CHINA'S BASE IN DJIBOUTI: WHO'S GOT THE POWER?

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BIG THINGS ARE happening in the tiny African nation of Djibouti. A poor country roughly the size of Belgium, Djibouti sits on the Gulf of Aden — a critical corridor for international shipping and security operations in an important but unstable neighbourhood. With few other natural assets besides its location, and twenty-three per cent of its population living in extreme poverty, Djibouti has turned to renting land to foreign armies of various flags to generate income. It hosts no less than eight foreign military forces — France, Italy, Japan, Germany, Spain, Saudi Arabia, the United States, and China.

China's establishment of its first overseas base in Djibouti in 2017 made international headlines. Djibouti has received billions of dollars in finance from China in recent years, fuelling concerns about 'rogue aid' (a term to describe non-transparent and self-interested aid to the developing world)[1] and debt traps that could cripple Djibouti's development.

Similar concerns have been raised about China's activities in the Pacific. In January 2018, Australia's then minister for international development, Concetta Fierravanti-Wells, ignited a diplomatic row when she criticised China for building 'white elephants', 'useless buildings', and 'roads to nowhere' in the Pacific.[2] In April, rumours that China was in negotiations for a military base in Vanuatu prompted accusations that the true aim of Beijing's largesse in the Pacific — more than USD$1.7 billion invested since 2006[3] — was to gain a military foothold in the region.

Yet alarmist narratives about 'rogue aid', whether in the Pacific or Africa, ignore the geoeconomic underpinnings of China's aid program. China is adept at converting development-minded investment dollars into geopolitical power and influence. While Western donors, whatever their underlying motivations, have traditionally adopted a language of altruism when speaking of aid, China's leadership speaks of 'equality and mutual benefit' 平等互利 — a 'win-win' philosophy that has been the bedrock of China's foreign policy and aid agenda in Africa and elsewhere since the 1970s.[4]

China's base in Djibouti is a perfect example. It is a strategic launching pad for the 'protection of distant seas' 远海护卫 — an official doctrine of China's naval strategy from 2015. It describes the navy's responsibility to secure access to vital seas lanes and protect Chinese citizens and investments abroad.[5] The Djibouti base helps to safeguard US$1 billion worth of Chinese exports to Europe and five million barrels of crude oil imports, most of which pass through the Gulf of Aden. It also supports China's peacekeeping and counter-piracy missions, and would enable the evacuation of any of the estimated one million Chinese living in the Middle East and Africa, should the need arise.[6]

On Djibouti's side of the ledger, Chinese assistance is supporting its ambitions to become 'the Singapore of Africa'.[7] China's lease for the base will earn Djibouti US$20 million per year over twenty years. Other forms of assistance not ostensibly tied to basing

China's first military base abroad in Djibouti
Source: adr1682305408 Thanh, Flickr

Chinese-financed Ethiopia–Djibouti water pipeline
Source: YouTube

rights also sweeten the deal. China has pledged an estimated US$14 billion for infrastructure development since 2015, including for railways, airports, and ports.[8] Chinese firms are also building and financing the Djibouti International Free Trade Zone (DIFTZ) — set to be the largest in Africa.

Chinese grants finance projects including schools, hospitals, libraries, childcare centres, and sports facilities. Yet not all Chinese money flowing into Djibouti can be categorised as 'aid'. What China pays for its Djibouti base is rent. China expects its investment in the DIFTZ to be profitable, particularly for its state-owned operator, China Merchants Group. As for Chinese infrastructure loans, some have been offered at concessional rates while others are commercial loans with more stringent conditions.[9]

This combination of aid with more commercially oriented financing is a key feature of China's geoeconomic playbook. China deliberately mixes aid, direct investment, service contracts, labour cooperation, and trade deals to maximise the viability and flexibility of its assistance. China is uniquely placed to deploy a wider range of economic tools because of its government's ability to control outbound investment and direct its state-owned enterprises and development banks to cultivate strategic partners.

As China's economic might grows, so too does its asymmetric power relationship with other countries. In just two years, Djibouti's public debt has ballooned from fifty to eighty-five per cent of GDP, and is expected to reach 87.5 per cent of GDP in 2018 — more than double the average for low-income economies.[10] Chinese loans for an Ethiopia–Djibouti water pipeline and railway alone amount to half of Djibouti's annual GDP. Despite warnings from the International Monetary Fund (IMF) that Djibouti will struggle to service its massive debts, the country continues to borrow from China. Other development banks and donors have been reluctant to finance Djibouti's infrastructure needs. In 2016, Chinese loans to Djibouti were about twice the combined value of loans from the World Bank, the African Development Bank, Arab countries, the European Union, and other funders.[11]

Djibouti's President, Ismail Omar Guelleh, says warnings about debt traps do not change the practical realities of Djibouti's economic calculation:

> The IMF has dispatched no less than three missions to tell us not to sign with China under the pretext of excessive indebtedness. What did it offer us in exchange? Nothing. Between this allegedly virtuous nothing and the development of vital infrastructures, my decision was quickly made.[12]

Djibouti's future is now more tied to China than to any other partner that operates a base in its territory. Debt could leave it beholden to China and compromise its ability to accommodate other foreign military bases. China's promises of development assistance may prove hollow, with only ten per cent of the US$14 billion it has pledged for infrastructure investment actually committed. But Djibouti has few choices. And that means in the win-win situation between Djibouti and China, China could well win more.

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