

The United Arab Emirates Profile Themselves as a New Global Hub for Money Laundering, with Implications for the Balkans

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Over the course of the 2010s, relations between the United Arab Emirates (UAE) and several countries of the Western Balkans have increasingly tightened. Starting from 2010, when the UAE's first embassy in the region opened in Podgorica (Montenegro), good relations have been propelled by a boom of investments and "sweet loans" from the UAE into south-east Europe. Starting with Montenegro and then quickly moving into Serbia and, to a somewhat lesser extent, to Bosnia and Herzegovina and other countries of the region, the Emiratis have mainly invested in four strategic sectors in which they claim to have a strategic advantage or a special interest: construction projects (especially in high-end tourism), agriculture (to guarantee food security), airlines (as part of their "super-connector" strategy) and defence (including the purchase of weapons). While welcomed by the governments of the region for their potential for economic growth and job creation, these deals have been marred by a series of controversies. Particularly worrisome are the non-transparent practices that accompany them, such as the lack of appropriate tendering procedures and the "walling off" of any critical voices. The most flagrant such instance occurred in Serbia in April 2016, on election night, when masked hooligans

destroyed shops and buildings in a central Belgrade area where the UAE-funded Belgrade Waterfront development was going to be built. Large-scale protests ensued, but the perpetrators were never brought to justice, in spite of reports¹ that then city mayor Sinisa Mali had boasted about organizing this action.²

It is worth highlighting that, similarly to the influence of other non-Western actors, the UAE's activity in the Balkans can only be "malign" insofar as the local authorities allow it to be so: most often than not, it is a demand-side, rather than a supply-side, problem. The personal relationship of the political leaderships in the Emirates and in the Balkans underpins the non-transparent character of these deals. Furthermore, the recent deportation³ of a Serbian investigative journalist from (ironically) an anti-corruption conference held in the UAE has highlighted the risks to freedom of expression carried by political partnerships among top-down, authoritarian political cultures.

But there is a further layer of complexity that has come to the fore more strongly in 2020: money laundering. It is here argued that the recently exposed illicit financial flows between developing countries and Dubai should heighten concern over the UAE's increased activities in the Balkans. The remainder of this article outlines a few such cases; it considers reasons why the UAE are held to a relatively low scrutiny by Western countries; and sets out possible implications for the Balkans.

¹ www.krik.rs/en/marija-mali-talks-ex-husbands-businesses-off-shore-hidden-properties-savamala/

² The then mayor's ex-wife said, on the record: "Sinisa [Mali] had a task to clear this space because he closed the deal with the Arabs to build Belgrade Waterfront there." She later withdrew this statement.

³ www.dubainews.net/news/263435637/serbia-editor-due-to-address-un-graft-meeting-turned-away-from-uae

The “African Connection” Casts a Stark Light over Dubai’s Money Laundering Role

In January 2020, it was revealed⁴ that Isabel Dos Santos, Africa’s first female billionaire, the daughter of long-time Angolan President Jose Eduardo dos Santos and a former regular Davos fixture, has moved her residency and that of several of her companies to Dubai. According to the Luanda Leaks⁵ investigation by the International Consortium of Investigative Journalists (ICIJ), Isabel Dos Santos became rich by “exploiting her own country”⁶: she and her husband received access to lucrative deals involving oil, land, telecoms and diamonds and were allowed to buy valuable state assets at preferential prices. Money was then routinely sent to Dubai, to companies controlled by her associates. Documents exposed, for instance, that she routed 58 million dollars from state oil company Sonangol to her friend’s Dubai-based company the day after she was forced from office. This is not an isolated case. Dos Santos is “only the latest of a number of high-profile escapes by African oligarchs with legal troubles to Dubai,” as put by Prof. Ricardo Soares de Oliveira, an Africanist at the University of Oxford. Another such example is that of the Gupta Brothers, who went into self-imposed exile in Dubai⁷ to avoid being charged of grand corruption in South Africa. These cases should send alarm bells ringing across the Balkans, which have also gone through a (yet unfinished) tumultuous economic transition process, giving scope for illicit gain, and whose ties with the UAE have been continuously increasing over the past decade.

Traditional Centres of Money Laundering Losing Traction, New Ones Rising?

The rise of Dubai as an international financial centre needs to be seen in the context of a partial course-correction of some crucial hubs for money

laundering: thanks also to the international attention raised by prominent journalistic investigations and to documentaries such as *From Russia with Cash*, stricter anti-money laundering regulations are now in place in the city of London, while the 5th Anti-Money Laundering Directive has entered into force across the EU since early 2020. Although the jury is still out on the success of these measures, a momentum has been created for the raising of awareness about the function of international financial centres as conduits for the proceeds of corruption. But as the role of “traditional” hubs for money laundering (e.g. the UK, Cyprus, and Switzerland) has arguably started to be reined in, new geographies have risen to greater prominence.

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All the while, the indications of Dubai assuming a global role for suspicious capital flows have continued to pile up. In a publication, analysts Matthew Page, Jodi Vittori and colleagues detail the many layers surrounding the potential for illicit financial flows, including through Dubai’s property market, trade mispractices facilitated by the presence of UAE’s “free trade zones,” and risks related to the buoyant gold trade. “Whether you are an Afghan warlord, Russian mobster, Nigerian kleptocrat, Indian money launderer, Iranian sanctions-buster, or East African gold smuggler, Dubai is a conducive place to be,” they write.

⁴ www.ft.com/content/806e7d95-7921-43fb-8bbf-8100ae295fd1

⁵ www.icij.org/investigations/luanda-leaks/

⁶ www.theguardian.com/news/audio/2020/jan/24/how-isabel-dos-santos-became-africa-richest-woman-podcast

⁷ www.nytimes.com/2018/12/22/world/africa/gupta-zuma-south-africa-corruption.html

The UAE's Special Relationship with the West: Turning a Blind Eye

Dubai's profiling as a new Mecca for shady money is not good news for the global anti-corruption agenda and calls for increased Western oversight. But the West's overreliance on the UAE as a geo-strategic partner in the Middle East complicates matters. As remarked⁸ by former US ambassador Richard G. Olson: "It was well known that if you needed something done in the Middle East, the Emiratis would do it." This strategically-motivated permissiveness of the US, UK and many EU governments is part of the reason why concerted policy action on tackling the problem seems unlikely at the moment.

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In particular, prince Mohammad bin Zayed (MbZ), of Abu Dhabi's ruling Al Nahyan family, is said to have become a key Western ally in the region. But MbZ's ties go well beyond the West – and reach out into various corners of the world, including the Balkans. Serbia's President Aleksander Vucic and Montenegro's Milo Dukanovic are well-known to have developed strong personal connections with the Emirati ruler.

Heightened Risks for the Balkans

So while the problems related to the influx of money from the Emirates into the Balkans are by now relatively well known, the exposure of Dubai as a centre for illicit money flows opens up the possibility for other, perhaps even more worrying, types

of issues. Next to "no strings attached" style business practices in the Balkans, including special laws passed to favour the Emirati investors and generous government subventions, all shrouded in a veil of secrecy, the exposed cases of proceeds of corruption being rooted away from developing countries and cleaned through Dubai now heighten the possibility for money laundering operations being conducted between the Balkans and the UAE.

A major example of a Balkan case of rooting money through UAE offshore companies has been uncovered by Organized Crime and Corruption Reporting Project (OCCRP's) partner KRIK in Serbia. The data leak at the Panamanian legal firm, Mossack Fonseca, specialized in setting up offshore tax havens, helped Serbian journalists track the money back to a controversial Serbian entrepreneur, Vladimir Delic. This businessman was involved in a 2004 privatization of a Serbian company specialized in the production of railway wagons, "Bratstvo." The operation involved the then 30-year-old rising star at the Serbian Privatization Fund, Sinisa Mali, and his father, Delic, after the privatization, siphoned 3.7 million euros out of the company into an enterprise in Cyprus.

Delic then moved to the Mediterranean island in 2009, but the Panama Papers reveal that the controversial businessman did not stay for long: in 2013 he moved again, this time to Dubai. In the UAE he set up two companies, one of which was traced to a Panamanian shipping firm, Panama Cargo Ltd. Conveniently, just at the time Delic was setting up shop in Dubai, Sinisa Mali was negotiating the sale of Serbia's state airline to Etihad and the Belgrade Waterfront construction project in the Emirates. In 2014, Mali became the Mayor of Belgrade: a position he was still covering in 2016, when the illegal demolition of buildings in Belgrade's Savamala, outlined earlier in this article, occurred. Rocked by scandals, Mali left that function in 2018; but instead of leaving public office altogether, he became Serbia's Minister of Finance (a position he still covers, at the time of writing).

Against this backdrop, the insistent allegations of money laundering through large construction pro-

⁸ www.nytimes.com/2019/06/02/world/middleeast/crown-prince-mohammed-bin-zayed.html

jects, such as Belgrade Waterfront itself, start gaining more weight. Until full transparency is achieved, such “rumours” will be difficult to discount. While no conclusive proof of money laundering activities between the Balkans and the UAE exists as yet, the issues outlined above should send alarm bells ringing. Policy makers and civil society activists should be wary of this possibility, which risks being yet another avenue through which the difficulty of strengthening the rule of law is being perpetuated in the Balkans.

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