

China stretches its long arm to Djibouti

AP

The People's Liberation Army's overseas garrison conducted its first live-fire drills from China's base in Djibouti last month. The base on the Bab-el-Mandeb Strait, where the Red Sea meets the Indian Ocean, was inaugurated in July, and is embedded in Djibouti's new Doraleh Multi-Purpose Port. At the port's opening ceremony two months earlier, two vessels, one owned by Ethiopian Logistics & Shipping Enterprise (ESLSE) and the other by China's state-owned COSCO Shipping Lines, berthed at the port, and fêted Djibouti's President Ismaïl Omar Guelleh with a long whistle.

The state-owned China Merchants Port Holding has invested \$580 million in the port's construction and owns almost a quarter of Djibouti's ports holding company. It is now in talks to take a stake in ESLSE, in Djibouti's landlocked hinterland. Ethiopia's Prime Minister Hailemariam Desalegn has announced that the ruling Ethiopian People's Revolutionary Democratic Front plans to liberalise the state monopoly that controls the country's seaward and inland transport. Roba Megerssa Akawak, ESLSE's CEO, told this writer he's been informed "at a ministerial level" that China Merchants will be considered for the bid. ESLSE handed the relevant documents, including an inventory of its assets, to a committee at Ethiopia's Transport Ministry before May, when he became CEO, Mr. Roba said.

The committee, overseeing due diligence and a valuation in preparation for the bid, is headed by the chair of ESLSE's board and Transport Minister Ahmed Shide. (Mr. Shide and China Merchants did not respond to requests for comment). Ethiopia's ruling party has not informed Mr. Roba about the size of the stake on offer but once the government decides on a partner, he expects his role will be contracted to a foreigner, or be supervised by "shadow managers".

Prime Minister Hailemariam and China Merchants Group's chairman Li Jianhong met in Beijing in May at the first summit of Xi Jinping's Belt & Road Initiative. The Hong Kong-listed conglomerate then announced that it reached an "agreement" with Ethiopia to build a "logistics channel to improve logistics operational efficiency", but did not mention ESLSE, most of whose cargo is channelled through Djibouti.

Strategic partnership

ESLSE's assets amount to 16.28 billion Ethiopian Birr (\$700 million), according to the monopoly's provisional balance sheet as on June 30. These include inland dry ports, terminals, buildings, land and 11 vessels, according to Mr. Roba. Shortly before the monopoly was formed in 2011 after a merger between three state enterprises, nine vessels were bought from Chinese shipbuilders for almost \$400 million, Mr. Roba said. China Civil Engineering Construction is expanding two of ESLSE's inland dry ports, he said, and these ports are planned to be connected to a road to Djibouti's Doraleh port by a rail link that's also being built by the state enterprise.

Li Qingjie, deputy general manager of China's Ministry of Railway Logistics, attended an August 18 meeting in Beijing between the Vice Chair of China's Central Military Commission, General Fan Changlong (deputy to President Xi Jinping) and the Chief of Staff of Ethiopia's Army, General Samora Yunis. The PLA is willing to contribute to a "comprehensive strategic partnership" with Ethiopia, General Fan said. Ethiopia's Defence Ministry spokesperson couldn't comment on whether the PLA will be permitted to use the dry ports or the railway to Djibouti. The specifics may be released later, but what's beyond doubt is that the Chinese dragon is only growing big in African hinterlands.

China Merchants Port Holding, which owns almost a quarter of Djibouti's ports holding company, is now in talks with Ethiopia's logistics monopoly ESLSE to buy a stake

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

crackIAS.com