

# China's Engagement in Djibouti

## Overview

Djibouti is pursuing an ambitious agenda to transform itself into a commercial trade hub for the Horn of Africa region. This effort is being financed largely by the People's Republic of China (PRC), which is playing a growing role in the tiny country. China's engagement is multifaceted, ranging from major infrastructure investments to the establishment of its first overseas military base in the country. China considers Djibouti part of its Belt and Road Initiative; in late 2017 the two countries declared that they had established a "strategic partnership." U.S. policymakers have raised concern about China's role in Djibouti, given U.S. strategic interests in the region and the proximity of China's base to U.S. military facilities there.

Djibouti is strategically located on the Bab el Mandeb strait (**Figure 1**), a chokepoint between the Red Sea and the Gulf of Aden. It has become a hub for foreign militaries in the past decade, hosting bases for the United States, France, Japan, Italy, and, most recently, China. Djibouti's economy depends heavily on trade through its busy international port complex, and profits from shipping and land leases are important revenue sources for the government. For more on the country, see CRS In Focus IF11303, *Djibouti*.

China's engagement in Djibouti is emblematic of its broader shift toward a more expansive foreign policy, including in Africa, under Chinese Communist Party General Secretary and State President Xi Jinping. In 2015, Xi pledged \$100 million in military aid to the African Union to support regional peacekeeping initiatives over a five-year period. China's role as a peacekeeping troop contributor has grown. It now has the largest number of peacekeepers deployed—roughly 2,500, a majority of them in Africa—of the five permanent members of the U.N. Security Council. China hosted its first China-Africa Defense and Security Forum in 2018, a sign of its interest in expanding security relationships on the continent. At its 2018 Forum on China-Africa Cooperation (FOCAC), China announced a China-Africa Peace and Security Fund and pledged to support programs on law and order, peacekeeping, antipiracy, and counterterrorism. China's naval presence in the Gulf of Aden, where it has played a prominent role in multinational efforts to counter Somali piracy, dates back a decade. Djibouti has been a key resupply node for those operations.

## China's Economic Investment in Djibouti

Djibouti has expanded its economic ties with China, to which it owes a growing amount of sovereign debt. According to the International Monetary Fund (IMF), Djibouti's public external debt is estimated to have risen from 50% of GDP in 2016 to 104% by the end of 2018, much of it based on Chinese lending. Former U.S. Africa Command (AFRICOM) Commander General Thomas D.

Waldhauser estimated in early 2018 that Djibouti owed at least \$1.2 billion to China. The debt has raised concerns among U.S. officials that the country may be increasingly vulnerable to Chinese influence or manipulation. Some Djiboutians have also expressed alarm about the lack of transparency around Chinese loans.

China reportedly has provided nearly \$1.5 billion in financing for major infrastructure projects in Djibouti since 2000. Among the projects being built by Chinese firms is a \$3.5 billion free-trade zone (FTZ), expected to be Africa's largest. The first phase was completed in 2018, and is expected to create 200,000 new jobs and handle over \$7 billion in trade from 2018 to 2020. Three Chinese companies have stakes in the FTZ, alongside Djibouti's port authority.

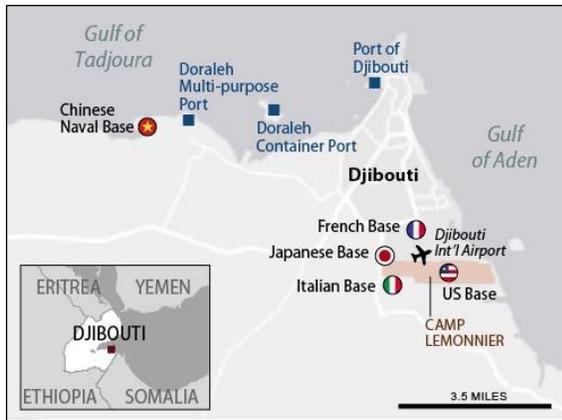
Other Chinese-backed investment projects include the development of port facilities and related infrastructure, including a railway and two airports (a \$420 million contract) and a pipeline to supply Djibouti with water from neighboring Ethiopia (a \$320 million contract). Ethiopia, a landlocked country of over 100 million people, relies on Djibouti for the transit of 90% of its formal trade, recently facilitated by a new rail line between the two countries. The line was built and is operated by two Chinese companies, and was financed in part by China's Export-Import Bank.

A division of Chinese technology company Huawei, Huawei Marine, is linking Djibouti with Pakistan via an undersea fiber-optic cable that is part of the company's new 7,500-mile Asia-Africa-Europe cable, financed by China Construction Bank. In Pakistan, the cable would connect to a land-based link to China. U.S. officials have expressed concern that data carried by these cables may be vulnerable to espionage. Huawei reportedly is considering plans to sell Huawei Marine Networks to other buyers in China.

**Figure 1. Djibouti**



Source: CRS, using ESRI and U.S. State Department data.

**Figure 2. Ports and Foreign Military Bases in Djibouti**

Source: CRS, using ESRI and U.S. State Department data.

## The Doraleh Ports

U.S. officials have raised concerns about China's role in Djibouti's new Doraleh Multi-Purpose Port, a joint project with state-owned China Merchants Port Holdings that is adjacent to new Chinese military facilities. One of the port's berths is reportedly slated for use by the PRC navy.

In 2018, Djibouti terminated its partnership with Dubai's DP World, which had built and run the Doraleh Container Terminal (DCT) for almost a decade. Djibouti nationalized its port authority's stake in DCT, in which China Merchants has a 23.5% share, and engaged a Singaporean company with links to China Merchants to expand the facilities. Djiboutian officials insist they have no intention of ceding control of the port to China, as occurred with Sri Lanka's Hambantota port, but some analysts suggest this deal could represent a payment in-kind on debt owed to China and affiliated state firms. DP World is challenging the takeover.

## China's Military Presence in Djibouti

Djibouti's proximity to key global shipping lanes makes it an attractive location for a country with global maritime ambitions. China signed a defense agreement with Djibouti in 2014, and in 2016, it began to build "support facilities" there as a base for naval rest and resupply. Djibouti's foreign minister announced that China had agreed to a 10-year, \$20 million-per-year contract to lease the site, with facilities that could house "a few thousand" personnel. By some accounts, the base could host up to 10,000 troops, but only an estimated 250 are currently stationed there.

The U.S. Department of Defense (DOD) reports that the base includes barracks, an underground facility, a tarmac, and eight hangars for helicopter and unmanned aerial vehicle (UAV) operations, but does not have a runway or a dedicated naval berthing space. Camp Lemonnier, the only enduring U.S. military installation in Africa, is situated just miles from the Chinese base (Figure 2). The U.S. ambassador to Djibouti has described managing the close proximity of the facilities as "a challenge for all involved."

The Chinese military's role in the Horn has evolved since it first commenced counterpiracy operations off the Somali coast in late 2008. Its efforts to evacuate Chinese citizens via naval frigate from Libya in 2011 and from Yemen in 2016 may have influenced its decision to establish a base in the region. Chinese officials say the base aims "to ensure

China's performance of missions, such as escorting, peace-keeping and humanitarian aid in Africa and west Asia," as well as joint exercises, evacuation and rescue operations, and multinational efforts to maintain the security of strategic international seaways. Chinese military personnel first deployed to the base in July 2017, and in late 2017 they conducted their first live-fire exercise in the country.

DOD officials announced in May 2018 that the United States had delivered a demarche to China over several incidents in which lasers were pointed from the Chinese base at U.S. military aircraft, reportedly causing minor eye injuries to at least two pilots. China denies the allegations.

## U.S. Concerns

Several Members of Congress have raised concerns about China's growing role in Djibouti. In 2018 testimony to Congress, General Waldhauser said of the prospect of Chinese surveillance there, "we are not naïve [about it] ... it just means that we have to be cautious." He suggested, though, that there are also "opportunities, especially in Djibouti, where we can work together with the Chinese." In 2019, Waldhauser told Congress that U.S. military access to Djibouti's container port was "necessary and required" for maintaining its presence in the region, and that there could be "significant" consequences if China controlled the port.

The Trump Administration has placed a high priority on countering Chinese influence in Africa more broadly. National Security Advisor John Bolton has accused China of "targeting their investments to gain a competitive advantage over the United States" and of "predatory practices" on the continent, citing corrupt and opaque deal-making, exploitative lending, and self-interested extractive industry activity. This echoes the 2017 National Security Strategy, which portrays Chinese influence as undermining African development "by corrupting elites, dominating extractive industries, and locking countries into unsustainable and opaque debts and commitments."

China surpassed the United States as Africa's largest trading partner in 2009. Chinese firms have built infrastructure projects across the continent, often financed by state loans to be repaid with commodities extracted from host countries and tied to the use of Chinese goods, labor, and services. These activities, which are expanding under the BRI, help fill infrastructure gaps, but their ties to China's broader commercial and strategic interests could pose challenges for U.S. engagement and influence in the region. U.S. officials raise concern that, in Djibouti and elsewhere, rising debt to China may give the latter leverage.

Djiboutian officials have expressed frustration with criticism of China's engagement in their country. "We thank the Chinese for our infrastructure development, and we want our other partners to help us—not just tell us about the Chinese debt trap. Maybe they think they are attacking China, but they are disrespecting Africans. We are mature enough to know exactly what we are doing for our country," said Djibouti's finance minister in 2019.

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