, Oman experienced the Arab Spring - but to a lesser intensity and scope – where protestors staged sit-ins demanding economic and social reforms, such as more jobs and an end to corruption, more so than open democratic rights. In response to

¹² Lamis Andoni. “Bahrain’s contribution to the Arab Spring”. Aljazeera. 30 August 2011. <http://www.aljazeera.com/indepth/opinion/2011/08/20118301473301296.html>

the protests in February 2011, Sultan Qaboo's - who is still popular after 46 years in power - reshuffled the cabinet and promised several economic reforms including jobs and salary increment¹³.

In order to preemptively avoid the Arab Spring to take root in their own territories, Saudi Arabia introduced domestic reforms. It allocated \$130 billion for new job creation, salary increments, bonuses and public housing schemes¹⁴.

The divergence of interest between the US and Gulf states, regarding the outcomes of the Arab Spring in 2011/2012 was a clear sign to the GCC that the US can guarantee neither their regimes' survival nor their national interests. This point was made even more poignantly through the US' reluctance to take an active military role in Syria and its rapprochement with Iran that was later tied with the Iran Nuclear Deal in 2015.

These developments in the MENA in light of waning US diplomatic interest and military influence in the region inspired a more 'interventionist' shift in Gulf foreign policy. The three regional super powers – Saudi Arabia, UAE and Qatar – have

¹³ Aljazeera. "Oman shuffles cabinet amid protests". Aljazeera. 22 February, 2011, <http://www.aljazeera.com/news/middleeast/2011/02/201122620711831600.html>

¹⁴ Steffen Hertog. "The cost of counter-revolution in the GCC". Foreign pPolicy. 31 May, 2011. <http://foreignpolicy.com/2011/05/31/the-costs-of-counter-revolution-in-the-gcc/>

increased their military spending since 2011¹⁵ and have not taken part in NATO military intervention in Libya; but since 2015, they are also leading Operation Decisive Storm – the military intervention against Iran-backed Houthis in Yemen. Given the proximity between the Gulf and the HoA, these changing dynamics in MENA and the shift towards a more proactive Gulf engagement in regional security underline Gulf States’ renewed interest in the HoA.

Renewed Gulf interests in the Horn of Africa

As mentioned earlier, the Arabian Peninsula and Horn of Africa regions have always had strong historical, cultural and economic relationships. The interaction between Gulf countries and HoA has, however, significantly intensified over the last decade owing to changing global and regional power dynamics in MENA. While the relationship between the two regions is pinned on various factors and developments, the Gulf’s renewed interest in the HoA is more a derivative of the rise of Gulf States as active regional actors in MENA than it is a maturing of Gulf-HoA relations over a long period of time in its own right. Therefore, understanding the factors behind Gulf States’ active role in regional security is an

¹⁵ Saudi Arabia has spent 80.7 bn in 2014 while UAE

important aspect of grasping Gulf States' role in peace and security in the HoA.

US Pivotal shift to the east and the rise of Muslim Brotherhood in MENA

One global factor that has significantly contributed to the rise of Gulf States as independent and active global and regional actors is the US 'pivotal shift to the East. This shift is due to the rise of China and India in the East, as well as the 2008 global economic crisis that forced the US and European powers to mend problems at home¹⁶. The Obama administration's withdrawal of troops from Iraq and Afghanistan and its reluctance to engage vigorously with ground troops in Syria were initial signs of the US's disaffectionate interest in MENA. Further signs of US disinterest became evident in the aftermath of the NATO airstrike in Libya that ousted Colonel Gadhafi. It left the country to disintegrate into the hands of armed militia and violent extremists. While the US still maintained its relationships with Gulf States and still had its military presence in the region, its hegemonic role in the Middle East was waning in favor of growing interest in Asia. In its place, the rising global power China and Gulf States (troubled to see a

¹⁶ Ray Takeyh and Hasib J. Sabbagh. "The New Saudi foreign policy". Council on Foreign Relations. 17 April, 2015. <http://www.cfr.org/saudi-arabia/new-saudi-foreign-policy/p36456>

growing tide of political Islam, violent extremism and Shia political power in Iraq, Lebanon, Yemen take over their neighborhood) had to step up to guarantee their survival and regional interests.

For most Gulf monarchies, therefore, one source of threat was political Islam and groups such as Muslim Brotherhood (MB) in MENA. The Brotherhood and Islamists question the concentration of power in the hands of the few; they serve the needs of the masses and provide political alternatives to autocracy and monarchy: an Islamic state that is more participatory and mass-based. Further, the Brotherhood is not an entity that is present only in the Gulf neighborhood; it is also active (yet repressed) in Saudi Arabia and UAE, while it is active though not formally recognized in Kuwait¹⁷.

The group is not seen as a threat in Kuwait and Qatar, owing to the Brotherhood's loyalty to the monarchy in Kuwait and its informal, un-institutionalized existence in Qatar. It mobilizes support in the absence of mass based social issues.¹⁸ The monarchy

¹⁷ Ali Al-Arian. "Is Saudi Arabia warming up to the Muslim Brotherhood". Aljazeera. 29 July, 2015. <http://www.aljazeera.com/news/2015/07/saudi-arabia-warming-muslim-brotherhood-150727121500912.html>; Courtney Freer. "Rentier Islamism: The role of the Muslim Brotherhood in the Gulf". LSE Middle East Center Paper Series. November, 2015.

¹⁸ Courtney Freer. "Rentier Islamism: The role of the Muslim Brotherhood in the Gulf". LSE Middle East Center Paper series. November, 2015

in Qatar is not only friendly to the Brotherhood at home, but has long supported its branches in Palestine (Gaza's Hamas) and later in Egypt when President Morsi took power in the aftermath of the Arab Spring that deposed Mubarak's regime. The reality is different in Saudi Arabia and UAE, however, where the two states share a dislike and suspicion towards the group, although for different reasons. Saudi Arabia distances itself from, or at best tolerates, the group at home keeping its populist appeal in check, but perceives it as a potential threat abroad, most particularly when it comes to power in Saudi Arabia, the most populous country in MENA¹⁹. The UAE on the other hand, rejects Islamists at home and abroad as their ideology goes against its self-branding as an almost "secular" Gulf state where religion merely advises rather than dictates state affairs.

In light of a contested and sometimes tense relationship between the Brotherhood and the three Gulf power houses, i.e Saudi Arabia, UAE and Qatar – the influence (perceived, actual or potential) of the Brotherhood in the HoA is one of the factors that has driven the Gulf's renewed interest in the HoA. Propelling this fear of course was the accession of Morsi's Brotherhood-based government in Egypt in 2012 and the group's roots in Sudan.

¹⁹ Ibid

Deepening Shia-Sunni sectarianism and the influence of Iran in MENA

Another factor that influences the role of Gulf States in the HoA is GCC's perceived threat from Iran. Having formed the GCC itself as a show of solidarity among the Arab- Sunni Islam countries of the Gulf against a perceived threat from Shia, Non-Arab Iran (in light of Iranian revolution in 1979)²⁰, Gulf States have varying rationale, as well as, degrees of interest in keeping in check the influence of Iran in the Middle East and HoA.

Scrutinizing Iran's activities in the Middle East and elsewhere is Saudi Arabia primarily. It is the origin of Islam and hosts two of the religion's holiest sites. Sunni Islam with the Wahabi doctrine is predominantly practiced, and the country projects itself (and it is also accepted in the Muslim world) as the protector and champion of Sunni Islam. Iran on the other hand is the Middle East's other non-Arab regional power with the biggest Shia population in the Muslim world. Religious ideologies aside, the relationship between Iran and Saudi Arabia weren't always tense until after the Iranian revolution in 1979 that deposed the Shah in favor of a

²⁰ Yoel Guzansky. "The Foreign-Policy Tools of Small Powers: Strategic Hedging in the Persian Gulf." Middle East Policy Council. Spring 2015. Volume XXII, No 1.

revolutionary, Islamic Republic under the Shia cleric Ayatollah Khomeini.

The Saudi-Iran rift and the Sunni-Shia sectarianism was further accentuated by two developments in MENA at the wake of the 21st century. The first one was the US invasion of Iraq in 2003, which in the absence of Saddam Hussein gave momentum to Shias in Iraq. The second development was the Arab Spring in the aftermath of which previously stable regional powers, such as (Sunni) Egypt, had to deal with their integral economic and political affairs while Libya disintegrated in the hands of Islamists and militia. Syria too fell in the hands of Sunni Islamists and violent extremist groups, compelling the Al Asad regime to call for the support of Iran while Saudi Arabia supported some of the “moderate” Sunni Islamists on the ground. The Yemen crisis that erupted in 2011/12 revolution against Ali Abdallah Salah, but ended up with the exile of his replacement, Abdrabhu Mansur Hadi in 2013 by Shia-backed Houthi groups has further accentuated Gulf States’ threat perception of Iran and this sectarian tension. These regional dynamics in MENA have therefore unearthed the Iran – Saudi competition where each supports opposing sides of a conflict in several places in MENA.

This unfinished business between Riyadh and Tehran has also been dragged to the HoA where Gulf States have used their petro dollar to persuade Horn countries to cut diplomatic ties with Iran. This attempt was even more evident at the start of the Saudi-led coalition against Yemen where Eritrea and Sudan – which have had good relationships with Iran, as well as Djibouti and Somalia, but all cut their relationships with Iran and confirmed their allegiance with the Coalition²¹.

The latter four Horn countries had their own distinct reasons for joining the alliance. However, the fact that Saudi Arabia and its Gulf partners managed to garner the support of Horn countries to the extent of persuading them to sever ties with Iran goes to show that renewed Gulf interest in the HoA is driven by power dynamics and sectarian rifts in the Middle East.

The State of Gulf Engagement in the HoA

In an attempt not to lump all Gulf States into a homogenous group that has a coherent foreign policy towards the HoA, this section analyzes the role of some key Gulf states in peace and security affairs in the HoA. It particularly focuses on the role of Saudi

²¹ Taylor Magnus. *Horn of Africa States Follow Gulf into the Yemen War*. The Africa Report. International Crisis Group. 25 January 2016. <http://goo.gl/1alWoa>

Arabia, UAE and Qatar which are the most active of the GCC countries. It also touches on the role of Kuwait, Bahrain and Oman which are more reserved and modest in their foreign policies.

Qatar and its mediation portfolio in the HoA

Qatar is the smallest nation of the Gulf though it punches way beyond its weight. With a population just short of 2.5 million of which only 10% are nationals²², and the world's third largest natural gas reserves, Qatar boasts the highest GPD per capita (PPP) in the world in 2016²³.

Since the reign of Sheik Hamad Bin Khalifa Al Thani in 1995, Qatar has formulated its own foreign policy independent of its neighbors - most particularly, Saudi Arabia. Despite its size, Qatar has regional and global ambitions which it plays out through "soft power tools such as media, diplomacy, education, culture, sports,

²² "GCC: Total population and percentage of nationals and foreign nationals in GCC countries". Gulf Labour Markets and Migration. <http://gulfmigration.eu/gcc-total-population-percentage-nationals-foreign-nationals-gcc-countries-national-statistics-2010-2016-numbers/?print=pdf>

²³ CIA Factbook. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

tourism, economy and humanitarian aid”²⁴. Most notable among its soft power tools is its state sponsored international broadcaster - Aljazeera –which Qatar has used to frame regional and global developments. Through broadcasting the Arab Spring live to a global audience, Qatar has transformed the widely held notion of the ‘Arab dis-affectionate/indifferent youth. Its wide coverage of protests, as well as, the Morsi government in Egypt were displays of its regional interests.

Qatar has a strategy of maintaining good relations with neighbors, and branding itself as a ‘neutral’ party with whom all groups can engage. Based on this brand/identity, Qatar has pursued various preventive diplomacy and mediation roles in the Middle East, in Lebanon and East Africa.

In the Horn, Qatar was the lead mediator in the Darfur peace process from 2008-2010, trying to end a brutal war between the central government of Sudan and Darfuri armed groups. Starting off from rather unsuccessful efforts by Egypt and the Arab League in 2004/5, Qatari mediators approached the process from a different angle and added financial incentives to their persistent

²⁴ Jamal Abdullah. Analysis: Qatar’s foreign policy – the old and the new”. Aljazeera. 21 November, 2014. <http://www.aljazeera.com/indepth/opinion/2014/11/analysis-qatar-foreign-policy--2014111811274147727.html>

mediation based on confidence-building among the various parties²⁵. When the Doha Agreement was signed in 2010 between the government of Sudan and the Equality Movement (JEM) (the major armed opposition group in Darfur), Qatar had pledged \$2 billion for development plans in Darfur and brokered agro investment deals worth \$1 billion in Sudan²⁶. Although the agreements did not bring an end to the Darfur conflict, Doha's mediation attempts in Sudan need to be recognized, and can be taken as a role the country has carved out for its foreign policy in the region.

Similarly, Qatar mediated – successfully this time - the border conflict between Djibouti and Eritrea in 2008-2010, leading to the withdrawal of Eritrean forces from territories they had occupied. Qatar took this process to another level by not only deploying its observers in these territories, but also by the current Emir Tamim personally being involved in the prisoner swap that was finalized only in 2016²⁷.

²⁵ Kamrava, Mehran (2011). "Mediation and Qatari Foreign Policy" in *Middle East Journal* Vol 65, No 04 (Autumn). P. 539-556. 574

²⁶ Sulatan Barakat. *Qatari Mediation: Between Ambition and Achievement*. Brookings Doha Center Analysis Paper. No 12, November (2014). P. 19

²⁷ Berouk Mesfin. "Qatar's diplomatic incursion into the Horn of Africa". East Africa Series. November 2016. Institute for Security Studies. P. 10

Qatar's engagement in the Horn was not always smooth however. It had a diplomatic fall out with Ethiopia in 2008, where Ethiopia accused it of being "a major source of instability in the Horn of Africa."²⁸ Though it came unexpected, Ethiopia cut its diplomatic ties with Qatar over its relations with Eritrea and its alleged support to insurgents and armed groups. In addition its financial flows to Somali politicians and its media (Aljazeera) coverage of Ethiopia's domestic political environment, especially regarding the Ogaden Liberation Front (OLF)²⁹.

The two countries restored their relationship in 2013. Driven by its interest to counter Saudi influence in Somalia, and with eventual realization of Ethiopia's role in Somalia and the region as a whole, Qatar now seems to have understood that Ethiopia – rather than Eritrea - is a more probable 'gateway' to expanding its influence in the HoA³⁰. Qatar-Eritrea relations go back to the 1980s. Since then, Qatar has hosted the President for several diplomatic, as well as medical trips, and has some investment in Eritrea. In fact, Qatar was once keen on – but later learned the futility of - leveraging its

²⁸ New York Times. "Ethiopia breaks off diplomatic relations with Qatar". New York Times. 21 April, 2008.

²⁹ Berouk Mesfin. "Qatar's diplomatic incursion into the Horn of Africa". East Africa Series. November 2016. Institute for Security Studies. P. 8

³⁰ Ibid. P. 9

relations with Eritrea to mediate the Ethio-Eritrean war 1998-2000. The diplomatic rapprochement between Qatar and Ethiopia in 2013 also coincides with Qatar's "serious" diplomatic downturn with Eritrea owing to the perceived "inflexibility of President Issayas and the problems between the US and Eritrea"³¹.

Though Qatar seems to learn 'on the go', its foreign policy is rather short-sighted and lacks qualified bureaucracy and professional staff to lead it; it is in fact driven by the Emiri himself and a few individuals around him. Further, and perhaps as a result, the country lacks a solid understanding of regional peace and security dynamics and follows a more reactive, and idiosyncratic foreign policy in the Horn that lacks vision.

United Arab Emirates and growing military presence in the Horn

The UAE is one of the other major Gulf regional and international players. It has a population of 9.6 million of which around 85% are immigrants³². While UAE's foreign policy often aligns well with that of Saudi Arabia, it is remarkably known for its distrust of Islamists and its anti-Islamists agenda in the Middle East and East Africa. UAE is unique from Saudi Arabia and its allies in GCC

³¹ Ibid. P. 10

³² CIA Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html>

where the state is driven by religious ideologies. It pursues a domestic and foreign policy where “decisions of ruling elites are informed and shaped, rather than mandated and sanctioned, by Islam”³³.

Aligned with this outlook, the UAE was one of the first countries to welcome and support Abdel Fatah el-Sisi’s coup against the Morsi’s Brotherhood-based government in Egypt in 2014. In the interest of curbing the influence of the Brotherhood, the UAE has fast forwarded its diplomatic, military and economic relations with Egypt in recent years. Military drills between the two countries are common³⁴ and together with its Gulf counterparts (Saudi, Kuwait, Oman), UAE is pouring its largess into the Egyptian economy. In 2016, the UAE gave \$4bn in aid that would go into investment and a direct deposit to Egypt’s central bank³⁵.

Recently, the UAE has shown great interest in the HoA, most particularly as a result of its engagement in the Saudi-led coalition against Houthis in Yemen. Being so close geographically to

³³ David B. Roberts. “Mosque and State. The United Arab Emirates’ Secular Foreign Policy”. Foreign Affairs. 18 March 2016

³⁴ “UAE’s Foreign Policy. The New Qatar”. Fanak Chronicle. 28 January, 2016. <https://chronicle.fanack.com/united-arab-emirates/governance/uae-the-new-qatar/>

³⁵ Taimur Khan. “UAE allocated \$4bn in assistance to Egypt”. The National. 23 April, 2016. <http://www.thenational.ae/world/middle-east/uae-allocates-4bn-in-assistance-to-egypt>

Yemen, the Horn has become a strategically attractive site from which military operations in Yemen could be launched. Recently, UAE has signed a 30-year lease for a military base in Assab, from which UAE's would launch its operations³⁶. It was initially interested in establishing its base in Djibouti. However, an unprecedented set of events led to a fall-out between Djibouti and UAE (in April 2015, an Emirati and Djiboutian official had a physical fistfight, over unauthorized landing of an Emirati aircraft under the auspices of the Saudi-led coalition against Yemen)³⁷. This incident is a reflection of the ad-hoc, personalized/informal and functional (rather than strategic) approach of Gulf states to the HoA. It led to the official diplomatic altercation between the two countries. Djibouti expelled Saudi and Emirati troops that had been based at Haramous facility at the coast of Djibouti.

Enduring its diplomatic and economic isolation, and losing traction on its relations with Qatar since 20013, Eritrea leveraged this fall out and within days Saudi Arabia and UAE signed a partnership agreement with Eritrea for a 30-year lease for a military base at

³⁶ Zeenat Hansrod. "The UAE expands military presence in the Horn of Africa". Radio France Internationale. 15 December, 2016. <http://en.rfi.fr/africa/20161224-uae-discreet-yet-powerful-player-horn-africa>

³⁷ Alex Mello and Michale Knights. "West of Suez for the United Arab Emirates". War on the Rocks. 2 September, 2016. <https://warontherocks.com/2016/09/west-of-suez-for-the-united-arab-emirates/>

Assab in April 2015. The port has since then been used as a logistic hub, training facility, as well as, air and naval base for the Operation in Yemen.

This agreement with UAE and Saudi Arabia is a relief to the Afowerki government which has turned the country into the “North Korea of East Africa” due to the diplomatic isolation it has suffered. In the aftermath of the war with Ethiopia and subsequent allegations it destabilized the region by supporting insurgents. This isolation coupled with international economic sanctions has debilitated the Eritrean economy; and matched with the regime’s forced military conscription, forced thousands of people to flee to neighboring states every month. Though exact figures are hard to come by, Eritrea is said to have received financial aid, fuel supply and support for infrastructure development in the country³⁸ from the Gulf States. Further, leasing its soil for the operation in Yemen also has a potential to lift the country out of its diplomatic abyss as it will bring it closer to Saudi Arabia, UAE, and the Yemeni government.

³⁸ Alex Mello and Michale Knights. “West of Suez for the United Arab Emirates”. War on the Rocks. 2 September, 2016. <https://warontherocks.com/2016/09/west-of-suez-for-the-united-arab-emirates/>

The country most concerned about Eritrea finding favor with Gulf states is Ethiopia. The two countries have endured a two year border-war which has left 'no peace, no war' relationship between the two. Ethiopia has risen to be the Horn's regional power (and increasingly its economic giant too) that yields a great deal of diplomatic and military weight in dealing with the region's crisis. It plays a strong – often dominant – role in the peace and security aspects of IGAD and has taken a leadership role in mediating the Sudan-South Sudan conflict, as well as, the South Sudan civil war. Ethiopia is also a key US ally in the HoA and has a solid military presence in Somalia unilaterally and under AMISOM, which has proven to put pressure on Al-Shabab than other contributing troops.

Using its geostrategic importance in the region and abroad, Ethiopia has spearheaded the isolation of Eritrea and considers it a peaceful way of silencing the Afeworki regime it perceives belligerent. In addition to Eritrea finding new friends in the Gulf, Ethiopia is also concerned about a possible Eritrea-Egypt alliance against it. Historically, competition and rivalry between Egyptian and Ethiopian dynasties for control and influence of territories and trade routes in east Africa dates back centuries. In modern times, the competition and mutual distrust is based on Nile River water

rights. While Egypt to a large extent, and Sudan to a lesser extent, have claimed primary water rights over the River, Ethiopia has contested this right which is based on colonial legal documents; since 2012 Ethiopia has set out a plan to build a dam over the river.

Though Ethiopia, Sudan and Egypt have signed a memorandum of understanding around the Grand Ethiopian Renaissance Dam (GERD) in 2015, and are currently undergoing negotiations³⁹, there is a mutual distrust between Egypt and Ethiopia. Both parties are concerned the other would optimize domestic factors in its territory and pursue its unilateral interests over the River. For Ethiopia, in addition to mobilizing domestic opposition, the worry is that Egypt would also form an alliance with Eritrea and destabilize the state or undermine the GERD project. This fear was explicitly cited during the nine-month long protests 2015/2016 in Oromia and Amhara regions in Ethiopia when the government accused Egypt and Eritrea of being behind the unrest⁴⁰.

³⁹ BBC news. Egypt, Ethiopia and Sudan sign deal to end Nile dispute. 23 March 2015. Retrieved April 30 at <http://www.bbc.com/news/world-africa-32016763>

⁴⁰ BBC news. "Ethiopia blames Egypt and Eritrea over unrest". BBC News. 10 October 2016. <http://www.bbc.co.uk/news/world-africa-37607751>

The fear is not unfounded as Egypt and Eritrea are strengthening ties by enhancing bilateral cooperation in agriculture and fisheries. During a state visit by President Issayas Afeworkign to Cairo in November 2016, the President and his Egyptian counterpart Abdel-Fattah el Sisi are also said to have entertained the idea of forming a “command post on the Red Sea” to fight terrorism⁴¹. Ethiopia has also thwarted an attack on the GERD dam in March 2017, by what it said were groups trained and supported by Eritrea⁴².

Therefore, while Ethiopia is closely watching Gulf-Eritrea-Egypt developments, it is also said to benefit from UAE’s \$422 million agreement to upgrade the port of Berbera in Somaliland⁴³. The development of Berbera’s commercial port however, could provide an alternative to land-locked Ethiopia which has a burgeoning economy and has depended on Djibouti since 1998. UAE’s interest in Somaliland is not only commercial, but it also includes an

⁴¹ Tesfa News. “Eritrea and Egypt to discuss creation of Red Sea Command Post”. 28 November, 2016. <https://www.tesfanews.net/egypt-eritrea-create-red-sea-command-post/>

⁴² Tesfa-Alem Tekle. “Ethiopia thwarts attack on Nile dam, Sudan apprehended 7 attackers”. Sudan Tribune. 2 March, 2017. <http://www.sudantribune.com/spip.php?article61782>

⁴³ Abdulaziz Osman. “Somaliland approves naval, air base deal with UAE”. VOAnews. 12 February, 2017. <http://www.voanews.com/a/somaliland-approves-naval-air-base-deal-with-uae/3720287.html>

agreement to establish a naval and airbase in Somaliland. This would mean an increased militarization of the HoA.

UAE has also engaged in anti-piracy and counterterrorism measures in Somalia. It opened a training center in Somalia in May 2015 and trained Somali commandos and pledged to cover the four-year payroll of the Somalia federal government security forces⁴⁴. Engagement in anti-piracy measures in the region guards the economic interest of UAE in the Gulf of Eden. Furthermore, working with, and supporting, security forces within Somalia allows the UAE to watch over the Gulf of Eden to curtail influence of Iran in HoA and MENA, and also prevent potential arms smugglings to the Houthis in Yemen.

UAE's use of soft power in terms of economic and diplomatic ties, and its increasing use of a hard power (military) presence in the region would afford it a great influence over HoA and MENA affairs in the years to come. In the long term, its presence in the HoA can entail a greater role in countering religious violent extremist groups, such as al-Shabab; also weighing in on unresolved regional tensions, such as the Ethio-Eritrea stalemate

⁴⁴ Alex Mello and Michale Knights. "West of Suez for the United Arab Emirates". War on the Rocks. 2 September, 2016. <https://warontherocks.com/2016/09/west-of-suez-for-the-united-arab-emirates/>

and also the Ethio-Egyptian controversy over the use of Nile River. However, as it currently stands, UAE's peace and security involvement in the region seems more issue-based (mostly tied to its interest in Yemen) than strategic and long-term. Its establishments of ports and military bases in the region however could mean a shift in UAE's policy towards a longer term engagement with the Horn.

Saudi Arabia and the Wahhabi ideological tide in the Horn

Saudi Arabia is the largest geographic and population size in the GCC's with a population of around 28million of which only 30% are foreign nationals⁴⁵. Similar to the other Gulf countries, Saudi Arabia has one of the largest oil reserves and is the world's leading exporter of petroleum⁴⁶. Saudi Arabia is also a leading diplomatic - and of late military- giant in the region with a far reaching influence in MENA. It is a predominantly Sunni Islamic country that abides by and promotes abroad Wahhabism - a strict implementation of Islam.

Saudi has been a long standing US ally in the Middle East and a host to US naval bases. While it has relied on its relationship with the US for its security, it also has been driven by an increasingly

⁴⁵ CIA Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

⁴⁶ CIA Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

unpredictable set of events in MENA to adopt a more proactive and increasingly militaristic role in the Middle East. Watching the US build towards energy self-sufficiency; shift its attention towards Asia; promote its liberal democratic ideals by supporting protests in MENA that toppled long-standing allies; and pursue nuclear rapprochement with Iran, has convinced Saudi Arabia that the US – even if an important ally, is not a dependable friend. The US can no longer protect it from internal opposition or external ideology based tension (with Iran). Filling in where it feels the US has left a vacuum, Saudi Arabia has boosted its military budget in recent years – allocating \$87 billion (outspending Russia) and is leading a coalition of Sunni forces against the Houthis in Yemen⁴⁷.

Although Saudi Arabia has various economic interests in the Horn of Africa, its most notable role in peace and security in the region is its support for Islamists propagation of the Wahabi doctrine through state and private funds.

Saudi's promotion of Wahabism is of most concern to Ethiopia and Kenya. Both countries are secular states with significant

⁴⁷ Cecily Hilleary. "What's Behind Saudi Arabia's Changing Foreign Policy?". Voice of America. 20 April, 2016. <http://www.voanews.com/a/whats-behind-saudi-arabias-changing-foreign-policy/3293620.html>

Muslim populations whose relationship with the state can at best be described as tense. In Ethiopia, Muslims and Christians have lived side-by-side for generations, although Christianity was ingrained in the identity and operation of the state until the 1974 revolution. During the Imperial regime (until 1974) to a large extent, and also during Socialist Derg government to some extent, the Ethiopian Muslim population has been treated as second class citizens.

While Sufi Islam is more widely practiced in Ethiopia, Saudi Arabia is suspected of supporting the more rigid, Salafi and Wahabi interpretations of Islam in the region. This accusation reached its peak in the 2010-2012 Muslim protests in Ethiopia where the Muslim population accused the government of intervening in its religious affairs by supporting the “moderate” Al Habeshi doctrine and influencing the operations of the Majlis. The government contended the protests were the work of external actors who want to impose ‘Wahabism’ on Ethiopian Muslims⁴⁸.

Similarly, the Kenyan state has a distrustful relationship with its Muslim population. Fearing the radicalization of Muslims, and

⁴⁸ Meron Zeleke Eresso. “Competing narratives on the causes of the Ethiopian Muslim protests”. Horn of Africa Bulletin. January, 2013. Life and Peace Institute.

the influence of groups like al-Shabab on the communities bordering Somalia, the government has been accused of securitizing Islam and Muslim communities. Like its Ethiopian counterpart, Kenya is generally weary of Gulf (Saudi and Qatari) ideological influence in the region. Their Wahhabi proselytization through private funds and non-state actors aide Islamic radicalization; in light of high unemployment and the rise in violent extremism in the region it gives way to violence against the state.

Aside from promoting its religious ideology, the Kingdom is also interested in curbing the influence of its arch-enemy Iran in the Horn. A clear demonstration of this interest came at the launch of the Saudi-led coalition against Iran-backed Houthis in Yemen. Saudi Arabia managed to get the support of Sudan, Somalia, Djibouti and Eritrea- all of whom supported the military coalition and cut diplomatic interest with Iran⁴⁹.

Sudan which had longer and more amicable relationships with Iran severed it in return for more Saudi investment and financial assistance to help the country cope with the economic crisis that befell it due to the US sanctions in 1997. In return for its services,

⁴⁹Taylor Magnus. *Horn of Africa States Follow Gulf into the Yemen War*. The Africa Report. International Crisis Group. 25 January 2016. <http://goo.gl/1alWoa>

Sudan received a \$2.2 billion deposit from Riyadh and Doha⁵⁰ and concluded additional development and investment deals with these countries⁵¹. Further, Saudi Arabia is said to have backed and negotiated the latest US lifting of sanctions against Sudan in January 2017, in a clear sign of an improved relationship between Sudan and Saudi Arabia⁵². This improved relationship between Khartoum and Riyadh is expected to continue and serve as Saudi's anchor in the Horn and Sub Saharan Africa. At a same time Egypt seems to be drifting away from the interests of Gulf states by drawing closer to Iran (more particularly vis-à-vis the Syrian crisis)⁵³.

Somalia for its part saw opportunities in aligning itself with Saudi Arabia. The government is still struggling to stabilize the country and has to raise funds for reconstruction. In return for its allegiance, Somalia received a \$50 million pledge from Saudi Arabia

⁵⁰ Taylor Magnus. *Horn of Africa States Follow Gulf into the Yemen War*. The Africa Report. International Crisis Group. 25 January 2016.

<http://www.crisisgroup.org/en/regions/africa/horn-of-africa/sudan/op-eds/taylor-horn-of-africa-states-follow-gulf-into-the-yemen-war.aspx>

⁵¹ Sudan has signed a \$1 billion deal for the construction of three dams and received a \$500 million pledge for water and electricity projects. Source: Deutsche Weller (2016). Saudi-Iran row spills over into Africa. Published 07.01.2016. Retrieved 15/04/2016 at <http://www.dw.com/en/saudiiranrowspilloverintoafrica/a18965887>

⁵² Fahd Al-Otaibi. "Is a bromance brewing between Sudan and the Saudi's?". Al-Monitor. February 2017. <http://www.al-monitor.com/pulse/originals/2017/02/saudi-arabia-sudan-rapprochement-us-lift-sanctions.html>

⁵³ Ibid.

the moment it cut its diplomatic ties with Iran⁵⁴. The country also hopes to attract Saudi and Gulf investment for post conflict reconstruction. In the long term, Somalia might bolster its ties with Gulf states to come out of the shadows of regional actors, such as Kenya and Ethiopia and counterbalance their influence in its domestic affairs.

General characteristics of Gulf influence in the HoA and future prospects

Generally, the Gulf's peace and security role in HoA, could be characterized as ad-hoc, personalized/informal and lacking in long term strategy. Despite the proximity of the two regions, Gulf states lack contextual understanding of the HoA. This is largely derived from the fact that many of these countries suffer from weak bureaucracies and foreign ministries that are populated with blood-kin and loyalists rather than professional diplomats.

While the influence of Gulf states in HoA peace and security dynamics is clear through the use of soft power, such as financial assistance and greater diplomatic and economic ties, as well as hard power – most of these countries do not seem to have developed long term strategic plans

⁵⁴ Reuters. "Somalia received Saudi aid the day it cut ties with Iran: Document". Reuters. 17 January 2016. <http://www.reuters.com/article/us-somalia-saudi-iran-idUSKCN0UV0BH>

that guide their actions. Rather, they seem to operate with reactive (rather than proactive) foreign policies geared towards addressing immediate needs eg. curtailing the advancement of Houthis in Yemen – without due consideration and deeper analysis of repercussions for the region.

For Horn countries, the Gulf's interest in the region and their engagement in peace and security of the region has both opportunities and costs. While their economic potential offers much needed capital for economic development in the region, Gulf States' lack of long term vision and thorough understanding of regional dynamics are likely to contribute to the destabilization of regional power dynamics. Further, the increasing military presence of Gulf countries in the HoA is not only militarizing the region, but it also has a negative potential to drag the region in growing religious sectarianism.

Another interesting phenomenae which also offers both opportunities and challenges for Horn countries is the growing interest of non-traditional actors, such as Turkey and China, along with the Gulf States. While there is already overt competition between Turkey and Saudi Arabia, the countries in the Horn need to be able to buttress this interest in a way that demonstrates it is beneficial to their people. Otherwise, the region (once again) is turned into a region where global powers act as patrons with satellites; act as hegemons engaged in power-play defining the future of the region.

Similarly, the non-traditional global players are often seen as alternatives to “western” powers that have for a long time imposed a more patronizing approach to their engagement with the global South. The renewed interest of India, China, and Turkey in the HoA can further bolster the partnership base of South-South coalition. It is yet to be seen if these partners can indeed form equal partnerships despite obvious economic and military imbalances.

Furthermore, the outcome of the Horn’s relationship with non-traditional actors in general and with the GCC states in particular, would also depend on global factors, such as President Trump’s administration’s policy in the Middle East and its approach to the Iran nuclear deal. President Obama tried to pursue a more “hands-off” strategy approach in the Middle East with reluctance to go full-in in Syria and Yemen. Trump’s election rhetoric focused on putting “America first” and dealing with domestic affairs. However, the current President has also engaged in intense verbiage over defeating violent extremism – most particularly ISIS and Al-Qaeda, at home and abroad. If followed by concrete actions, this rhetoric would entail a more prominent US role in MENA; how the US would go about reconciling these two stances is yet to be seen. If he wages more intense military interventions in the Middle East, Gulf States – most particularly Saudi Arabia and UAE - are likely to be its allies.

Saudi Arabia's empathetic stance towards what it calls "moderate" Islamists, however, might be a source of tension. Likewise, however, if the US limits its interventionism in MENA, it would likely compel Gulf States to further invest their military capabilities and continue their (recent) pro-active foreign policy trend.

The Iran nuclear deal- and what the new US President would do with it- is not yet clear; it will however have the potential to define the course of Sunni-Shia sectarianism in the MENA.

A Sustainable Partnership or a Poisoned Chalice? Gulf States in the Political Economy of the Horn of Africa

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- History matters: one cannot understand material realities and perceptions of Gulf Arab aid, investment and trade into Northeast African states unless one factors in the long and deep history of ambivalent relations between the Arabian Peninsula and the Horn of Africa
- The vast majority of economic initiatives by Gulf actors in the Horn are both directly inspired by and mediated through political factors- politics and economics are not discrete realms, but two sides of the same coin
- This historically rooted pattern of mutual dependence and asymmetry in power suggests that the current surge in financial flows from the Gulf to the Horn is unlikely to catalyse

meaningful progress in terms of human and sustainable development and may prove to be disruptive and divisive

Introduction: a Shared History

Most studies of the politics and development of the Horn of Africa have traditionally focused on the trajectories of the region's key states and the ways in which they have sought to leverage the interests of Great Powers external to the continent for their own objectives. Much has been written on the historical relationship with the British Empire and the Soviet Union, or about the regional role in security, trade and investment played by the United States of America and China. Western-dominated international financial institutions like the World Bank and International Monetary Fund have long been the primary providers of capital for infrastructural projects and fiscal support, joined in recent years as decisive intermediaries in greasing the Horn's integration into the global economy by Beijing's Exim Bank and the China Development Bank.

Much less scholarly and policy attention has been devoted to the crucial longitudinal role played by the Gulf in regional relations and how the four leading states on the Arabian Peninsula -Kuwait, Qatar, Saudi Arabia and the United Arab Emirates (UAE) - have profoundly influenced the economic, political and socio-cultural landscape of the

Horn of Africa. From the Sinai Peninsula and the Gulf of Aqaba in the north to the strait of Bab al-Mandab and the Gulf of Aden in the south, the Red Sea is at no point wider than 355 km. This geography underpins a long and deep history of relations between the Arabian Peninsula and Africa's north-eastern corner which have often swung back and forth between intimate partnership and prejudiced animosity. Historical experiences accumulated over the centuries continue to colour how policy-makers and ordinary citizens perceive of each other in the present.

Religion is crucial in this regard. While the monotheistic faiths originated in the Middle East, Northeast Africa was the décor of pivotal moments in the development of Judaism, Christianity and Islam. It was in Egypt that Moses confronted the Pharaoh and that the Holy Family sought refuge; the legendary kingdom of Kush, in today's Sudan, features prominently in the Bible as the land ruled over by Noah's grandson; the first Muslim *hijra* to flee persecution in Mecca was to Ethiopia; and the mystical union of the Jewish Prophet-King Solomon and the Ethiopian Sheba remains an enigmatic story integral to Jewish, Christian and Islamic traditions. Yet if religious connectivity has often represented the positive dimension to proximity, other memories –of competing imperialisms and military betrayal- are less cheerful. No old wound is more painful than that of the centuries of enslavement of hundreds of thousands of Africans and those of African descent across the Hejaz, the

Najd, Oman and Yemen. Associations between blackness and slavery remain powerful shapers of attitudes on both sides of the Red Sea.

The movement of ideas, traditions, slaves and pilgrims from the Horn to the Peninsula and vice versa was for centuries complemented by a rich and well-balanced trade in food grains, salts, coffee, frankincense, livestock and much else. This relative economic equilibrium between both regions was also visible in their joint subjugation by various imperial projects –including that of the Ottomans and the British- which cut some of the inter-regional links that had grown organically in the past but also stimulated intensified interactions between Arabia and Africa in other ways. A shared thirst for independence from foreign overrule and ideologies like Pan-Arabism meant that nationalist aspirations in the Middle East and Northeast Africa stimulated each other. Many observers expected the emerging autonomous countries in both regions to be natural allies, but geopolitics intervened. When decolonization and the formation of sovereign states came in the middle of the 20th century, it coincided with two crucial macro-developments. One was the Cold War between the US and the Soviet Union, which forced Arab and African states into different camps. Shifting alliances variously pitted Egypt, Ethiopia, Saudi Arabia, Somalia, South Yemen and Sudan against each other. The other decisive factor was the astonishing increase in the price of oil in 1973: one side of the Red Sea emerged almost overnight as a

global economic powerhouse, becoming the main creditor of the other side and make-or-break patron of regimes and rebel movements in the Horn.

Extraversion: the bargain between the Horn and the Peninsula since the 1970s

An oil price above \$40 per barrel changed everything. Not only did it dramatically bolster the importance to the superpowers of the Gulf States (whose geopolitical concerns have since the dawn of the hydrocarbon age always been rated more urgent than those of African states), it also rocked the trade balance between the Peninsula and the Horn. All states on the Western shore of the Red Sea were (and are) net importers of oil, triggering a balance of payments crisis from Cairo to Mogadishu that coincided with growing economic difficulties of their own making. To compensate for the acute shortfall in cash required to import daily necessities (including oil), African governments stimulated their citizens to join the rapidly expanding labour force of Saudi Arabia, Kuwait and the UAE so that they could send back valuable remittances earned in the Gulf. Moreover, they also positioned themselves as deserving recipients of overseas development assistance and foreign direct investment (FDI) from the Gulf Arabs. Invoking historical, religious and cultural ties, as well as underlining that untapped agricultural potential in the interior of

the Horn could help meet the growing food deficit on the Arabian Peninsula, African states embraced the growing asymmetries in wealth and power with the Gulf. Their courting of aid and investment in exchange for political loyalty and the provision of African resources was a deliberate strategy that combined the need to make economic ends meet with a desire to maintain political stability.

Africanists have coined the term “extraversion” to describe the ways in which elites across the continent have for centuries sought to main power by extracting financial, military, ideological and political support from outside Africa in exchange for pledging political fidelity and domestic resources to external actors. For instance, the slave trade, both Atlantic and on the Indian Ocean and Red Sea, was only possible because African incumbents sought an engagement with outsiders that strengthened their tenuous hold over domestic politics, with an asymmetric integration of African bodies and commodities into global circuits of commerce as the outcome. The positioning of post-independence African presidents vis-à-vis Cold War rivalries was classic extraversion too: an intentional leveraging of their limited assets –vital minerals, military bases and professed loyalty to Moscow or Washington– to attract external assistance that would help defeat internal rivals. After 1973, extraversion also came to define the previously relatively equal relationship between the two shores of the Red Sea. Egypt, Sudan and

Somalia sought Gulf Arab patronage and sent doctors, engineers and teachers to Riyadh, Jeddah and Abu Dhabi. They pledged loyalty to a rising Saudi Arabia in its fight against godless communism and spoke of informal economic union with Gulf States. Despite continual disappointments on both sides with what this partnership actually delivered, the key bargain –political-economic alignment between two regional blocs to help manage dependence and vulnerability in turbulent international waters- proved too valuable to abandon. The case of Sudan’s so-called “Breadbasket” strategy in the 1970s and 1980s illustrates the nature of the relationship, and its advantages and pitfalls, particularly well.

The Exemplar: Sudan’s Breadbasket Gamble

On 25 May 1969, leftist officers led by Colonel Ja’afar Nimeiri overthrew the Sudanese government amidst growing doubts that the promises of peace and prosperity that the political class had made at independence in 1956 would be kept. Nimeiri and his Revolutionary Command Council held the upper hand militarily but lacked the organization in the form of a national political party and requisite patronage networks to durably establish control over Sudan. Moreover, once in power Nimeiri soon realized that promising development was easier than actually delivering it in a poor African country. Seeking a way out, the new president gambled

that the solution to his predicament lay in a partnership with the Gulf States whose revenues were skyrocketing as oil prices shot up in the early 1970s. Nimeiri knew Kuwait, the Emirates and Saudi Arabia worried about rising water and food scarcity as consumption and population levels soared and presented Sudan as the answer to their woes.

Sudanese officials trumpeted that no less than 200m acres of arable land were available in the country's interior. Sudan could become the "Breadbasket" of Africa and the Middle East but, in order to fulfil this historical destiny of the Sudanese state, Western technology and Gulf Arab petrodollars would be needed on a massive scale, or so Nimeiri and his aides said. This strategically calibrated message coincided with mounting global fears about desertification, drought and famine; 1974 had been a devastating year with hundreds of thousands dying of hunger in the Sahel and Bangladesh. Khartoum's offer to put its land, labour and water resources at the disposal of the Gulf thus simultaneously suggested that a failure to put such unique potential to good use would spell a Malthusian disaster.

What presented itself as an economic and environmental proposition was, in actual fact, a deeply political gambit. Nimeiri needed the petrodollars to pay for his state-building project, the crafting of new coalitions and the penetration of his rivals' rural political strongholds.

Under the guise of technocratic advice, only those crops, regions and networks that were favoured by Nimeiri would benefit from the Breadbasket largesse as billions of dollars in Gulf money poured into Sudan- a mechanism that acted as a punishment of recalcitrant local politicians and businessmen and as an incentive for the latter groups to switch to the president's side. The expansion of mechanised farming in Sudan obeyed an iron political logic but continued to explain itself in terms of agricultural objectives and instruments. Funded bilaterally by the dominant states on the Arabian Peninsula, and multilaterally through multiple Gulf Arab development funds, the Breadbasket was hailed by the World Bank, IMF and Western governments as a visionary policy.

Riyadh, Kuwait City and other Gulf governments saw an opportunity to address the rapidly growing "food gap" between lagging domestic production and soaring consumption but had, from the start, political motives too for committing to Sudan. Nimeiri had initially modelled himself on Egypt's revolutionary leader Gamal Abdel Nasser and had entered into an alliance with the Sudanese Communist Party- which preoccupied King Faisal of Saudi Arabia greatly. When the Sudanese ruler fell out with his communist comrades in 1971, Faisal was keen to put Khartoum on a more conservative trajectory; committing petrodollars to Sudanese agriculture was a way of anchoring Nimeiri in a pro-Saudi orbit. Sudan became a loyal friend of the Gulf Arabs and the West, which provided it with military assistance. Expanding mechanised

agriculture in the Sudanese peripheries thus served greater geopolitical purposes.

The Breadbasket dream and the internal and external alliances it had helped to build came crashing down in 1985 when protests toppled Ja'afar Nimeiri. Shortages and rampant inflation were the proximate cause of regime change but underlying was the utter failure of the extraversion gambit to which the president had tied his political fate. While the Breadbasket had promised to transform Sudan into an agricultural superpower, by the early 1980s the country faced the return of famine to its western, central and southern regions. Soils were being exhausted, land was being degraded and productivity was sinking rather than soaring. Tens of thousands –maybe hundreds of thousands- of people had been displaced to feed the Middle East and Africa. However, Nimeiri had neither managed to vanquish the old political elites nor to counter the rising new forces in Sudanese politics, whether the Islamists of Sheikh Hassan Al-Turabi or the rebels of the Sudan People's Liberation Army/Movement (SPLA/M). The latter in particular attracted recruits and support from those dispossessed by the Breadbasket.

Nimeiri's erstwhile foreign friends had left disappointed too. The oil price had fallen back from its peak of more than \$100 in 1979-1980, meaning that petrodollars were no longer just spare cash at the disposal

of the foreign policy of Gulf States but were actually needed at home to sustain the ballooning cost of the huge patronage systems the Gulf royals had built to sustain domestic stability. Moreover, many Gulf investors felt tricked by the Nimeiri regime, losing their way in Sudan maze's of crony politics and bureaucracy. As the questionable hydro-agricultural assumptions underpinning the Breadbasket were exposed by disappointing production figures, Gulf capital pulled out, seeking easier returns and more transparent projects to invest in.

The Determinants of Gulf Aid, Investment and Trade into the Horn

Sudan's bid to become the Breadbasket of Africa and the Middle East provides many lessons about the relationship between the elites of the Arabian Peninsula and those of the Horn. It is a cautionary tale for those seeking regional integration between both shores of the Red Sea today. The Breadbasket story underlines the fundamentally political motivations that often determine aid, investment and trade flows, rather than discrete economic variables or sound ecological arguments, on the side of the creditor/donor (the Gulf) and the recipient (the states of the Horn). It also highlights the ways in which extraversion is a lucrative but risky strategy for African states to pursue, not least because of the dependence on factors they do not control (e.g. oil prices). And it underscores the

crucial point that the stakes of political-economic ventures are very different for both partners: whereas the sums of money are comparatively small for Gulf States (and therefore an irritant in case of loss but financially inconsequential), for the countries of the Horn they can be positively transformative or catastrophically destabilizing. Three decades after the collapse of the Breadbasket, these insights remain highly pertinent.

This is of particular importance given the dramatic scaling-up of the political, military and economic presence of Gulf Arab actors in the Horn of Africa in the last 10-15 years. After a near-total withdrawal in the late 1980s and 1990s, Emirati, Kuwaiti, Qatari and Saudi actors have returned to the Horn- hesitantly at first, but with increased vigour since 2008. This comeback began, like so often in Horn-Peninsula interactions, in Sudan: Gulf governments and multilateral funds provided the lion share of the funding for Khartoum's multibillion dollar Dam Programme from 2001-2002 onwards. Given the close connections between dam building and the rejuvenation of large-scale, capital-intensive irrigated agriculture in Sudan, a flurry of Gulf businesses followed in the wake of visiting monarchs and scouted out possibilities for an updated version of the Breadbasket: once again, the Sudanese government was offering its land, water and labour to outside investors and hoping to capitalize politically and financially on the inflow of FDI and aid. While some Gulf partners

sceptically remembered the debacle of 20 years earlier and withheld their cash, those who did venture into Sudan did so in part because the political imperative was clear. Just as the Breadbasket had been intended by Riyadh to keep Nimeiri out of the socialist camp, so the funding of the dams and of Sudan's Agricultural Revival Programme had as a key objective bolstering the military and business wing of the regime that came to power in Khartoum in 1989, marginalizing the radical Islamists who had been dominant in the 1990s.

The objective of bringing Sudan back into the Saudi-led fold has proven a major driver for Gulf aid, investment and trade. From 2007-2008 onwards, it has been complemented as a determinant of economic ventures by a dramatic spike in commodity prices. When Asian states banned rice exports and grain prices spiralled out of control a decade ago, food riots broke out in several North and Southern African countries and fears of a Malthusian crunch returned to the Arabian Peninsula- a repeat of the 1970s seemed to be in the making. The prospect of running out of food and water compelled sovereign wealth funds and holding companies from Saudi Arabia, Qatar and the UAE to aggressively move on international markets with a view to buying up or leasing productive land and concluding long-term agreements to secure regular supplies. Soaring prices have made the cultivation of previously marginal land attractive again and the proximity of the Horn, with all its

cultural similarities and people-to-people familiarity, represents an obvious pull factor for Gulf investment into agricultural projects in particular.

De-radicalizing Sudan and concerns about food and water security have been flanked as determinants of increased Gulf economic activity in the Horn by more straightforwardly commercial motives as well. Gulf companies have taken up important positions in the telecoms, banking and hospitality sector as well as opening for-profit schools, launching mining operations and acquiring valuable real estate. This more marked presence is in part related to improved macro-economic management in many African states and reduced exchange rate volatility. Diaspora returnees to the Horn in the last decade have brought substantial amounts of cash with them from North America, Europe and the Gulf and years of economic growth, driven by high commodity prices and expanding cities, have boosted the disposable income of a small but meaningful middle class in the region. For the first time since independence, there is a group of people –perhaps 10-15 million people across the Horn- with enough purchasing power to acquire some of the consumption products that multinational corporations, including Gulf based players in the aforementioned sectors, provide. Whereas thirty years ago the number of potential customers a profit driven Emirati investor would have counted was too limited to warrant the complex

procedures of setting up risky operations on the continent, today's growing market size is changing the cost-benefit ratio and bringing Kuwaiti telecom operators, Qatari property developers and Saudi banks to the Horn.

The final and currently most crucial element that brings Gulf capital to the shores of Northeast Africa is geopolitical. The Emirati and Saudi investments in the ports of Berbera (Somaliland) and Assab (Eritrea) – including upgrading old and constructing new military facilities-, the ongoing Saudi support for Sudan's Dam Programme and promises of billions of Qatari riyals for agriculture, light manufacturing and social services in Darfur are all to be understood in the light of escalating rivalries between Middle Eastern states. Two fault-lines are vital. Firstly, the proxy war between Iran and Saudi Arabia (and, to a lesser extent, the Emirates) is the master cleavage that shapes much of the violence in the contemporary Middle East. Teheran believes that the Saudi-American alliance, and the associated partnership with Israel, is the root cause of regional dysfunctionality and that only armed resistance can arrest the menace of US imperialism and Wahhabism. Riyadh, for its part, is convinced that Iran seeks to undermine the stability of the Gulf and encircle Saudi Arabia with Shia (or at least pro-Iranian) regimes in Bahrain, Iraq, Lebanon, Syria and Yemen. Africa's eastern flank is an extension of the battlefield, with Teheran and Riyadh accusing each other

of seeking to use African allies to commit aggression against the other. Because the Saudi ruling family sees Iran as an existential threat, no efforts are spared to counter it. This has not only meant rallying all Gulf Cooperation Council states (including Kuwait, Qatar and UAE) to support the Saudi-led war in Yemen but also persuading Sudan, Eritrea and Somalia through investments, loans and central bank to central bank transfers to sign up to the pro-Saudi camp and keep Iranian ships out of the Red Sea.

The second defining geopolitical fault-line stimulating a renewed and intensified interest in the Horn is the growing enmity between the Gulf Arabs themselves. While Saudi Arabia continues to see itself as the unassailable regional hegemon (and the voice of Sunni Islam globally) to which all others must play second fiddle, Qatar and the UAE feel both capable of and entitled to an independent foreign policy in which they pursue their own interests in and ideological vision of the Middle East and Northeast Africa. They cannot match the sheer size and firepower of the Saudi armed forces, but, by virtue of their oil and gas wealth and nimble financial management, Doha and Abu Dhabi possess material resources that put them in the same league as Riyadh, even if they are not quite equals. Emirati and Qatari aid and investment into the Horn is thus driven by the same geopolitical objectives as that of their Saudi friends-cum-rivals: commercial projects are first and foremost meant to

consolidate political relations and gain greater influence in regional politics; any profit they might yield is a welcome bonus but not an expected outcome for many undertakings.

In sum then, any assessment of Gulf aid, investment or trade into Africa must take into account the political economy of that activity. Preciously little capital in Saudi Arabia, Qatar and the UAE is genuinely private (i.e. has been generated and is reproduced through strictly competitive economic activity, separate from state patronage networks), being instead mostly concentrated in the hands of different wings of the royal families and their main supporters. At the same time, what passes for “public expenditure” is mostly spent in function of the needs and preferences of a small number of private individuals- the monarchs in power and their close kin. Thus, in the absence of strong expeditionary armies and experienced diplomatic services to pursue an activist foreign policy with, the mobilization of significant amounts of ‘private’ and ‘public’ capital is the external relations tool *par excellence* of Gulf States.

Conclusion: the Perils and Opportunities of Asymmetry

What this paper has argued is that the Horn of Africa and the dominant states of the Arabian Peninsula are locked in a mutually dependent but highly unequal relationship that has deep historical roots as well as

significant contemporary specificity. Both sides of the Red Sea have built strategies of engagement that allows them to maximize the benefits from the asymmetric relationship, in function of their own internal political context. Economic flows, whether inward or outward, are subordinate to the overarching goal of maintaining power and thwarting rivals: extraversion continues to be the main game in town. Neither the end of the Cold War nor the advent of the Global War on Terror nor the rise of re-emerging China has subverted this fundamental pattern. The main reason for why African incumbents continue to court Gulf aid, investment and political support remains the same: because relying on external patrons and resources helps ruling elites stay in power in a context of fiscal scarcity and state weakness. Conversely, Gulf States trade, invest and send aid to the Horn because it is a relatively inexpensive way of pursuing foreign policy, whether in the form of competing with each other for influence, subverting potential threats to internal stability (e.g. the Muslim Brotherhood in the case of Saudi Arabia and the Emirates) or thwarting their great strategic rival, Iran.

This pattern of mutual engagement dictated by the politics of survival has significant implications for what increased financial flows from the Gulf to the Horn might actually mean in terms of developmental outcomes. From the analysis presented, it is clear that aid, investment and trade do not have helping African states achieve the Sustainable Development

Goals (SDG) as their primary objective, nor are contributing to higher growth rates in the Horn or even straightforward commercial success of individual projects priorities for Gulf actors. The bottom-line of most large-scale operations is political. This does not imply of course that there are no gains to be reaped from trade with Gulf countries or investments by Gulf investors. For instance, upgrading port facilities in Assab and Berbera clearly serves Emirati strategic interests in the context of the rivalry with Iran and gives Abu Dhabi a tight grip on imports into Africa (and notably Ethiopia), but there is no question that infrastructural development of this sort creates jobs, boosts trade and helps connect producers and consumers in the Somali and Ethiopian hinterland with international markets. Similarly, the Kuwaiti telecoms giant Zain works together closely with the government of Omar Al-Bashir –with prominent regime insiders on its board, profit sharing arrangements in place and access to user accounts liberally granted by Zain to Sudanese security officials- but its activities have also provided Sudanese consumers with access to cheaper and higher quality mobile telephony and 4G internet.

As the example of the Breadbasket fiasco demonstrates, the more fundamental worry lies in the fact that, because political imperatives drive so much of the relationship, ecological dynamics and economic rationales get snowed under- with ordinary people left to pay the price and pick up

the pieces when things do go disastrously wrong. Thus, record commodity prices and investment promises to allied African governments stimulate Gulf investors to pre-emptively acquire large tracts of land in the Horn which they may or may not end up bringing into cultivation; but in the process, substantial numbers of local farmers and pastoralist are displaced, their livelihoods imperilled. Similarly, Qatari petrodollars might develop high-end real estate in central Khartoum, but how exactly does the country as a whole, or even the macro economy, stand to benefit from the sale of multi-million dollar villas by the Nile to senior government officials?

There is of course no reason why economic exchanges with the Gulf would be intrinsically better or worse than those with, say, China or the European Union. In all cases, the onus lies in principle with African governments to uphold African interests and ensure that whatever aid, investment or trade flow delivers positive change for its population, particularly those most deprived. But, given the fragile position of incumbents, the enduring weakness of states in the Horn and the well-trodden tracks of extraversion dynamics, believing that they will effectively do so requires a heroic form of optimism. The rising geopolitical interest of Gulf States in Africa's oceanic shores is generating offers of huge amounts of easy money- hard currency that in the cases of cash strapped governments like those of Eritrea, Somalia, Somaliland or

Sudan could truly be transformative in political terms. This makes the offers by Qatar, Saudi Arabia and the UAE extremely hard to resist- and the likelihood of genuinely developmental issues being prioritized in bilateral conversations all the more unlikely.

Further Reading

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The State and Implications of Gulf Agro-Investment in the Horn of Africa

**By
Dagnew Eshete (Ph.D)**

Executive Summary

1. Introduction

The aim of this study is to develop an “Issue Paper on the Implications of Gulf States Agro-Investment in the Horn of Africa (IGAD Member Countries)”. It specifically focuses on issues such as the long term impact on development of the countries and the agricultural/pastoral lands. The study was based on desk review and interviewing some key informants (despite facing a limitation of data sources). It mainly focused on the assessment of the following: (a) focal issues that specifically cover the agro-investment sectors engagements (including the assessment of engagements in crop and livestock production, agro-processing, and engagements with other related production and processing sectors; (b) the long term implications of the same investment on the development of the HoA countries (including its impacts on the

agricultural/pastoral lands) ; and (c) drawing conclusions and policy suggestions for future engagements.

In this issue paper, given the limitation of information sources, some food and non-food crops production and processing, livestock production, product and by-products processing potentials are discussed in their respective order. Using Ethiopia as a case study for HoA countries, the opportunities and experiences by sectors and subsectors and the implications for future investment are also discussed.

2. Study Findings and Issues Requiring Policy Attention for Future Engagements

On the basis of the study findings, the following are issues drawn, discussed and suggestions provided that require major policy attention for resolving problems/barriers experienced to facilitate future investment related engagements between the GCC and HoA countries in proximity for sustained mutual benefits based on their respective comparative advantages and opportunities.

Having experienced since 2008 the global food supply shortage related to food price escalation, GCC investors began looking more to Africa. East African countries in particular with available farmland were seen as a way to provide domestic populations with reliable sources of key agricultural products to meet their food security needs. Encouragingly, foreign

investors and African governments alike appear to have learned good lessons. They are demonstrating increasing commitment to bolster structural mechanisms that should bring improvement to the investment environment. This applies not only to agricultural production and processing investments, but also engagements in other sectors, such as energy and infrastructure

The GCC countries chronically face food supply shortages, despite being rich in financial capital for investment. On the other hand, many African countries are endowed with fertile agricultural land requiring funds for agro-investments. As relations and economic ties strengthen between the Gulf and African countries, investment opportunities in agriculture and manufacturing sectors would likely be growing. This is particularly true with the Horn of African (HoA) countries in proximity having largely untapped natural and human resource endowments that could attract investors.

The Gulf (GCC) countries have better comparative advantages in terms of possessing developed financial capacity for investment and adequate access to required technological inputs and skills at different levels. The host HoA countries for investors have high comparative advantages in terms of possessing huge fertile land for investment, water for irrigation and power generation, and adequate labor force for implementing

investment projects/programs. Hence, joint efforts at company and government levels should be made to effectively exploit the existing development potentials and opportunities. These efforts could enhance investment projects and implement them for mutual benefits depending on their respective comparative advantages.

On the basis of the study findings, foreign investors from Gulf States and African governments alike appear to have learned good lessons. They are demonstrating increasing commitment to introduce and strengthen structural mechanisms that should bring improvement to the investment environment. This applies not only to agricultural production and processing investments, but also to engagements in other sectors, such as energy and infrastructure. Faced with natural weather related problems, but naturally endowed with huge hydrocarbon resource potential and capital, the Gulf countries have the capacity to invest more in agricultural sector and to purchase agricultural products to satisfy their needs. This is one important area where the HoA and other African countries at large should focus on. It can make it easier for the investment capital to flow from Arab to African countries with investment opportunities.

Countries in the HoA (IGAD member countries in particular) should be able to create favourable environments for agricultural investment,

particularly looking at the Arabs real need to ensure their food security demands. Countries in the HoA (like Ethiopia) should focus on the needs of the Gulf States in terms of producing and supplying agricultural products on demand. This would satisfy their priority food security needs and facilitate market hubs in the same states. Investment capital will be attracted to the HoA agricultural products producing nations following the comparative advantages.

Increasing markets for exports of both agricultural produce and agro industrial products need to be developed in the Arabian Gulf States; similarly, new markets in Africa and Asia should be explored and pursued aggressively. One important area that requires special policy attention and sustained effort is in making a major shift from the traditional live animal exporting to exports of value added animal products. Compliance to sanitary and phytosanitary standards and food safety will maximize economic returns from the regional trade and minimize the risk of export bans due to diseases.

On the basis of recent experiences (citing the relation that existed between Ethiopia and GCC states as an example), properly identifying the Gulf countries' demand, and keeping the quality of export commodities to standards, are among the many efforts to be made to bridge the existing gap. Hence, the HoA countries, and Ethiopia in

particular, need to prioritize and focus on agro investment engagements, as well as, on trading agricultural products with Gulf countries by capitalizing on its huge potential and geographic proximity.

Being too dependent on a few exportable agricultural items, coupled with issues in export quality and quantity, are widely considered to be factors contributing to the shortfall. In this respect, diversifying exportable items and improving quality and quantity are necessary tasks that could narrow the existing gap between the Ethiopia's potential for agricultural export and the actual performance.

While GCC investments in the HoA and in SSA at large are widely welcome, investments in the agricultural sector in particular have been more controversial in recent decades. In order to ensure successful results for GCC investors and their agro-investment host communities, public and private Gulf investors should put more energy and resources into communities to win acceptance for developing their investment projects. In order to build trust, and settle existing investment controversies between the two regions, the Gulf States should ensure more transparency on the scope, ownership and purpose of agro investment deals for the communities of the host (HoA) countries.

Moreover, based on the lessons learnt from recent experiences, a shift towards the inclusion of landowners and local stakeholders is beneficial. Likewise, ensuring greater and more tangible benefits for the local communities (accepting more transparent land deals either through rental/leasing or sharing arrangements) are needed. Such changes are believed to present better opportunities for developing more viable and sustainable destinations for the GCC's strategic long-term investments with positive and growing economic impacts in the HoA and SSA countries of the African continent at large.

Special attention for future areas of investment cooperation by GCC states in the HoA countries should be based on mutual and comparative advantages, natural potentials and opportunities, in Ethiopia and other HoA countries at large. Key issues should be focusing on the following priority intervention sectors in the order of their importance:

- a) As many of the HoA countries (like Ethiopia, Sudan, Kenya, etc.) have huge potential for irrigated agricultural production (both crops and livestock), the GCC countries investment engagements in the sector and sub-sectoral economic activities with proper land deals (either through leasing or rental arrangements) would undoubtedly provide better opportunities in terms of generating increased economic returns. Ethiopia could be cited as one of the

important HoA countries with very attractive agricultural development potential (including irrigation potential) suitable for GCC's investment in different sub-sectors, including for producing food and cash crops (cereal, pulses, oil crops, fruits and vegetable, cotton, gum and incense) and livestock (cattle, sheep, goats, camels, etc.) having comparative advantages with market proximities for exporting as well.

- b) Many of the HoA countries indicated earlier also have great potential for establishing and developing agro industries. Linking agriculture and processing industries may attract the FDI/foreign companies from the GCC countries given the comparative advantages indicated earlier. Some specific areas of GCC countries agro processing related investments, both in Ethiopia and other HoA countries with adequate development potential, may include food processing of different varieties (including grain milling and fruits juice processing), textile and garments processing, etc.
- c) Other potential sectors of investment- related engagements with the GCC countries may include the service sector (covering investment engagements in standard hotels and tourism development), and the energy sector (covering engagements in solar energy, hydro power generation among others) in countries

like Ethiopia with huge hydro power and other development potentials.

Despite the existence of significant potential in some HoA countries like Ethiopia, production and productivity levels of food and cash crop production have been quite low. These lower levels lead processing industries to operate below their capacities due to reasons cited earlier. Hence, in order to solve food and cash crops production and productivity problems, and to promote the processing industries to operate at full capacity, the following policy measures need to be taken to alleviate various problems faced by investors:

- a) The government needs to give policy attention to encourage local and foreign producers and investors to engage in raw material production and manufacturing industries. Giving tax exemptions to key investment input and machineries, making land for investment available with attractive lease prices, or using other incentive provision mechanisms will spur interest of investors.
- b) Provide the necessary infrastructure (roads, electricity, water supply services, including marketing infrastructural services, etc.) as critical investment promotion services.

The comparative advantages of the unique genetic diversity of the livestock population, the diverse agro-ecologies they live in and the associated production systems in the HoA region at large have neither been exploited appropriately nor adequately. Countries in the region with comparative advantages of different production systems should take advantage of current and future opportunities for more market-oriented development. Location and commodity specific interventions, with appropriate targeting of production systems and households, need to be designed to address major constraints to the livestock sector.

The major constraints for livestock development in Ethiopia, and in the HoA at large, could be broadly categorized as technical, organizational, institutional, infrastructural, environmental and policy aspects. Improved technological applications, efficient and effective input supply system, better management options, access to knowledge and credit are required on the supply side. The development of market infrastructure and market institutions is also very important for inducing efficiency and incentives for market participants along the value chain.

The share of governments' investment in the HoA in livestock research, education and extension services and other development activities has been relatively low. Large extensive areas of pastoral and agro-pastoral production systems have been largely ignored and marginalized with

regard to livestock resources development in HoA. Major livestock producing areas in the arid and semi-arid regions of the countries have traditionally been given low policy attention. These areas were considered to be of low potential; suggesting better and adequate government recognition and attention need to be given to such untapped potential of the sector.

In recent decades, the Middle East (GCC) countries have been the traditional destinations for meat and livestock exports for some HoA countries (like Ethiopia). The exports to these countries have also been increasing over the years. Given GCC high income and consumer preferences (mainly for Ethiopian products) and the proximity to these countries, there is the possibility to boost exports. Other HoA countries having better comparative advantages in terms of natural endowments would similarly benefit from increased exports.

Citing Ethiopia as an example, the existing meat processing industry does not exploit the available resource potential in the country. Hence, strengthening the meat processing industry would be indispensable for the economic growth. While there are many opportunities to develop the sector, there are also hindrances that stagnate its further growth and competitiveness. Closer attention in taking timely and appropriate policy measures is required.

In the HoA region (e.g., Ethiopia), domestic demand for raw materials for leather processing plants for example, has been based on the number of enterprises in the sector and their installed capacity. Past experiences of operation with existing processing plants indicate the demand for raw hides and skins remained higher than the domestic supply for a long time. This demonstrates persistent under capacity utilization by leather tanning industries throughout the countries in the HoA (Ethiopia in particular). Leather is one of the sub-sectors obtaining its major raw materials (hides and skins) from local sources. Hence, to promote the production of hides and skins and attract foreign investors in the subsector, conducive production and processing policy environments need to be created by the governments of the HoA. Countries with potential for FDI and local investment engagements and for industrial utilization need to operate at their full capacity.

In conclusion, countries in the HoA (such as Ethiopia, Sudan, Kenya, and South Sudan, among others) with relatively better comparative advantages could prove to be important future destinations of agricultural investments for GCC countries. As they seek to improve their food security, increased trading between countries in proximity of the two regions will improve. However, the infrastructure development required in many of these countries is considerably higher than in the

case of developed markets. Thus, infrastructure development would need to be accompanied by a comprehensive development strategy for sustained growth. Many of the HoA countries have large idle land potentials that could be used for agricultural production, provided the necessary infrastructural facilities (roads, dams and irrigation infrastructural schemes, etc.) are put in place. Hence, agro investment with associated trade in raw and processed products and by-products, as well as, importing and exporting activities, would generate increased economic returns. Engagements made by the GCC governments and/or companies in the HoA countries would take into consideration existing comparative advantages of long-term economic impacts. Such impacts would not only be on countries of the HoA, but on the Gulf States as well. These impacts would undoubtedly be significant in terms of generating increased economic returns.

Conference On
Gulf States Engagement in the Horn of Africa
(Impact on Peace and Security and Development)

Capital Hotel

PROVISIONAL PROGRAMME

Monday 10 April

8:30-9:00 *Registration*

9:00- 9:10 Welcoming Address

Mr. Tamrat Kebede, IAG Executive Director

Moderator: Ambassador Peter Robleh (Chair IAG Board)

9:10 -9:35 Opening Remarks

Mr. Mosses Chrispus Okello

CEWARN/IGAD CONFLICT ANALYST

9:35:10:20 **Gulf States Engagement in Horn
Peace and Security**

Presentation (Ms. Lidet Tadesse)

10:20- 10:45 ***Tea Break***

10:45 -11:00 Discussant (Mr. Bruk Mesfin) : Peace and
Security in the Horn

11:00- 12:00 Discussion: Horn Peace and Security

12:00 13:30	<i>Lunch Break</i>
13:30 - 14:15	Gulf States Involvement in the Development of Horn
	Presentation (Prof Harry Verhoeven)
14:15-14:30	Discussant (Dr. Deredje Alemayehu): Development in the Horn
14:30- 15:30	Discussion: Horn Development Perspective
15:30- 16:15	Gulf States Interest in Horn Agriculture Development
	Presentation (Dr. Dagnew Eshete)
16:15-16:45	<i>Tea Break</i>
16:45 -17:45	Discussion: Implications of Gulf Interest on Horn Agriculture
17:45 - 18:15	<i>Closing</i>

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