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Saudi Arabian authorities arrest Ethiopian/ Saudi billionaire Sheikh Mohammed Al-Amoudi due to investments in Ethiopia. The arrest increases uncertainty at his Ethiopia-based holding company MIDROC Ethiopia PLC. Talks between Ethiopia, Egypt and Sudan over the regional impact of the \$4.6 billion 6,000MW Grand Ethiopian Renaissance Dam (GERD) break down. Musa Bihi Abdi, an advocate of DP World's management of the Port of Berbera, wins the Somaliland presidential election, reducing risks around Ethiopia's access and usage agreement.

Sheikh Mohammed Al- Amoudi arrested in Saudi Arabia

Saudi Arabian authorities arrested 71-year old **Ethiopian**/Saudi billionaire **Sheikh Mohammed Al-Amoudi** on 6 November as part of a politically motivated anti-corruption purge.¹ Al-Amoudi is chairman of **MIDROC Ethiopia PLC**, a holding company for 25 Ethiopia-based investments including **National Oil Ethiopia**, and his arrest may hamper his Ethiopian business interests.² Al- Amoudi's business interests in Ethiopia cross the agribusiness, property, manufacturing, construction, hotel and transport sectors.³

The Crown Prince of Saudi Arabia, **Mohammad bin Salman**, has led the crackdown on Saudi Arabia's political and business elite, which has seen the arrest of 11 princes and more than 30 current and former ministers.⁴ The motivation behind the arrests appears to be part of the battle to succeed Salman's father, King **Salman bin Abdulaziz Al Saud** (2015-present), with Salman looking to weaken his cousin and rival, **Miteb bin Abdullah**, son of the late King **Abdullah bin Abdulaziz Al Saud** (2005-2015).

Al-Amoudi's arrest is reportedly linked to his business activities in Ethiopia, notably **Saudi Star Agricultural Development**.⁵ Saudi Star is involved in growing wheat, rice and barley in the **Gambella Regional State** in Ethiopia.⁶ The project is controversial as it is part of the government's contentious 'villagisation' relocation programme, which the non-governmental organisation **Oakland Institute** links to alleged human rights abuses and the forced displacement of communities.⁷ Saudi Star is described as "slowly progressing" and behind schedule.⁸ Sources within MIDROC claim that Al-Amoudi borrowed \$1 billion from the **King Abdullah Agricultural Development Fund** to finance Saudi Star.⁹

"Al-Amoudi agreed that he will return the money with interest in ten years and supply several thousands of tons of rice for Saudi consumers. This never materialised, he was detained."¹⁰

¹ www.nordic.businessinsider.com

² Source, journalist, Addis Ababa

³ Source, journalist, Addis Ababa

⁴ FT, 5 Nov 2017.

⁵ Source, journalist, Addis Ababa

⁶ Source, journalist, Addis Ababa

⁷ www.oaklandinstitute.org

⁸ Source, journalist, Addis Ababa

⁹ Source, journalist, Addis Ababa

¹⁰ Source, journalist, Addis Ababa

Following the arrest of Al-Amoudi, MIDROC Ethiopia's senior management is reportedly holding "consecutive meetings to avert any crisis".¹¹ Managers at the company are keen to portray it as business as usual:

*"Our leadership is in constant contact with Al-Amoudi. We are of the opinion that the problems he faced in Saudi Arabia will be resolved shortly and our operations won't be affected as all of them are under the firm control of the MIDROC Technology Group CEO, Arega Yirdaw."*¹²

Other sources at MIDROC have suggested that Al-Amoudi's younger brother, **Sheikh Hassen Hussein Al-Amoudi**, has assumed responsibility for the company during his brother's detention.¹³ Despite the management's claims to the opposite, there is reportedly a sense of uncertainty at MIDROC companies.

*"Al-Amoudi's companies and his other family holdings are really wondering what the arrest will bring and how it will impact his assets and long-term investments."*¹⁴

The detention of Al-Amoudi, who holds both Saudi and Ethiopian citizenship, is politically sensitive in Ethiopia. He has an "excellent relationship"¹⁵ with the ruling **Ethiopian Peoples' Revolutionary Democratic Front (EPRDF)** and the political elite. Al-Amoudi was involved in campaigning for the EPRDF during the much-contested 2007 election in the aftermath of which more than 200 people were killed. Al-Amoudi's public support for the EPRDF damaged his standing with the opposition, but this was short-lived due to the economic impact of his investments.

*"His popularity returned quickly due to his massive project donations and humanitarian works. Al-Amoudi has reportedly created job opportunities (directly and indirectly) for some 40,000 people through his \$3 billion investment here and is widely known for his philanthropic works."*¹⁶

Despite Al-Amoudi's links to the EPRDF, the government has been muted in its response to his arrest; the prime minister, **Hailemariam Desalegn** (2012- present), has limited his comments to saying his government is closely following the matter and assuring the public that Al-Amoudi's investments in the country will not be affected.

*"We will follow up his case with our Saudi counterparts. But there's nothing more we can do as Saudi Arabia is a sovereign country."*¹⁷

Saudi Arabia will be equally keen not to jeopardise its agribusiness investments in Ethiopia:

*"For Al-Amoudi, Ethiopia has become a source of food and arable land as escalating food consumption and water scarcity presented a challenge for Saudi policymakers."*¹⁸

The commercial implications of Al-Amoudi's detention are currently unclear. Much will depend on the nature of any eventual charges he might face and whether they jeopardise his access to international financing, especially from **Gulf** countries. The EPRDF will manage its response to his arrest carefully, at a time when its overlapping political and business interests are politically sensitive.

GERD talks suspended amid Egypt disagreement

Ethiopia, **Egypt** and **Sudan** failed to reach agreement on the regional impact of the \$4.6 billion 6,000MW **Grand Ethiopian Renaissance Dam (GERD)** on the **Blue Nile** at a ministerial meeting in

¹¹ Source, journalist, Addis Ababa

¹² Source, MIDROC manager, Addis Ababa

¹³ Source, journalist, Addis Ababa

¹⁴ Source, business analyst, Addis Ababa

¹⁵ Source, journalist, Addis Ababa

¹⁶ Source, journalist, Addis Ababa

¹⁷ Source, journalist, Addis Ababa

¹⁸ Source, business analyst, Addis Ababa

Cairo (Egypt) on 11 and 12 November.¹⁹ The regional benefits of the GERD's electricity exports suggest the three governments will eventually reach agreement over the dam's development. The purpose of the technical committee meeting was to sign off on the preliminary findings of the technical studies by **France-based BRL Ingénierie** and **Arterlia Group** over the GERD's economic, social and environmental impact on Egypt and Sudan. The studies were due to begin in September 2016, but disagreements between the three governments repeatedly delayed their start, and now their completion.²⁰ Egypt approved the consultants' recommendations, but Sudan and Ethiopia wanted amendments made.²¹ Sudan's foreign minister, **Ibrahim Ghandour**, has claimed the reason for Egypt's concern about the GERD was it would allow Sudan to make full use of its annual allocation of Nile waters according to the terms of a 1959 agreement between the two governments.²² Following the failure to reach consensus on the technical studies, Egypt suspended technical negotiations with Sudan and Ethiopia.²³

The studies notably include hydrological modeling, the most contentious outstanding issue. Egypt is concerned about the speed with which Ethiopia fills the GERD reservoir, warning that if it does so too quickly, it will have a negative impact on the **Aswan High Dam**, upon which Egypt depends for both electricity generation and irrigation.²⁴ Egypt has claimed that the Aswan reservoir will decrease 16% as the GERD negatively impacts water flow.²⁵ Ethiopia has said that it will sell cheap electricity to Egypt to offset the impact. However, this would not address Egyptian concerns about the impact of water shortages on the agriculture sector. The original **International Panel of Experts (IPE)** investigated the issue and reported in May 2013, but acknowledged shortcomings in its own hydrological modeling, and Egypt has largely rejected the IPE findings.²⁶

*"Negotiations with Ethiopia over when and how the dam will be filled have not gone well. [Egypt's] President **Abdel Fattah Al-Sisi** (2014-present) is said to have been taking a firmer stance in talks lately, no doubt because Nile water is the life blood of Egypt and any threat to that would have huge consequences for Egypt, but a conflict over water could potentially destabilise the entire surrounding region."*²⁷

According to Egyptian irrigation minister, **Mohamed Abdel-Ati**, his government agreed to the consultants' proposed studies, but Ethiopia and Sudan demanded significant revisions.²⁸ The Ethiopian government, in turn, has claimed that Egypt wants to reinstate 1929 and 1959 colonial-era agreements in the negotiations.²⁹

Egypt is concerned that Ethiopia continues work on the GERD even without agreement on the technical studies. Egyptian officials have privately alleged that Ethiopia is intentionally prolonging negotiations so that it can insist that work has progressed too far on the GERD to allow revisions to its design.³⁰ The same officials have suggested they may seek recourse at the **United Nations Security Council** or the **International Court of Justice** in the face of what they view as Ethiopian intransigence.³¹

¹⁹ MENA, 14 Nov 2017.

²⁰ MENA, 14 Nov 2017.

²¹ MENA, 14 Nov 2017.

²² Sudan Tribune, 15 Nov 2017.

²³ Middle East Monitor, 25 Nov 2017.

²⁴ Source, academic, UK

²⁵ Executive Intelligence Review, 10 Oct 2014.

²⁶ Source, academic, UK

²⁷ Source, policy fellow, Cairo

²⁸ MENA, 14 Nov 2017.

²⁹ Middle East Monitor, 25 Nov 2017.

³⁰ Source, academic, UK

³¹ Source, academic, UK

In the meantime, Egypt has embarked on a diplomatic initiative to build regional support for its position that the GERD has negative implications for downstream states. Sisi has personally undertaken a series of regional visits, including to **Khartoum** (Sudan), in recent months.

*“Egypt has failed at using statesmanship to resolve the crisis with the Renaissance Dam and to alter the perception in **Africa**, that Egypt prefers not to be considered as an ‘African nation’. What we are seeing now is a last-minute effort, multiple visits in just over a month, lots of press releases from the government on ‘positive steps’ being taken in several key Nile basin countries. But it will take much more to convince African nations that these visits are more than a public relations exercise meant to sway them in regard to ongoing negotiations over water.”³²*

Other Egyptian officials have refused to rule out the possibility of direct military action should Ethiopia continue development of the GERD without a regional agreement.³³

“Egypt’s water security is considered a crucial part of Egypt’s national security.”³⁴

Despite the rhetoric, military action remains unlikely, with both Egypt and Ethiopia facing more pressing domestic security concerns.³⁵ Hailemariam and Sisi are expected to meet in Cairo in December, increasing the likelihood of a political resolution to the technical stalemate, especially as Sudan’s backing for the Ethiopian position leaves Egypt increasingly diplomatically isolated.³⁶

Construction of the GERD started in April 2011. **Italy**-based **Salini Impregilo S.p.A.** is constructing the GERD, which the state-owned **Ethiopian Electric Power (EEP)** will own and operate. The government expects electricity generation to begin before the end of the current Ethiopian calendar year in October 2018. In January 2013, state-owned defence company **Metals and Engineering Corp (Metec)** awarded France-based **Euronext Paris**-listed power equipment manufacturer **Alstom SA** a €250m (\$325m) contract for the supply and installation of all electromechanical equipment at the GERD.

Ethiopia has emerged from the failed negotiations in a much stronger position thanks to Sudan’s alignment behind its position. A diplomatic solution remains the most likely outcome due to the variety of benefits – electricity exports and improved seasonal water management – that the GERD offers the riparian states.

Somaliland election result assures Ethiopia access to Port of Berbera

Ethiopia’s deal to use the **Port of Berbera** in autonomous **Somaliland (Somalia)** appears secure following **Musa Bihi Abdi**’s victory in the Somaliland presidential election on 13 November.³⁷ Ethiopia views the Port of Berbera as central to its strategy to reduce its over-reliance on the congested **Port of Djibouti (Djibouti)** for the movement of imports and exports. Ruling **Kumiye** candidate Bihi won 55% and opposition **Wadani** candidate **Abdirahman Mohamed Abdilahi ‘Cirro’** 40.73% in a vote that international election observers considered, for the most part, free and fair.³⁸ While Ethiopia’s access and usage agreement did not play a significant role in the Somaliland presidential election campaign, **Dubai (United Arab Emirates (UAE))**-based terminal operator **DP World**’s \$440m 30-year concession to manage the Port of Berbera was a more contentious issue.³⁹ Cirro had threatened to review the DP World concession, which he alleged was “conducted under the table”⁴⁰, should he win the Somaliland presidency.⁴¹ Cirro was equally opposed to the UAE naval base

³² Source, columnist, Cairo

³³ Source, academic, UK

³⁴ Egypt Independent, 21 Nov 2017.

³⁵ Source, academic, UK

³⁶ Enterprise, 28 Nov 2017.

³⁷ www.SomalilandSun.com

³⁸ Source, analyst, Hargeisa

³⁹ www.SomalilandSun.com

⁴⁰ www.SomalilandSun.com

⁴¹ www.SomalilandSun.com

located near **Berbera**. Construction on the naval base began in November, and is expected to finish in June 2018.⁴² Berbera is strategically located to protect shipping interests in the **Red Sea** and **Gulf of Aden**, as well as the ongoing military operations in **Yemen**. There is a widely held perception in Somaliland that the military base agreement is linked to the DP World concession.⁴³ The UAE government provided financial support to Bihi's election campaign to shore up his support for the DP World concession and the military base.⁴⁴ Cirro, on the other hand, received campaigning financing from Saudi Arabia, which is worried about increased UAE influence in Berbera.⁴⁵ The UAE's financial support, combined with Bihi's desire to extend security and commercial ties with Ethiopia in Berbera, means that the DP World concession looks increasingly secure. DP World announced on 6 November that it plans to develop a free trade zone at Berbera, modeled on the **Jebel Ali Free Zone (Jafza)** in Dubai.⁴⁶ DP World will negotiate the free trade zone with the new Bihi administration.⁴⁷ DP World also announced that, under its management, container volumes at the Port of Berbera increased 40% year-on-year in September, and that the new cargo handling equipment acquired under its master plan for the port will arrive in 2018.⁴⁸

Despite the positive developments at the Port of Berbera, the state-owned **Ethiopian Shipping and Logistics Services Enterprise (ESLSE)**, which will hold Ethiopia's access and usage agreement, continues to face significant financial troubles. High levels of debt reportedly forced the ESLSE to cancel its planned purchase of 15 new ships.⁴⁹ During the presentation of the ESLSE's financial results in September, new CEO **Roba Megersa** acknowledged that the company's nine multi-functional ships and two oil and chemical tankers have too many technical problems to be considered assets rather than liabilities.⁵⁰ The government is expected to soon announce a strategic investor for ESLSE, reportedly having shortlisted **Denmark-based A.P. Moller-Maersk Group** and state-owned **China Merchants Group** subsidiary **China Merchants Holdings**.⁵¹

The Port of Berbera agreement will not end Ethiopia's logistical bottlenecks, expensive trade procedures and continued high risk of congestion and delays. Lead times and costs will remain high due to Ethiopia's heavy reliance on a few motorways from the sea to urban centres.

Planner

March 2018 (**Ethiopia**) *Horn Affairs*. **Ethiopian People's Revolutionary Democratic Front (EPRDF)** to hold congress;

2018 (**Ethiopia**) *Addis Fortune*. Local elections;

Dec 2017 (**Egypt**) *Egyptian Daily News*. The prime minister, **Hailemariam Desalegn** (2012- present), to visit Egypt.

Chronology

26 Nov 2017 (**Ethiopia**) *Fana Broadcasting Corp*. The government detains 100 people allegedly involved in **Somali/Oromia** border clashes;

25 Nov 2017 (**Ethiopia**) *Middle East Monitor*. The government denies receiving financing from **Qatar** for the **Grand Ethiopian Renaissance Dam (GERD)**;

⁴² Bloomberg, 22 Nov 2017.

⁴³ Source, academic, Hargeisa

⁴⁴ Source, analyst, Hargeisa.

⁴⁵ Source, analyst, Hargeisa.

⁴⁶ www.SomalilandSun.com.

⁴⁷ www.SomalilandSun.com.

⁴⁸ www.thenational-somaliland.com.

⁴⁹ Indian Ocean Newsletter, 6 Oct 2017.

⁵⁰ Indian Ocean Newsletter, 6 Oct 2017.

⁵¹ Indian Ocean Newsletter, 23 Dec 2016.

23 Nov 2017 **Addis Ababa (Ethiopia)** *Ethiopian Herald*. The ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)** says political parties have reached agreement on amendments to electoral code;

23 Nov 2017 **Khartoum (Sudan)** *Sudan Tribune*. Foreign minister, **Ibrahim Ghandour**, criticises **Egypt's** stance over the **Nile** waters, claiming, "*it's high time Egypt pays what it owes and for Sudan to get its full share*";

22 Nov 2017 **Somaliland (Somalia)** *Bloomberg*. **Divers Marine Contracting LLC** begins work on **United Arab Emirates** naval base in **Berbera**;

18 Nov 2017 **Cairo (Egypt)** *Al Ahram*. President **Abdel Fattah Al-Sisi** (2014-present) describes the waters of the Nile as a matter of "*life and death*" in reference to the GERD;

15 Nov 2017 **(Qatar)** *The Peninsula*. Prime minister **Hailemariam Desalegn** (2012-present) signs a series of trade and investment agreements during state visit;

10 Nov 2017 **Ogaden (Ethiopia)** *Bloomberg*. **China Poly Group** plans to start exporting natural gas from the **Calub** and **Hilala** fields by mid-2019;

6 Nov 2017 **Afar (Ethiopia)** *Chemical Week*. **Yara International** signs agreement to develop **Yara Dallol** potash mine, with final investment decision expected in 2018;

6 Nov 2017 **Somaliland (Somalia)** *The National Somaliland*. **DP World** announces development of free trade zone at **Port of Berbera**.