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The Shifting Sands of Djibouti

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ABSTRACT In spite of Djibouti being one of the smallest nations in Africa, its strategic location coupled with the shifting geo-politics of the region have increased its relevance manifold. Various events have influenced the position of Djibouti in the international reckoning: the secession of Eritrea from Ethiopia, the 'Global War on Terror', and increasing piracy off the Horn of Africa. Today Djibouti has the distinction of hosting military bases of four major countries, including China's first overseas base. China has also started making deep inroads into the economy of Djibouti. This has created a large vulnerability for the United States, France and Japan, all of which depend on China-controlled ports for the sustenance of their bases.

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INTRODUCTION

The Republic of Djibouti is a small nation located in the Horn of Africa. It has an area of just 23,200 square kilometres, roughly the size of the state of Manipur in India. Based on some of its vital statistics—a population of about a million, and a GDP of under US$ 2 billion[1] —the nation is widely expected to be nothing more than a fringe player on the global stage. However, shifting geopolitics as well as its location just south of the straits of Bab-el-Mandeb, on one of the world's major shipping routes, have given this nation more attention in the study of international relations.

Djibouti's history is intertwined with trade. In the colonial era in the late 19th century, France signed treaties with the ruling Somali and Afar sultans and formed the territory of French Somaliland, which included present-day Djibouti. Sometime thereafter, Djibouti served as host to a sheltered port serviced by a railway line to Ethiopia. Work on the railways and the Port of Djibouti began in 1897. Once the line was completed in 1917, the significance of the port grew rapidly.[2]

In 1977, during the last of several referendums pertaining to the governance of the land, the people voted for independence and the Republic of Djibouti was born. The French, however, maintained a strong military presence in the form of the French Foreign Legion. Further, like most countries that won their independence, Djibouti continued to depend on their former colonial masters for economic sustenance. Most of the service industry continued to be dominated by the French as there were few locals with the requisite skills in the post-independence period.

The first major boost to port operations came with the breakup of Ethiopia and the formation of Eritrea in 1993, after a brutal 30-year war. Ethiopia was then left without a coast, and continued border violence with the then newly formed state of Eritrea did not allow them any access to their prior ports such as Massawa on the Red Sea. As a result, the Port of Djibouti shot into greater prominence for being the primary maritime gateway to a nation that was several times its size. As the traffic to the port rose, the nation would benefit immensely.

THE WAR ON TERROR AND THE AMERICANS

The 2000s witnessed a watershed in Djibouti's contemporary history, with the rise of radicalism and the launch of the United States (US)-led "global war on terror". Following the 9/11 terrorist attacks in its soil, the US responded swiftly by launching 'Operation Enduring Freedom' on 7 October 2001.[3] The offensive met its initial aim of removing the Taliban from power in Afghanistan. Eventually, the US and its allies realised that the elimination of the remnants of Al-Qaeda and, more importantly the return to stability of the region, would be a protracted campaign. Further, it was also observed that the spread of radicalism was not localised to the Afghanistan-Pakistan (Af-Pak) region but had grown roots across the Middle East North Africa (MENA). This necessitated the setting up of the Combined Joint Task Force – Horn of Africa (CJTF-HOA) for the conduct of stability operations in East Africa.[4]

Given Djibouti's tremendous advantages owing to its geo-strategic location and infrastructure, it became the natural choice as the headquarters of the CJTF-HOA. As there were no suitable locations ashore to house their facilities, the HQ initially operated from the command ship *Mount Whitney* which was berthed at the harbour. Later the decrepit Camp Lemonnier adjacent to the airport, which had fallen into disuse after being vacated several years earlier by the French Foreign Legion, was reactivated and made the home of CJTF-HOA. In 2007, the initial 35 hectares occupied by the facility was expanded to over 200 hectares under a fresh lease. This was renewed in 2012 for a period of 10 years at an annual payment of US$ 63 million, with an option to extend the agreement for another decade.[5] At the behest of Djibouti, where concerns rose over drone mishaps in the vicinity of commercial flight operations, the US also leased another airstrip about eight kilometres south of Lemonnier at Chabelley from where they began conducting drone operations.

Lease payments for these bases, along with the logistical requirements of the approximately 4,000 troops that occupied them,[6] brought financial gains for Djibouti. Even though US troops largely operated from within their bases with fairly draconian restrictions pertaining to mixing with the locals, they came with a heavy logistical footprint that brought in revenue to the port as well as to some local businesses. This was in addition to the revenue generated in hosting the traditional French presence in the nation.

ANTI-PIRACY PATROLS AND THE JAPANESE

While it may appear counter-intuitive, the Port of Djibouti received yet another boost with the onset of piracy, off the Horn of Africa in 2008. Although the global response was slow, once it came, it developed its own momentum. The non-elastic nature of global maritime trade was proven beyond doubt when far from reducing or rerouting traffic, nations initiated a robust response by sending their navies to defend their shipping against piracy attacks. Deployed assets either operated independently or as part of multi-national groupings such as the Combined Maritime Forces (CMF) led Task Force 151 and Op Atalanta, an initiative of the European Union Naval Force (EUNAVFOR).[7] Military presence in this region was driven by a variety of considerations apart from vessel protection; underlying geostrategic considerations that were in any case omnipresent. Ships and aircraft required ports to replenish from and airbases to be deployed from. In both these respects, given the complex geopolitics of the region and the advantageous geography of Djibouti, the nation became an important cog.

Djibouti thrived in hosting routine port calls by grey hulls belonging to various nations. The airport and its collocated Camp Lemonnier became hubs of activity as the presence of reconnaissance aircraft in the region witnessed a sharp uptake. The most notable development during this period was the Japanese move of setting up in 2011 its first overseas base since World War II, on a 12-hectare plot adjacent to the civil airport to support its forces deployed for anti-piracy tasking.[8] Startling as this news was to the security community, the nation that watched this development most closely was China. Shortly thereafter, China commenced negotiations with the government of Djibouti for its own military base in the area.

THE BELT AND ROAD INITIATIVE AND CHINESE INVESTMENTS

Djibouti has been a major investment destination for China under the ambit of the flagship Belt and Road Initiative (BRI). In keeping with the initiative's focus of enhancing connectivity, the bulk of inbound investment has been in the field of logistics; ports and port services, railways and facilitation services such as the setting up of a Free Trade Zone. By doing so, China has hard-wired itself into the heart of Djibouti's economy whose main source of income emanates from being an enabler of trade via the Port of Djibouti. This has been a carefully calculated decision: it enhances strategic dependency not only viz-a-viz Djibouti but also for nations in the hinterland such as Ethiopia, whose primary gateway to the sea is through this port. Today Chinese investments have reached a point where two-thirds of Djibouti's debts are owed to it.[9] The big-ticket items of investment include the new Addis Ababa Djibouti standard gauge railway line that was built at a cost of about US$ 4 billion and officially opened for commercial services on 1 January 2018.[10] Built along the dilapidated French meter gauge line that dates back to the early part of the last century, it has reduced the time taken for transporting freight from Djibouti to Addis Ababa from three days to just eleven hours.[11] Other major investments have primarily been in port infrastructure and associated services. These are described in further detail in the following paragraphs.

- **Port of Djibouti.** As mentioned earlier, even though the port came into being in the early part of the 20th century, it started playing a much greater role towards the turn of the 21st. More than 90 percent of the goods it handles go to its neighbouring country, Ethiopia. Djibouti hopes to broaden this scope to serve other similarly landlocked countries.[12] Given the quantum of shipping transiting through the straits of Bab-el-Mandeb, the refuelling of merchant ships (bunkering) formed an important part of port services. Remunerative as this was, Djibouti soon realised that there was much more money to be made in trade-related services and transhipment. Containerised cargo being the defining shipping concept of the time, the nation made a wise investment by completing a modern container terminal in February 1985. In June 2000, the Emirate of Dubai-based global port operator DP World was given a 20-year concession to operate the port. However, in July 2011 as a consequence of organisational changes, the concession to DP World was terminated.[13] It is possible that these changes were made to make way for China, as in 2013, China Merchants Holdings (CM Holdings) acquired a 23.5-

percent stake in Port de Djibouti SA (PDSA).[14] The remaining stake is owned by the government of Djibouti.

- **Dolareh Container Terminal (DCT).** Riding on the initial success of the partnership between DP World and PDSA with respect to the Port of Djibouti, the two organisations decided to participate in another joint venture which involved the construction of a new deep-water container terminal. As part of the agreement signed in 2004, DP World would acquire a 33.4-percent stake in the project and have the exclusive right to design, build and manage the terminal. DCT commenced operations on 15 December 2008 (though formally inaugurated on 7 February 2009) as the first deep-water terminal in Africa that could permit ships of 15,000 TEU to dock alongside.[15] The relationship between DP World and the government of Djibouti, however, deteriorated with time for several reasons. In 2013, Djibouti sold 23.5 percent of its 66.66-percent stake in DCT to China Merchants Port Holdings (CMP), the Hong Kong-based subsidiary of the state-owned conglomerate CM Holdings.[16] This did not go down well with DP World. Further, attempts by the government of Djibouti to renegotiate its concession with DP World failed. Things came to a head in 2018 when the government of Djibouti feared that the contract between DP World and the semi-autonomous region of Somaliland to build a US$ 442-million port at Berbera, and the intention of the government of Ethiopia to acquire a 19-percent stake in it, would be highly prejudicial to the monopoly that Djibouti enjoyed with respect to Ethiopian trade.[17] It is believed that the refusal of DP World to address these concerns drove Djibouti to unilaterally terminate the DCT concession on 22 February 2018 and nationalise the shareholding of DPSA in the facility. Expectedly, DP World sought legal recourse and got a ruling in August 2018 from the London Court of International Arbitration stating that the government of Djibouti's seizure of the Doraleh Container Terminal was illegal, and that DP World's concession agreement remained valid and binding.[18] The ruling was ignored by the government of Djibouti. With one of its main assets nationalised, PDSA was no longer able to honour the terms of its original loan. Unsurprisingly, CM Holdings came to its rescue by raising the funds for a new loan to enable PDSA to pay back the original one.[19] In doing so, it increased its hold over the port and it is now reported that China Merchants has begun asserting control over operations at this facility.[20]

- **Doraleh Multipurpose Port (DMT).** After relations with DP World soured, the government of Djibouti turned to China, for developing a green-field multi-purpose port adjacent to DCT. The port was jointly financed by DPSA and CM Holdings and built by China State Construction Engineering Corporation (CSCEC). The Doraleh Multipurpose Port (DMP) was finally opened in July 2018. Built at a cost of US$580 million, it is the country's first modern, deep-water, multi-purpose port.[21] CM Holdings is the concessionaire to operate this facility. As per the DCT concession signed with DP World in 2006, the company was to be given exclusive rights for all container handling services in Djibouti. The London Court of International Arbitration therefore found Djibouti in breach of this agreement and issued a ruling on 29 March 2019 ordering the nation to pay US$ 385.7 million (plus interest) as compensation.[22] The matter is still with the courts.

- **Djibouti International Free Trade Zone (DIFTZ).** Djibouti inaugurated the pilot phase of the DIFTZ in July 2018. It spans 240 hectares and has been built with an initial investment of US$ 370 million. It is envisioned that once the 10-year project period is over, total investment will rise to US$ 3.5 billion. The completed facility will spread over a massive 48,000 hectares and will house manufacturing and warehouse facilities, and an export-processing and services centre.[23] The DIFTZ Project Preparatory Group, which is running the project, consists of Djibouti Ports and Free Zones Authority together with three major Chinese partners: China Merchants Group, Dalian Port Authority, and the Chinese technology company IZP.[24]

ADVANTAGE CHINA

While China in the past has consistently expressed its abhorrence to overseas basing, this position was changed when it signed an agreement with the Government of Djibouti in 2015, for what it termed as a logistics facility. While the considerations for China to choose Djibouti may have been primarily linked to geography, undoubtedly geoeconomics and geostrategic considerations also played a key role. As discussed earlier, by this stage, China had already established itself as the largest investor in Djibouti. Important projects such as the DMP had already been completed and the Ethiopia-Djibouti railway line was nearing fruition. The "debt trap" narrative[a] linked to Chinese loans had not yet gathered steam and its influence in government ran high. From a geostrategic perspective and in keeping with Deng Xiaoping's philosophy of '*lying low and biding one's time*', the intention was to not ruffle any feathers and minimise the pushbacks associated with this path-breaking step. Djibouti met China's requirement in this respect. It was indisputable that China had maintained a continuous presence of at least three ships in the area since 2008 and had contributed significantly towards the suppression of piracy. Moreover, it was clear that the port of Djibouti was well-located for providing logistics support to Chinese warships. There was also no doubt that several western nations and those aligned to them, such as Japan, maintained military bases in the nation. It would, therefore, have been hypocritical for any nation to oppose China from setting up similar facilities in Djibouti.

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a The 'Debt Trap Narrative' is based on the presumption that the loans given by China are often for infrastructure projects that are economically unsustainable. As a consequence, nations/commercial entities that are unable to repay their dues are forced to convert their debt into equity, ceding ownership in the process.

Thus even though Djibouti was already crowded from the standpoint of military bases, China chose this port city.

China adopted a different approach in identifying a specific area for its facilities. It did not seek yet another enclave at the airport that was already crowded with more established players including the US, France and Japan. Instead, it chose a location on the coast adjacent to the Doraleh Multipurpose Port, about 10 kilometres away from Camp Lemonnier.

The lease agreement was concluded in late 2015 and work on the site commenced in March 2016 on a war footing.[25] On 11 July 2017, photographs of the first contingent of PLAN Marines flagged off at Zhanjiang by Vice Admiral Chen Jinlong, the commander of the PLA Navy, appeared on the internet.[26] The base was finally commissioned on 1 August 2017, a mere 13 months from commencement of construction. As observed on Google Earth, the base covers about 60.7 hectares.[27] The facilities within, though limited, are constantly evolving. There is more than adequate space to house the estimated 200 marines that are believed to be assigned to the facility. There is a short runway of 400 m marked with two helicopter landing spots. While it may be feasible to get a small fixed wing Unmanned Aerial Vehicle (UAV) off this airstrip, there is no commercial imagery available to confirm such activity. The erection of strengthened underground storage facilities was observed during the construction phase, possibly for ammunition. The base also has hangers for helicopters, garages for tracked and wheeled vehicles, offices, accommodation and sporting facilities including an Olympic-size swimming pool. Considerable attention seems to have been paid to perimeter protection with multiple layers of walls and fences designed to prevent unauthorised access. The most notable development observed since May 2018 has been the ongoing construction of a jetty extending seawards from the north-west end of the base. While the first sightings were only of a trestle extending to about 500m into the sea, the most recent image on Google Earth clearly shows the construction of a jetty at the end of the trestle, currently 350 m in length and growing.[28] Once completed, the jetty would cater for a dedicated deep-water military berthing facility for the base, thereby providing a fillip to its capabilities.

CONCLUSION

It is clear that over the recent years, China has established a strong foothold in Djibouti. On the coastline, its dominance as the principal extra regional player is complete. CM Holdings has a 20-percent stake in the PDSA, the balance being held by the government. With the eviction of DP World from DCT, ownership has passed on to the government. China Merchants has, however, stepped in to ease the debt burden of DPSA and is believed to be currently asserting control over port operations at this facility. Insofar as DMP is concerned, CM Holdings is the concessionaire to operate the port. In addition to all the three commercial facilities mentioned above, it will soon have a dedicated deep draught jetty for military vessels contiguous to its base. With time, it is more than likely to gain access to an airstrip, either by displacing another nation at the existing airport or by building a green-field airbase. If the latter course were to be chosen, it will be interesting to see how airspace confliction issues are resolved.

Today, all waterborne logistics in support of US and other foreign bases in the country are being funnelled through ports in which a Chinese company is either the builder, concessionaire, a part owner, or a combination of all three. Further, as the only other partner in all these facilities is the Government of Djibouti, there is no dilution of influence that could potentially be brought about by another foreign stakeholder. As Chinese penetration into the railroad and road sector runs deeper, its control over the entire logistics chain in the country will only increase. China will therefore have a complete insight into all goods entering/leaving foreign military bases and with time, may develop the ability to impede or restrict their movement. Such dependency by any nation having a military base in the area could be assessed as unacceptable at some point in the future making their leased facilities unattractive and unviable. No doubt such an outcome will be resisted. The fact that even with piracy having significantly declined from a high of 160 incidents in 2011 to just two in 2018,[29] Japan has increased the footprint of its base from 4.8 to 6 has. is testimony to this.[30]

To be sure, efforts of the current US administration to vilify China as a practitioner of predatory economics, have failed to gain traction in Djibouti. A telling example of this is the manner in which Aboubaker Omar Hadi, chairman of Djibouti Ports and Free Zone Authority, spoke at an interview with *Xinhua* in Kigali, Rwanda, on 25 March 2019. He stated in no uncertain terms that the accusations against China made by Western countries about letting some African countries fall into a debt trap due to cooperation on the BRI are "complete nonsense," as benefits generated from infrastructure construction will far exceed the investment.[31]

Having learnt from the manner in which China lost control of the narrative in Hambantota where consequent to Sri Lankan debt being converted into CM Ports equity, the nation got branded as a practitioner of debt-trap diplomacy, a similar situation is unlikely to occur with regard to investments in Djibouti. China will now ensure that the government of Djibouti is not forced into a negotiating position with its back against the wall. The balance of payments situation will therefore be constantly reassessed. When stressed, payments are more than likely to be renegotiated on more favourable terms or possibly even converted into grants. Undoubtedly, concessions will be extracted for doing so but these will be kept outside the media glare. Chinese influence in Djibouti will therefore continue to grow in the near term. While Djibouti has been a preferred location by many nations for the setting up of a military base, it is possible that with the growing 'sinofication' of the nation and its polity, such interest may begin to wane. In such a scenario, it may not be too far-fetched to predict that at some point in the future, other nations could decide to relocate their bases elsewhere and leave China as the sole customer of foreign military bases in this country on the Horn of Africa.

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