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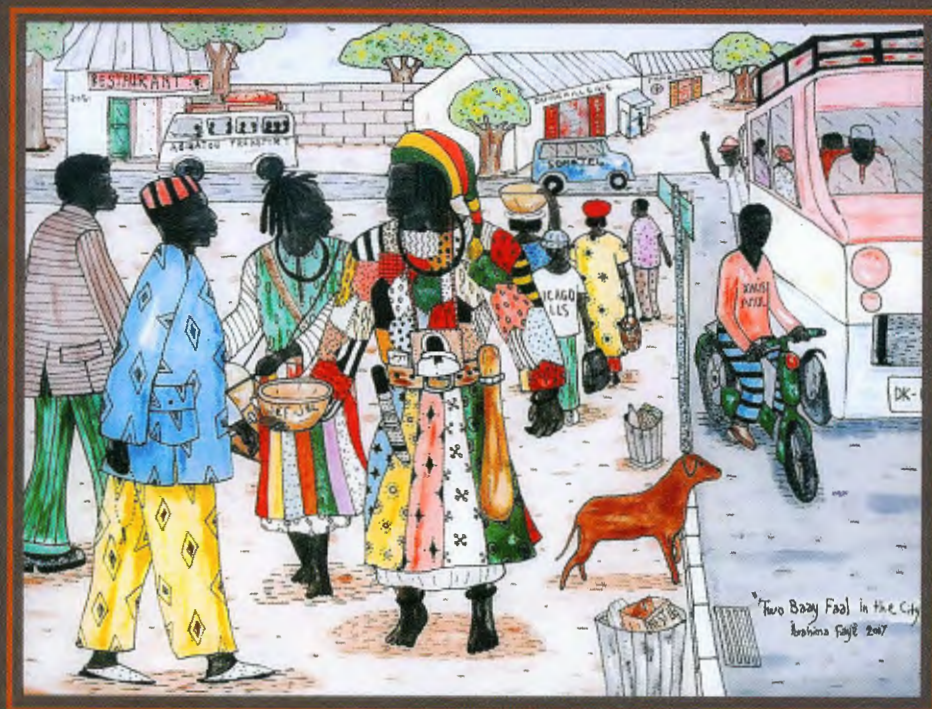
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Yaw Nyarko and Silvana Melitsko

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AFRICA AND THE ARAB GULF: A NEW ECONOMIC AND POLITICAL ALLIANCE?¹

*Yaw Nyarko² and
Silvana Melitsko*

I. INTRODUCTION

Does the relationship between the Arab Gulf and Africa hold the promise of greatly enhanced and mutually beneficial trade and investment? Can increased collaboration between the two regions increase the economic and political power and influence of each? Are there lessons to be learned from the comparative development of the two regions? This paper and the papers in this volume will present the case that in many instances the answers to the above questions are in the affirmative.

¹ This paper and those in this volume are the outcome of the research project and conference on Africa and the Gulf in Abu Dhabi on March 3-4 2009. I thank Fantu Cheru and Mwangi wa Githinji, for conversations leading up to this conference. I also thank the NYU Abu Dhabi Institute for their support, particularly Professors Mariët Westermann and Philip Kennedy. Finally, I would like to express my sincere appreciation to the NYU Abu Dhabi staff members who collaborated in the organization of this event.

² Yaw Nyarko, Department of Economics, New York University, 19 West 4th Street, 6th Floor, New York, NY 10012. Email: yaw.nyarko@nyu.edu.

The media and a lot of policy discussions have recently focused on the China and Africa relationships. This has been to the detriment of consideration of other possible collaborations. In particular, it has led to insufficient attention being paid to the relationship between the Arab Gulf and Africa.

It will be argued that there are reasons why the relationship between Africa and the Arab Gulf is a natural one. For Africa, having alternate axes of partnerships, outside the standard relationships with the West and now with China, will of course increase the bargaining power of Africa in those relationships. For the Arab Gulf countries there are tremendous opportunities for the massive capital and sovereign wealth funds in Africa. Africa as a region is expanding in population, with huge investment opportunities in many critical areas.

All over the continent there are, increasingly, signs of the potential for economic and political partnerships with the Arab Gulf. At many African airports one can see many traders taking Emirates airlines to Dubai to both shop and connect from one African country to another. At the airport in Djibouti one is greeted by signs which say something along the lines of “Dubai Ports welcomes you to Djibouti” – Arab Gulf firms also run the big port and the major Hotel in Djibouti. Many other large investments in Africa have already been completed with capital from the Arab Gulf, and many more are in the pipeline. The newspapers and media are constantly talking about Gulf investments in Africa - mobile phone contracts, oil and aluminum deals from Mubadala of Abu Dhabi, Kuwait and other GCC nations in West Africa, etc.

As we discuss in section II, there are strong historical ties which bond Africa and the Arab Gulf, as the two regions have had a close relationship over millennia. There are bonds in religion – Islam. There are bonds in language with both Swahili in East Africa and Hausa in West Africa sharing many words and phrases with Arabic. We are told of the Sultanate of Oman including the island of Zanzibar in East Africa, and indeed being headquartered in Zanzibar for

a long period. There is also the complicated story and horrors of Slavery in East Africa.

There are also lessons in economic development that can be gleaned by a comparative discussion of the economic policies of the Arab Gulf countries and many African countries, especially those with oil wealth - the smaller nations like Gabon and Equatorial Guinea as well as the larger nations like Nigeria and Angola.

In addition to the historical bonds between the regions, there is increasing activity in the field of tourism. First, there are a large number of investments by Arab Gulf nations in Tourist facilities and infrastructure - the recent investment of Dubai World in the Victoria and Albert complex in Cape Town, South Africa, is a key example. There is also the marked expansion in movement of people across the regions, especially with the rise of Emirates Airlines as a major presence in Africa.

The presence of many North Africans in the Arab Gulf has consequences for remittances in the economies of some African nations, and the potential for further labor movements in the future. Islamic banking and microfinance institutions may also be of importance in the relationship between the two regions. All of these issues were taken up in the Africa and the Gulf conference and will be touched upon in this paper.

II. HISTORY

A good deal of the historical literature on the relationship between the Arab Gulf and Africa is dominated by issues of Slavery. Attempts to ignore this have been made all too frequently in Africa. We decided to bring it up and center, but also to go beyond limiting the discussion to Slavery.

Prior to the discovery of oil, the major economic activities in the Gulf region were related to two export items: pearls and dates. Hopper (2010, this volume) describes the huge demand for dates in the 1800's and early 1900's coming from both India as well as North

America, and in particular how dates were a staple of Thanksgiving meals in the US at this time. There was similarly a huge demand for pearls, coming primarily from Europe.

Each of these activities involved African labor - both for irrigation and other work on the date plantations as well as for pearl diving in the waters of the Gulf. Further, Zanzibar was a point of stop for many of the American ships plying the trade in the 1800's involving cotton from Massachusetts, various spices from Zanzibar and dates from the Arab Gulf, particularly Oman.

The relatively large use of African labor led to significant populations of Africans in different parts of the Arab Gulf, which Hopper lists in his wonderful paper: 28% of the Trucial Coast (today's United Arab Emirates), 25% in Muscat, the Capital of Oman, and 22% in Qatar.

The end of the pearl industry started with the introduction of cultured pearls in Japan by Kokichi Mikimoto in the year 1894. The abrupt decline of the date industry was due to the US Department of Agriculture's introduction and cultivation of dates in California during 1915-1925. As Hopper nicely describes in his paper, both circumstances had a tremendous impact on the lives of African descendants in the Gulf.

The Arab Gulf interactions with Africa were of course not confined to East Africa. Indeed, some of the earliest interactions were with West Africa. The very illuminating paper by Akyeampong talks about connections between the Arab world and West Africa through the tran-Saharan trade routes, many involving the gold trade. We are told of the opulence shown by the West African leader Mansa Musa's pilgrimage 1324-5 to Mecca, who gave away so much gold as he travelled that the price of gold dropped along the roads he took to his destination.

Many of the ancient West African Kingdoms had institutions of higher learning with collaborations with the Arab World. The West African state of Kanem ran a hostel in Cairo for Kanem students in the early 1240s, as Akyeampong describes in his paper.

More recently there have been relationships between Muslim leaders of West Africa and Saudi Arabia in the fight against colonialism. Akyeamong documents the relationships between the Sardauna of Sokoto, Ahmadu Bello, the political leader of northern Nigeria and a prominent religious figure and King Faisal of Saudi Arabia. Today, in addition to the continued political relationships between West Africa and Saudi Arabia, there are also increasing fashion trends which bind the two regions - Akyeamong highlights those of Senegalese women's textile clothing.

The very important paper by Alpers considers perceptions of Slavery by different groups, and issues of race and identity. It is interesting that despite the large percentages of Africans in many parts of the Arab Gulf, there is very little African identity among indigenous populations in the Arab Gulf, outside of some parts of Oman.

II. ECONOMICS

i. Investments

At many airports in Africa, one can sense the increased presence of traders traveling to and through Dubai on Emirates airlines, doing quite a brisk business at the retail level in all manner of consumer items. From various media accounts we know that there have been a number of investments by Arab Gulf firms in Africa. We list a few of these below to show the range:

- Gulf investments in mobile and wireless telecom industry – a \$400 million investment by Mubadala (UAE) in the Nigerian telecom industry; Warid (Dubai) in Uganda to operate mobile and other services; Kuwait based Mobile Telecommunications Company \$3.4 billion purchase of Celtel.
- Investments in Tourism: Nakheel (UAE) \$150 million resort complex in Djibouti; IFA Hotel and Resorts (Kuwait) in joint venture with Ohlthaver; Istithmar (Dubai) has purchased at \$1 billion 24.8% of Cape Town's V&A waterfront; Kingdom Holding Company (KHC) of Saudi Arabia has invested in a major hotel complex in Ghana.

- Infrastructure: Qatar based Noor Petroleum invested \$2 billion for oil refinery and pipeline in Tanzania; the LAMU (Kenya) duty free port and industrial area acquired by Qatari firms, estimated at US \$3.5 billion.

ii. Trade flows

Although most of the trade flows between Africa and the Arab Gulf are currently in oil and oil products, there is great potential for increased trade volumes. Egypt and South Africa have the biggest trade flows with the GCC countries. Githinji (2010, this volume) discusses the trade numbers between the two regions and goes on to explore the potential for trade with GCC nations to aid in the industrialization of Sub-Saharan African nations. Fofack (2010, this volume) presents a very illuminating figure showing that between 2000 and 2007 the exports from Africa to the Arab Gulf countries have increased by 295%, which is the largest percentage trade flow increase to or from Africa outside of the flows to and from China.

Bali moune-Lutz (2010, this volume) studies a particular case: trade between SA and GCC. The paper explores the possibilities for trade expansion. Halal certification, for example, is important to both nations because of their Muslim populations. The trade also is important for geo-political reasons, addressing the interest in more "South-South" trade.

Are there lessons one can glean from the comparative development experiences of the Arab Gulf and Africa? In particular, when one looks at the small oil rich African nations like Gabon and Equatorial Guinea, or even the larger ones like Nigeria and Angola, are there important development lessons when their experiences are compared to those of the Arab Gulf nations?

These questions are discussed in Fofack (2010, this volume) as well as in Nyarko (2009). Nyarko (2009) talks about the long rule and majlis system. Whereas the Arab Gulf states have been able to maintain their traditional leadership structures for over a century or two, the structures in Africa were destroyed with the colonial

experience. Fofack (2010, this volume) goes into empirical detail in comparing the development of GCC versus sub-Saharan Africa.

iii. Migration and Remittances

For many countries worldwide remittances are a major source of foreign exchange, in many countries one of the top sources of foreign income. Large amounts of remittances go from the Arab Gulf countries to the North African nations, especially Egypt and Sudan. The remittances are relatively small for most of the rest of sub-Saharan Africa. The paper presented by Chami at the conference (Barajas et. al. in this volume), provides some numbers on flows of remittances around the world. As oil prices have fallen recently, so too may the remittances from GCC to Africa. Barajas et. al. in this volume also dig deeper into the effect of the current financial crisis on remittances.

iv. Arab Gulf Investments in Land in Africa for Food Production

An area that holds tremendous potential but is also incredibly fraught with difficulty and political line mines is the area of investments in land for food production. Today, there is increasing pressure on the World's food supply. In the news recently have been stories of riots in Senegal and Egypt due to shortages of basic food crops, rice and bread. Countries like India have recently announced prohibitions on the exports of local rice to ensure that there is enough for the local markets.

These pressures on the World's food markets will get even worse over time. The world's population is increasing at a very fast pace. From the current 7 billion or so, the World's population is projected to increase to 9 billion by 2050. Not only are there more mouths to feed, but the available land for food production is itself being squeezed by that very population growth. Further, as nations become richer, the demand for food will necessarily increase. The poor and meager rural diets will no longer be tolerated by the increasingly urban and affluent world's population. All of this means that there will be increasing pressure on food supplies in the future.

The Arab Gulf countries are in a precarious situation related to food production. At the current time, only a very small percentage of the land mass of the GCC nations is suitable for agricultural cultivation - by some accounts only 1%.

Although some have argued that desalination plants may help increase the effective range of cultivable land, most estimates seem to suggest that the area under cultivation will not expand dramatically over the next few decades. The GCC nations will import 60 percent of their food by 2010, according to reports by the Food and Agriculture Organization.

By some estimates, the population of the Gulf region is expected to increase from 30 million in 2000 to 60 million in 2030. This will in turn mean that there will be added pressure to obtain secure food supplies.

Africa is a region with the potential to supply significant amounts of the increase in the World's demand for food, because of two basic reasons. (i) First, Africa still has large tracks of cultivable but uncultivated land. Africa remains one of the least populated regions of the World. (ii) Further, Africa's food production is still very inefficient, with limited use of modern technologies, processes and seeds. Storage facilities for food crops are limited, with a lot of valuable food wasting on farms. The transportation infrastructure is also undeveloped, making it difficult to send food from the producing areas to the urban centers and ports for export. These two reasons –relative inefficiency of African agriculture and the relative lack of cultivation of existing cultivable lands– make Africa an excellent opportunity for investments in food production. There have been a number of investments in African land for food production already.

On the other hand, there are enormous political issues surrounding investments in food. First, there is the perception within Africa that foreigners are again coming in to exploit the continent of its resources. Many have referred to investments in land for farming as 'Land Grabbing'. This has the connotation of outsiders seizing

African land at exploitatively low rates. These sentiments were recently echoed by the Libyan Leader Qaddafi, who said at a recent UN Hunger summit that 'we should fight against this new feudalism, we should put an end to this land grab in African countries'. In Madagascar, the young and charismatic D.J. Andry Rajoelina used the issue of land sales in Madagascar to South Korea as one of the many grievances against the incumbent Marc Ravalomanana, which ultimately led to the ouster of the latter by the military in support of the former.

CONCLUSION

It should also be mentioned that there is a history of the politics of the relationship, during the independence movement in particular, and later with OPEC and the oil embargo. The independence leader of Ghana, Kwame Nkrumah, married an Arab (an Egyptian) and often remarked that this was symptomatic of his interest in strong ties between Africa and the Arab world. This paper and the papers in this volume highlight many of the opportunities and the potential for improved economic and political relations between the Arab Gulf countries and Africa.

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