

# DJIBOUTI

## Ready for business

### Djibouti

is a small country with big plans. The Wales-sized republic on the Red Sea in the Horn of Africa (pop. 700,000) has a raft of ambitious plans in the offing and is the current host of the Common Market for Eastern and Southern Africa (COMESA) summit, comprising 20 nations. It is precisely its geographical position that the ex-French colony and military base is using to boost economic development and diversification under President Ismaïl Omar Guelleh.

"Djibouti has no natural resources, so our primary resource is our geographic location," he says. "Therefore, we are positioning ourselves to become an influential base of distribution and international communication, and are investing heavily in infrastructure and training. We have just opened our first university."

Investment is being encouraged here through public-private partnerships with an investor-friendly legal system, an open economy and a stable currency, pegged to the dollar since 1949. Djibouti was selected as the location for Dubai giant DP World's first international venture, and the company now manages the ports, airport and free zone. Management of the railway linking Djibouti to Ethiopia has been contracted out to develop the East African railway network and eventually link the country with South Africa. "Our first-class banking, with a new welcoming and facilitating system, is also attracting major players like the Dubai Islamic Bank," Guelleh says. "Thanks to all this, Djibouti will truly take its place in the world and will be serving the main economic operators of the region."

The port at Djibouti has always been the country's economic heart, but since the involvement of DP World in 2000, the country's full logistical potential can now finally begin to be realized. "Although DP World had not managed any ports outside of Dubai before, they were convinced to come here by the sheer demand for cargo and huge potential market," says Abdourahman Boreh, chairman of Djibouti Ports and Free Zones Authority (DPFZA). "What was needed was expertise, which we brought, but we have only used perhaps 12% of our potential to date. However, the state of Djibouti is trying to use the remaining 88%, taking advantage of our strategic position as a gateway to Africa, the Middle East and Europe, at the mouth of the Red Sea."

Djibouti port's main function is as a transshipment center for goods entering and leaving East Africa, especially landlocked Ethiopia, whose 75 million people depend on Djibouti for imports and exports. The port enjoys direct rail and road connection to Addis Ababa, while there are maritime links with nearby Yemen, Eritrea, Sudan and Somalia. DP World has also recently achieved ISPS and ISO 28000 compliance, the first port operator globally to do so. "Turnover and profit margins have significantly increased, productivity is up, we have some new customers, such as CMA, and most of the major players are increasing the amounts they bring in,



Ismaïl Omar Guelleh  
President of the Republic of  
Djibouti



Abdourahman  
Mohamed Boreh  
Chairman of the Ports and  
Free Zones Authority



Ali Abdi Farah  
Minister of  
Communication and Culture

with a volume of cargo of 220,000 20-foot equivalent units (TEU) so far this year," explains port general manager David Hawker.

However, Djibouti's port activity is set to really take off following the completion of a new U.S.\$300 million container port in 2008, 8km from the city at Doraleh. "We have got the main east-west cargo trade passing through Djibouti, but not all larger ships can stop here, so we hope Doraleh will attract more cargo for transshipment toward East Africa and the Gulf," says Hawker. "This is exactly what happened with Dubai in the 1970s and the 1980s with great success. We hope to replicate this and compete with the likes of Salalah, Oman for the big ships. Djibouti will be the only place on Africa's east coast where the new generation of ships can dock."

Doraleh will handle all national container activity, initially with 1.05km of quay and new road and rail links. It will be capable of handling 1.5 million TEU, freeing more room in Djibouti port for other activities. A later phase will see the quay extended to 2km,



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# DJIBOUTI, THE BUSINESS HUB...

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**Djibouti**

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### Djibouti Ports and Free Zones Authority

As the one-stop shop for administrative requirements for companies and investors of the free zone, it offers a clear legal and institutional framework, representing a solid guarantee for investors in the free zones.

The one-stop shop set up by the DPFZA ensures that investors obtain, on the one hand, approval for the creation and the registration of their company in the free zone, and on the other hand, a wide range of services such as:

- Issuance of visas and residency permits
- Issuance of work permits and residency cards
- Any other service necessary for companies, all of them under the same roof within the free zone



### Djibouti Free Zone

In partnership with JAFZA International, Dubai, Djibouti Free Zone has been set up to position Djibouti as the regional logistics and marketing hub for import, warehousing, processing and re-export of goods to and from the neighbouring countries. To achieve that objective, Djibouti Free Zone offers the right business environment for investment and trade:

- A partnership with JAFZA International offering expert free zone management techniques
- Readily available warehousing facilities, office units and land plots for faster business start-up
- A one-stop shop approach for company formation and licensing, customs formalities and other company services
- Fiscal and non-fiscal incentives to enhance the cost competitiveness of the free zone companies

# AT THE CROSSROADS OF THREE CONTINENTS



### Port of Djibouti

With the advantage of the port being freely open to the outside world, the goal is to turn the complex of Doraleh, Djibouti autonomous port and the dry port into a regional center for international trade and an important hub for traffic from the Red Sea all the way to the Arabian Peninsula through the Horn of Africa. The Ports of Doraleh will be a communications gateway not just for Eastern Africa but also for all of the COMESA countries.



### Port of Doraleh

The construction of the first phase of the new container terminal project is underway and it will be operational at the end of 2008.

- Super post-Panamax
- Length of the quay: 1050m
- Water depth: 18m



### Horizon Djibouti Terminals

- Storage of liquid products and gas
- Oil products, petrochemicals, chemicals, vegetable oils, molasses
- Local and Ethiopian markets, trade with Eastern Africa, the Red Sea, the Middle East
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- Two quays: 15m and 22m depth
- Loading and unloading of trucks (220/day)



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and with a potential volume of 2.5 million TEU. The free zone opened in 2004 and now houses 53 companies, including Bahraini BMMI Logistics. Companies are totally exempt from tax, duty taxes, patents and taxes on profit for 50 years as well as possible tax renewal. An investor can transfer capital freely, without having to pay customs duties.

There is also minimal bureaucracy, explains Zeinab Kamil Ali, executive director of Djibouti Ports and Free Zones Authority (DPFZA). "When an investor arrives here, he does not have to visit different ministries, he just has to see DPFZA and then he can start his company within 24 hours. It really is a one-stop shop, because, apart from registering businesses, we can also organize visas and translations."

"We are attempting to attract just a fraction of the 6,000 companies operating in the Dubai free zone (DFZ). They would be closer to their market and they can take orders in Dubai and deliver from DFZ," says Boreh. "They can be competitive, cheaper, with no double handling charges, as well as benefiting from the good governance and stability here".

A new free zone, also at Doraleh, will open at the same time as the new port, and will see Djibouti having one of the biggest free-trade zones in Africa. New power plants will allow the development of light industries, although heavy industry will also be permitted at Doraleh. Industrial, trading, general trading and services licences are available. "For now, we are starting with what we know best, that is trade, and then we will move into finance, by partnering with Dubai to establish a legal code for financial services," says Ali.

DP World also took over the management of state-owned Djibouti International Airport in 2002. It has improved the infrastructure and increased parking capacity for aircrafts. A VIP lounge has also been built in preparation for the COMESA Summit and there are plans to expand the airport, which currently has an annual capacity of 100,000 passengers. Ethiopian Airlines, Kenya Airways and Air France are among those operating services, while negotiations with Emirates Airlines are also currently taking place.

"Djibouti has real potential—we could become a hub for Africa," says Thierry Vandekerckhove, general manager of Djibouti International Airport. "We should see more demand for flights with the current increase in accommodation and we



**David Hawker**  
GM, Djibouti International  
Autonomous Port (PAID)



**Thierry Vandekerckhove**  
GM, Djibouti  
International Airport

also have the potential for more technical landings here because we are at sea level and not restricted on loading capacity, unlike other airports in the region." There is also an Open Sky policy, meaning any operator can fly in and out of Djibouti without limitations on frequency and other restrictions.

Djibouti Airlines is the nation's first private airline, operating since 1996. It flies to 12 destinations in Ethiopia, UAE, Yemen, Somalia and Eritrea, and runs extensive unscheduled charters for both cargo and passengers. One major achievement has been to commence flights to Mogadishu, where the airport had been out of

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operation for around 15 years. Nairobi and Jeddah will also be served from the end of this year, and Qatar and Kuwait are the next planned destinations. "Now we are trying to do joint ventures or partnerships with bigger airlines," says chairman and captain Moussa Waberi. "We are in the negotiation phase and hope to begin this in the next six months with African airlines or some European charter carriers. India and China are our primary target markets."

The government hopes that tourism may become another major source of income for the unspoiled nation, which provided the setting for the 1968 film *Planet of the Apes*. Last year, 31,000 tourists, mostly from France, visited — an increase of 14% from 2004 — and the opening of new hotels, such as the five-star Kempinski, will help to solve the problem of lack of accommodation.

The National Tourist Office of Djibouti is keen to encourage low-impact, high-end tourism to preserve the virgin environment, which boasts an untouched Red Sea reef, whale sharks and fish found nowhere else, as well as volcanoes and desert islands.

Communications is another area strengthened by Djibouti's location. Minister of

Communication and Culture, Ali Abdi Farah, says: "We want Djibouti to become the region's Arabic telecommunications hub and we already have the most assets—an entire fiber optic network, generalized Internet, including high-speed, and all the major submarine cables that connect with Asia land here. We even have one connected with Great Britain."

Consequently, there are agreements with Ethiopia and Somalia to supply them with telecommunications via fiber-optic cables, with other countries a possibility. The national fixed-line and cell operator, Djibouti Telecom, is installing a GSM network which will evolve towards 3G and a capacity of 200,000 subscribers, up from 50,000 current ones, as well as ADSL, in preparation for the COMESA Summit.

"Djibouti may be a small country, but with our infrastructure, Djibouti Telecom belongs to the big operators in the world," says CEO Abdourahman Mohamed Hassan. The company works closely with British Telecommunications, for example on SMW3, the longest fiber-optic cable project

in the world, connecting 34 countries through 39 interconnections, and is currently launching the fifth generation of submarine cables.

Effort is being made to bring technology to all areas, using CDMA technology, while an initiative to lower taxes on computers by 25% has seen their use increase tenfold in the last four years. Djibouti Telecom also organises ITC training sessions for primary schools and is boosting Internet use with a six months' free subscription offered at community development centers.

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