



## MIDDLE EAST INSIGHTS

# Old Problems, New Solutions

## An Emirati Perspective on the Southern Tier in the Middle East

By **NISHA MATHEW**

### ABSTRACT

The Obama administration's signing of the Iran nuclear deal in 2015 marked a shift in America's Middle East policy, hinged on an alliance with Saudi Arabia and military protection to the Gulf states. Seeking to deter Iran and fill in regional security gaps left by the United States, Abu Dhabi has laid the foundations for a new geopolitical order we call the Southern Tier. At the core of this emerging maritime order stretching out in a broken continuum of ports, naval bases and strategic locations across the Indian Ocean is DP World, Dubai's global port operator, and its logistical assets in East Africa. Abu Dhabi's militarisation of Dubai's ports network against rising regional threats is the focus of this article.

As Britain was preparing for its military exit east of the Suez, its diplomats in the Foreign Office warned the incoming Americans of two key issues in the Middle East.<sup>1</sup> The first was the danger of a serious conflict between the Arabs and the Iranians, a conflict that could potentially culminate in the Persian Gulf's invasion by the latter. The second was the Gulf states constantly feuding among themselves, with an ambitious Abu Dhabi vying for control over Bahrain and Qatar. Fifty years later and as the American regional security cover wears off, history has turned full circle. An Iran finding its way on the back of new commercial and military partnerships with Turkey, Russia and others, and the splintering of the GCC following the Qatar blockade both point to old problems rising from the tombs of the past. Iran's regional ambitions and the growing encirclement of the Persian Gulf by its Shi'a allies in Lebanon, Syria, Iraq and Yemen are pushing Abu Dhabi once again to rise to the challenge.

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<sup>1</sup> Office of the Historian, USA, "Memorandum of Conversation, Washington, March 11, 1969," Foreign Relations of the United States, 1969-1976, Volume XXIV, Middle East Region and Arabian Peninsula, 1969-1972; Jordan, September 1970, <https://history.state.gov/historicaldocuments/frus1969-76v24/d72>.

Iran, as the Gulf states see it, is dusting off its old geopolitical designs and returning to confront them with an avalanche of problems within and beyond the region. While economic sanctions lasting over three decades had cut it down to size, the signing of the Joint Comprehensive Plan of Action (JCPOA) on the Iranian nuclear programme in 2015 provided the Iranians with a window of opening into the global economy. Besides restoring business ties, the nuclear deal altered the regional balance of power in favour of Iran. The Obama administration's signing of the JCPOA marked a shift in America's Middle East policy, which had for decades rested on propping up Saudi Arabia and providing military protection to the Persian Gulf states. This shift left the latter alarmed at the prospect of an Iran powerful enough to seize their territories or, worse, destroy oil pipelines, desalination plants and other critical infrastructure. The Arab Spring protests of 2011 and the Obama administration's categorical refusal to intervene in support of the beleaguered Arab regimes marked the turning point for Abu Dhabi. As the revolutionaries brought down regime after regime, Abu Dhabi feared the Emirates would not be spared Iran's purported machinations. Deterring Iran while filling in regional security gaps left by the United States, it realised, called for new solutions.

Prince Mohammed bin Zayed, otherwise known as MBZ, rightly guessed that the problems plaguing the Middle East are intractable and not resolved through conventional diplomatic or military methods. Embarking on a new strategic and defence partnership with his counterpart and the de facto ruler of Saudi Arabia, Mohammed bin Salman, popularly known as MBS, the Emirati leader began to make moves that laid the foundations for a new geopolitical order in the Middle East to the south of what previous articles in this series of *Insights* referred to as the Northern Tier.<sup>2</sup> This emerging new maritime order stretches out in a broken continuum of ports, naval bases and strategic locations across the Indian Ocean. How MBZ was able to piece together the Southern Tier as a creative solution to the problems challenging the region is addressed in the next two sections.

## **DP WORLD AND A COMPETITIVE COMMERCIAL MODEL**

Abu Dhabi's maritime strategy and geopolitical vision for the Middle East trace their seemingly unlikely origins to the business ventures of Dubai Ports World, or DP World, in the early years of the millennium. Faced with increasing regional competition, DP World began to pursue an aggressive supply chain strategy by expanding its logistical operations beyond the port of Jebel Ali. Its acquisition of a port and container terminal in Djibouti in 2004 marked the first significant entry by a Gulf state into Africa, a continent that had not yet begun to show double-digit growth figures. Dubai's keen business acumen saw DP World secure lease concessions in Aden a year later and a multi-ports deal by 2006 that brought the terminals and stevedore operations of P&O Ports within its portfolio. This was a bold move that upscaled Jebel Ali's own shipping capacities and pushed the company into the league of global port operators like Hutchison Port Holdings and PSA Corporation.<sup>3</sup>

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<sup>2</sup> See for example Serkan Yolaçan, "A Two-Tiered Middle East: Prospects for the Asian Century," *Middle East Insights* 200, February 28, 2019.

<sup>3</sup> Jebel Ali is a trans-shipment port where shipping lines transfer containers en route to different destinations and was therefore more vulnerable to competition from other ports. With the acquisition of P&O, DP World's container traffic was moving away from trans-shipment to gateway traffic, which gave Dubai access to sources and markets in different geographical areas. This change in portfolio was what put DP World on the list of global port operators like Singapore's PSA, which it had outbid in its P&O purchase. For details on gateway terminals, see Robert Wright, "DP World gains strategic advantage," *Financial Times*, February 10, 2006.

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A new commercial milieu in which shipping lines, carriers, port operators and public authorities competed vigorously to integrate their operations, with a view to reduced transportation costs and enhanced value creation in logistical services, was evolving. DP World, with its advantage of an early start in Africa, could extract monopoly rents, acquire more ports, bar the entry of other players and dominate the global supply chain.<sup>4</sup> Insofar as manufacturing and global trade were growing, the super profits accruing to Dubai in port and logistics operations could be seen as those amassed by a corporation rather than as strategic advantage gained by a state. Other countries, including its neighbours in the Gulf, dismissed these moves as a flawed overreach by an insignificant state. That, however, was no longer the case when the economic recession of 2008–9 hit, and states themselves began to enter the fray as competitors in global trade.

### **ECONOMIC DOWNTURN AND THE SCRAMBLE FOR AFRICA**

The post-recession world of global trade witnessed states attempting to integrate their existing cross-border markets with the logistical operations and global supply chains to gain competitive advantage over rivals. China, pursuing an aggressive export-oriented policy since 1979 and securing markets the world over, was the first to see potential in the DP World model of expansive commerce. It was a realisation that eventually led to its ambitious Belt and Road Initiative (BRI), which has since its announcement in 2013 seen Chinese state-owned companies such as China Merchants Group (CMG) and China Ocean Shipping Company (COSCO) acquiring about 42 ports in different parts of the globe.

Africa remains central to China's economic vision, just as it does to Dubai's. While Dubai took the maritime route to East Africa with an eye to the continent's major gateway terminals, China had more conventional trade partnerships with a number of African countries dating back to the 1980s. Sourcing the raw materials necessary for its factories from Africa in exchange for manufactured goods, China was instrumental in creating a new class of consumers on the continent.<sup>5</sup> With the 2008–9 economic crisis eroding the power of European and North American markets, it seemed only natural that China would lean even further towards Africa to tap into its consumer base. However much one looks at China's port and supply chain strategy in Africa as a corollary of its three decades long export-oriented manufacturing, there is no discounting that it was also facilitated by DP World's slowdown, sometimes to the point of a complete standstill, in the wake of the recession.

The space opened up by the downturn and slack in western markets brought new players like Turkey, Qatar and Iran into the picture as well. Turkish involvement in Africa built through long years of diplomatic outreach and humanitarian aid has added a new dimension to Middle Eastern politics.<sup>6</sup> It has allowed Iran, pushed out of Somalia, Sudan and Eritrea by the Saudis and Emiratis, to covertly find its way back into these geographies, much to the latter's disadvantage. Similarly, as Qatar's ties with Iran grow — over their shared South Pars/North Dome gas fields and the city-state's increasing alienation from its Gulf neighbours following the blockade of 2017 — the two, along with Turkey, are creating new economic, political and diplomatic hurdles for the Emiratis. The commercial space that an enterprising Dubai had attempted to monopolise, was now crowded with players that were fiercely competitive and had greater resources at their command. An alarmed Abu Dhabi had no option but to act.

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<sup>4</sup> Wouter Jacobs and Peter V. Hall, "What conditions supply chain strategies of ports? The case of Dubai," *Geojournal* 68 (2007): 327-342.

<sup>5</sup> "Choices on the Continent," *The Economist*, March 9, 2019.

<sup>6</sup> Mehmet Ozkan, "Turkey's New Engagements in Africa and Asia: Scope, Content and Implications," *Perceptions* 26, no.3 (2011): 115-137.

## **PORTS AS NAVAL BASES: ABU DHABI'S PROJECT OF MILITARISED COMMERCE**

Abu Dhabi took off from where a debt-ridden Dubai paused to keep at the latter's commercial objectives, albeit adding a military dimension to these. Deploying DP World, which it had bailed out following the crisis, Abu Dhabi is continuing its mission of linking a chain of ports extending out from Jebel Ali and Jeddah to Doraleh (Djibouti), Berbera (Somaliland), and eventually Limassol and Benghazi (Libya) in the Mediterranean. Opening its first overseas naval base in Assab (Eritrea), the Emiratis have been launching attacks against Iranian-backed Houthis in Yemen, bringing Aden, Socotra and Hodeida under their control. This ensures the UAE's domination of trade in the Red Sea, the Mediterranean and the Gulf of Aden — the maritime corridor deemed the most significant in the world.

Pursuing state-to-state partnerships and controlling ports that serve both as commercial sites and naval bases, Abu Dhabi has been consolidating a Southern Tier that takes the Middle East into Africa, and, as we shall later see, South Asia. With the Southern Tier, Abu Dhabi is advocating and implementing what I call a sectional approach to a snowballing set of problems, of which Iran remains but one element. This approach, targeting selected geographies and involving multiple stakeholders as allies and watchdogs, hinges on a fundamental premise — commerce without the armed support of states can only be a losing battle in the 21st century.

The opportunity to test this premise first presented itself in the counter-piracy efforts of 2011. The scramble for supply chain control had opened up space for a set of non-state players — terrorists and maritime pirates — who had begun to attack for ransom ships in the Red Sea, Gulf of Aden and even the Arabian Sea close to western India. Spearheading an approach designed to address the root cause of the problem, Abu Dhabi urged states in Africa to partner with it in fighting poverty and unemployment and create new avenues for economic development. Entering into bilateral agreements with states from Somalia to Libya, the UAE acquired ports, built container terminals and opened special economic zones. In return, it offered aid and healthcare services, recruited civilian and military labour, trained soldiers and provided them with access to advanced combat technologies and defence equipment in their fight against pirates and terrorists.

## **THE SOUTHERN TIER AS THE EMIRATIS' OUTSOURCING APPROACH TO MIDDLE EAST QUESTIONS**

Abu Dhabi's project of militarised commerce may not have been entirely successful, as the recent setbacks in Somalia and Djibouti against the Emiratis show.<sup>7</sup> Turkey, Qatar and China may have lobbied Mogadishu and Doraleh to push DP World out of their territories and close down Emirati naval bases.<sup>8</sup> However, these setbacks and failures have not developed into full-blown crises, as had generally been feared. Why has that been the case?

Abu Dhabi's nimble-footedness as a small state with disproportionate amounts of wealth, and its ability to play power broker in international politics, including with the United States and Israel, allows it to strike a balance between coordination, competition and collision with different states

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<sup>7</sup> Nathan Paul Southern, "UAE's Relations over Somalia flounder over Qatar," *Global Risk Insights*, February 1, 2019, <https://globalriskinsights.com/2019/02/uae-relations-with-somalia/>.

<sup>8</sup> Costas Paris, "China tightens grip on East African Port," *The Wall Street Journal*, February 21, 2019, <https://www.wsj.com/articles/china-tightens-grip-on-east-african-port-11550746800>.

in the game. It is this characteristic that accounts for the basic difference in the mode of operation of the Southern Tier vis-à-vis the Northern Tier. If the latter, as Serkan Yolaçan argues,<sup>9</sup> works through the imperial legacies of its constituent states and the deep social ties of their mobile populations in inter-cultural spaces, the Southern Tier works by cashing in on the differential capacities and strategic goals of cooperating states in a horizontal integration. Simply put, it is adding new layers and dimensions of state power and resources to the DP World, or the transnational terminal operations (TTO), model, which constitutes the very base of the Southern Tier.

This fundamental principle defining the Southern Tier and Abu Dhabi's own limited capacities to defend its ports network in East Africa have pushed it to mobilise the power and resources of multiple states within a larger Indian Ocean geography. While an alliance with Israel hinges on intelligence sharing and that with Saudi Arabia on military combat against Iranian proxies, Emirati partnerships with Egypt, Sudan and Somalia are defined by their provision of mercenaries for the protection of ports. A significant feature of the Southern Tier is that a partner state can be supplanted by another of similar capacities without upsetting the larger order of things.

Abu Dhabi is able to assemble the different bargaining chips in the Middle East and East Africa on the basis of money and its history of offering asylum to exiled politicians, but, more importantly, by offering avenues sought by ambitious states for expansion. The latter is where its relationship with India comes into view.

Only second in position to China as Africa's trade partner, India, in Abu Dhabi's eyes, is an ally and power capable of keeping a tab on China's complete takeover of the continent and offers room for joint entry into potential markets. While Abu Dhabi builds the necessary infrastructure to pre-empt China's further entry into the ports networks system, India can provide a wider regional naval security umbrella along the lines partly of the United States. India, which does not have an ill repute for fomenting sectarian conflicts like Iran does, may be even useful to blunt Abu Dhabi's own hawkish image in the game. For India, surrounded by China on every side of the subcontinent — from Bangladesh in the east and Pakistan in the west to Tibet in the north and Sri Lanka in the south — riding the Abu Dhabi wave into Africa may be one of the ways it can maintain its hegemony as a regional, perhaps even global, power in the Indian Ocean.

### **About the Author**

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<sup>9</sup> Serkan Yolaçan, "A Two-Tiered Middle East: Prospects for the Asian Century," *Middle East Insights* 200, February 28, 2019.