



Djibouti: Changing Influence in the Horn's Strategic Hub

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Summary points

- Change in Djibouti's economic and strategic options has been driven by four factors: the Ethiopian–Eritrean war of 1998–2000, the impact of Ethiopia's economic transformation and growth upon trade; shifts in US strategy since 9/11, and the upsurge in piracy along the Gulf of Aden and Somali coasts.
- With the expansion of the US AFRICOM base, the reconfiguration of France's military presence and the establishment of Japanese and other military facilities, Djibouti has become an international maritime and military laboratory where new forms of cooperation are being developed.
- Djibouti has accelerated plans for regional economic integration. Building on close ties with Ethiopia, existing port upgrades and electricity grid integration will be enhanced by the development of the northern port of Tadjourah.
- These strategic and economic shifts have yet to be matched by internal political reforms, and growth needs to be linked to strategies for job creation and a renewal of domestic political legitimacy.

Djibouti



Source: United Nations Department of Field Support, Cartographic Section, Djibouti Map No. 4373 Rev. 1, September 2010. The boundaries and names shown and designations used on this map do not imply endorsement or acceptance by the author or Chatham House.

Introduction

Despite hosting the United States' only permanent military facility in sub-Saharan Africa, the strategically located city-state of Djibouti is invariably neglected in English-language analyses.¹ As a small state surrounded by larger ones in a region marked by different international tensions, its margin of manoeuvre is tightly constrained by external economic factors and strategic pressures. Yet this is hardly new and Djiboutian elites have long thrived on their state of dependency. Djibouti's profile is enhanced by the fact that it hosts the Inter-Governmental Authority on Development (IGAD), the regional body linking all of the greater Horn of Africa states. However, if the government's activist regional diplomacy is to pay dividends, current economic growth and windfall revenues need to be coupled with the reform of domestic political structures and a more ambitious programme of job creation. This paper maps the changes in Djibouti's infrastructure owing to two interlinked developments – increased inward investment and the structural transformation and growth of Ethiopia's economy – and notes their regional ramifications. It then outlines changes to Djibouti's strategic role as host to US, French and other foreign military facilities. It concludes by examining how all these changes have altered the stakes in Djibouti's economic and political development.

From French enclave to strategic crossroads

Djibouti gained independence from France in 1977 but for the next two decades France remained the dominant power in the country. The French army provided its government's core finance, and guaranteed external defences in exchange for military bases and extensive training facilities. Regional volatility was constant, culminating in the overthrow of authoritarian governments in Ethiopia and Somalia in 1991. The creation of Eritrea to the north and Somaliland to the south was a watershed

for Djibouti, whose population shares clan and linguistic affinities with the Afars in Eritrea and several Somali clans in Somaliland. Upheaval in Yemen, which lies barely 30 kilometres from Djibouti's northern coast and has extensive historical ties with the country, has had less impact on it to date.

An insurgency by Afar rebels marked the final years of the ailing President Hassan Gouled Aptidon's rule.² Having governed for 22 years, he stepped down before the presidential elections in 1999 and was replaced by Ismail Omar Guelleh, widely believed to be his nephew, who then won a second term in 2005. A contentious constitutional change in 2010 allowed Guelleh to stand for a third term in 2011. Although he won the election that year, campaigning was fractious. The opposition boycotted the polls following violence and arrests, while tensions reflected and accentuated divisions within the president's entourage.

Change in Djibouti's strategic options over the past 15 years has been driven by four factors: the Ethiopian–Eritrean war of 1998–2000, the rapid economic transformation in Ethiopia, shifts in US strategy in Africa and the Arabian peninsula since 9/11, and the upsurge in piracy along the Gulf of Aden and Somali coasts.

Historically, Djibouti owes its existence to its port and as a railhead for highland Ethiopia. In the first two decades of independence, port facilities were gradually expanded. Activities spread to include the handling of transshipments of containers, but Ethiopia remained the port's principal customer. Eritrea's independence from Ethiopia in 1991, and with it the latter's loss of sovereignty over the ports of Massawa and Assab (which provide more direct access to highland Ethiopia) initially had a limited impact on trade flows via Djibouti. However, following the war between Ethiopia and Eritrea in 1998–2000, the former channelled almost all of its imports and exports via Djibouti and relocated its merchant fleet to the city's port.

¹ This report draws on open-source materials. In addition to those articles cited below, of relevance are: Bezabeh, S.A., 'Citizenship and the logic of sovereignty in Djibouti', *African Affairs*, Vol. 110, No. 441, October 2011; Brass, J., 'Djibouti's Unusual Resource Curse', *Journal of Modern African Studies*, Vol. 46, Issue 4, December 2008; Mesfin, B.P., *Elections, Politics and External Involvement in Djibouti*, ISS Situation Report, April 2011, <http://dspace.cigilibrary.org/jspui/bitstream/123456789/32288/1/15Apr11Djibouti.pdf?1>; Amina Said Chiré (ed.), *Djibouti contemporain* (Paris: Karthala, 2012); Healy, S., *Hostage to Conflict: Prospects for Building Regional Economic Cooperation in the Horn of Africa* (London: Royal Institute of International Affairs, 2011).

² Born in 1916, Aptidon first entered politics as a representative of the then territoire of the French Fourth Republic in 1946. He died in 2006.

The economic impact has been dramatic. Increased trade with Ethiopia has engendered new diplomatic and political linkages, reconfiguring a highly unequal mutual dependency (given Ethiopia's vastly greater size and power) that is marked by frequent tensions and friction. Bilateral ties with Ethiopia were strengthened by the prickly diplomatic and military character of Eritrea's regime. While still facing an unresolved military stalemate with Ethiopia, in 2008 Eritrea provoked a border skirmish with Djibouti over Ras Doumeira, a Djiboutian outpost overlooking the Bab al-Mandab straits, the southern approach to the Red Sea. Eritrea's incursion prompted vigorous Djiboutian diplomatic efforts at the United Nations, the African Union and IGAD. Since negotiations in Doha in 2010, Qatari troops have overseen a wary truce. A steady trickle of Eritrean defectors and migrants arriving in Djibouti is currently held in a camp at Nagad, close to the capital.

‘ Djibouti now acts as the principal logistical hub for US and allied operations in East Africa and the Arabian peninsula ’

The second factor altering Djibouti's strategic outlook has been the accelerated growth and structural transformation of Ethiopia's economy over the past decade. Urbanization, infrastructure development and both domestic and foreign direct investment have boosted trade flows. Djibouti has been careful to protect its sovereignty and economic margin of manoeuvre *vis-à-vis* Ethiopia. It has been wary of direct Ethiopian investment, relying largely upon Gulf Arab capital and

expertise for the expansion of its port facilities. Dubai was central to the funding and construction of the new container and oil terminals at Doraleh in 2009, 12 kilometres to the west of the old port and Djibouti-ville's congested town centre. Saudi Arabia is contributing to funds for the new Tadjourah port development in the north.

The third catalyst for change reflects the broader geo-strategic upheaval in the region. A year after the 9/11 terrorist attacks, the United States created a Combined Joint Task Force–Horn of Africa (CJTf-HOA). In 2008 this was integrated into the newly created US Africa Command (AFRICOM). The United States' facilities at Djibouti's Camp Lemonnier became its sole permanent base on the African continent. Djibouti now acts as the principal logistical hub for US and allied operations in East Africa and the Arabian peninsula. It is also the launching-pad for drone surveillance and attacks, as well as the logistics hub for anti-piracy and other multilateral missions in the region. Meanwhile France retains almost 2,000 troops in Djibouti, their revised role reflecting further geo-strategic changes as US–French military cooperation is enhanced, both within and beyond the structures of NATO.

The final factor of change is the complex linkages between multilateral military operations and anti-piracy measures in the Gulf of Aden and Indian Ocean. In a largely unplanned, incremental manner, Djibouti has become a laboratory for new forms of military and naval cooperation among and beyond NATO and EU forces. It is the logistics hub for the EU's first joint naval mission, the anti-piracy operation EUNAVFOR Atalanta. Since 2010 Djibouti has hosted the first Japanese overseas military base to be established since 1945. It also frequently hosts vessels from other European and Asian navies, China, in particular, has developed extensive regional cooperation, including joint operations with US, EU and other fleets in the region.³

³ 'U.S., Chinese navies in joint anti-piracy drills off Somalia', Reuters, 18 September 2012, <http://www.reuters.com/article/2012/09/18/us-china-usa-piracy-idUSBRE88H0PY20120918>; Andrew Erickson and Austin Strange (2012), "Selfish Superpower" No Longer? China's Anti-Piracy Activities and 21st-Century Global Maritime Governance', *Harvard Asia Quarterly*, Vol. 14, No. 1/2 (Spring/Summer), pp. 92–102, http://www.andrewerickson.com/wp-content/uploads/2012/07/Erickson-Strange_Selfish-Superpower-No-Longer_PRC-Anti-Piracy_HAQ_2012-1-2.pdf.

Whereas in the past ties with Paris were paramount, the multiplicity of new military and diplomatic partnerships poses new challenges for Djibouti's foreign policy. Relations with France remain cordial, but Djibouti is in the process of expanding its already extensive diplomatic ties well beyond Francophone networks.⁴

Political reform has not kept pace with these substantive economic and strategic changes. President Guelleh has belatedly attempted to improve his domestic political legitimacy, via both electoral reform and the promotion of a younger generation of technocrats, diplomats and politicians. However, given the state's political system rooted in patronage, without broader employment opportunities and wider income distribution, domestic discontent over both presidential and legislative elections will remain.

Economic benefits of regional upheavals and infrastructure development

Ethiopia's trade boom, transshipments and port investment

Djibouti's ports are key to its geo-strategic importance in military and economic terms. They are a conduit for Ethiopian trade and a platform for the transshipment of goods. This involves the decanting of transoceanic container and bulk cargo from larger vessels to be redistributed to East Africa and Arabian ports. The volume of trade has grown significantly as demand and port facilities have expanded. In 2009 the ports handled 11 million tonnes of goods, double the volume of just five years earlier.⁵

The outbreak of war between Ethiopia and Eritrea in 1998 triggered a considerable and ongoing economic windfall for Djibouti. In 1998 its handling of Ethiopian general cargo and petroleum products quadrupled as it became, almost overnight, the principal conduit for Ethiopia's foreign trade. These developments immediately

necessitated a major expansion and upgrade of port facilities and handling infrastructure, triggering plans for the expansion of conventional cargo and container capacity in Djibouti.

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Economic partnership with Dubai

In 2009 a \$400 million container terminal was opened at Doraleh. The port expansion was overseen by Dubai Ports World (DPW), which signed a management agreement to run and upgrade Djibouti's existing port facilities in 2000. Under the state-owned *Port Autonome Indépendant de Djibouti*, ageing infrastructure had been starved of investment while bulk-handling, livestock and the congested container quays close to the city were costly and inefficient by international standards.

DPW's decision reflected two interlinked factors: Djibouti's geographic and commercial advantages relative to its main regional competitors, and Dubai's embryonic strategic partnership with a state viewed as relatively stable. By 2008 President Guelleh had formed a *de facto* strategic alliance with key business and political figures in Dubai, in part linked to an exceedingly ambitious plan for domestic economic transformation.⁶ The maritime costs of using Aden's port and container facilities rose sharply following the terrorist attacks on the *USS Cole* in 2000 and

4 On the renewal of diplomacy, including the broadening of links beyond the Francophone sphere, see 'Djibouti: opération séduction dans la diplomatie', *Jeune Afrique*, 19 September 2011. President Guelleh's own ties with Paris have on occasion been overshadowed by allegations of his involvement in the assassination of a French judge, Bernard Borrel, in Djibouti in 1995.

5 Economist Intelligence Unit, *Djibouti, Country Profile*, various issues.

6 Ethan Chorin (2010). *Articulating a 'Dubai Model' of Development: The Case of Djibouti*, Dubai School of Government, September.

a French tanker in 2002.⁷ DPW also wished to counter the competition to its flagship Jebel Ali Free Port facility posed by Oman's development of the Salalah container port in 1998. Viewed in retrospect, DPW's Djibouti venture was a stepping-stone to its subsequent broader expansion in Africa.

These factors cemented an ambitious strategic partnership between the Dubai ports conglomerate and Djibouti, and led to the construction of the Horizon Oil Terminal at Doraleh in 2004–05. Owned by Emirates National Oil Company, the terminal handles all fuel imports for Djibouti itself, as well as most of Ethiopia's oil and gas imports. It also supplies all aviation and maritime fuels for the French, US and other military forces in the country. DPW's strategic presence in Djibouti was underscored in 2002 when it agreed a 20-year concession to manage its international airport, adjacent to Camp Lemonnier at Ambouli. In 2010 a Dubai-based company also established an airline within Djibouti, intending to replace the moribund national carrier and Daallo Airlines. The venture subsequently folded, notwithstanding the significant demand for flights to Dubai and Europe from Somaliland transit passengers using Djibouti.⁸ The large and wealthy Somali diaspora in Dubai has played a guiding role in the partnership between Djibouti and the emirate.

By 2006 DPW had overhauled the management of an expanded Djibouti Free Zones and Port Authority (DFZPA), modelled on and managed by Dubai's Jebel Ali Free Zone. The company then announced a three-year, \$400 million programme to build a container terminal with a capacity of 1.2 million TEU⁹ adjacent to the new oil

terminal at Doraleh. This is run as a joint venture between DPW and the state-owned port authority, which retains a 66 per cent stake.

Opened in 2009, Doraleh became the sole deep-water port in the region able to handle contemporary 15,000-tonne-plus container vessels. Doraleh's overall potential capacity for handling containers far outstrips the current combined Ethiopian and Djiboutian domestic demand. From the outset the aim was to establish Djibouti as a nodal hub in DPW's global network of container transshipment centres, offering customers from the Far East with vessels en route to European markets a way of avoiding a costly detour to Dubai's Jebel Ali. In 2006, Dubai's Nakheel corporation cemented the emirate's economic and political ties with Djibouti by inaugurating the city's first five-star hotel, the Kempinski Djibouti Palace Hotel. This provides the government with a sumptuous venue for regional conferences as well as luxury accommodation for the growing number of military and trade delegations transiting through the city.

While the oil and container ports at Doraleh have markedly improved Djibouti's efficiency, dependence on one industry leaves the economy vulnerable to shocks. Notwithstanding ongoing problems in Aden, transshipment volumes have fluctuated significantly in recent years as container flows contracted owing to the global recession. This led to tension between the DFZPA and DPW in 2011, echoing earlier spats between the president and his principal business agent in the DPW venture.¹⁰ Simultaneously, there were disagreements over DPW's contract to manage the Ambouli

⁷ The *USS Cole* attack of 2000 had two repercussions for Djibouti. Maritime insurance costs for Aden soared, rerouting container transshipments. It also prompted the US Navy to switch its bunkering facilities to Djibouti, the first stage in the development of what became the preferred location for the US military hub.

⁸ One often neglected dimension to Djibouti's status as a regional hub is as the primary transit point to the outside world for the vast northern Somali/Somaliland diaspora. Not only does this involve significant passenger flows, but Djibouti's financial sector is now closely linked to both Gulf Arab and Somali financial capital. Djibouti's port is also a key conduit for Somali livestock, competing with Berbera as a conduit to the vast markets for fresh meat in the Arabian peninsula. See Nisar Majid (2010), *Livestock Trade in the Djibouti, Somali and Ethiopian Borderlands*, Chatham House, September, <http://www.chathamhouse.org/publications/papers/view/109450>.

⁹ TEU: Twenty-Foot Equivalent Units, the standard container metric.

¹⁰ Businessman Abdourahman Boreh had been a confidant of President Guelleh and was instrumental in securing DPW investment for the Doraleh port expansion. Having reportedly opposed the constitutional changes in 2010, he was sentenced *in absentia* on corruption charges. In February 2013 the government opened a case against him in London courts, which sought to retrieve funds allegedly embezzled from the port authority. Though exceedingly rich, he has only limited domestic support and poses little threat to the president.

airport and the congestion of airspace. With the port of Aden continuing to suffer from Yemen's acute political instability, however, transshipments picked up during 2012. Tensions with DPW also appear to have abated following changes in management and the renewal of contracts.

Interdependency with Ethiopia

Ethiopia remains the leading client for all of Djibouti's port facilities, and its dependency on Doraleh generates frequent tussles over costs and taxation. In mid-2012 a serious crisis developed owing to administrative and regulatory changes in Ethiopia. This resulted in gridlock in the container terminal and considerable costs for Djibouti.¹¹

Following Djibouti's connection to Ethiopia's electricity grid in 2011, retail and industrial domestic tariffs were cut significantly, easing pressures on household and business budgets

Djibouti has resisted allowing Ethiopia to have equity stakes in port facilities. However, Ethiopia's leading private-sector investor, Sheikh Alamoudi's Midroc corporation, finances and operates bulk-handling facilities in the old port. Midroc's installation resulted from Ethiopia's need for rapid improvements in handling capacity in the wake of the 1998 Eritrean crisis. Midroc offloads, bags and despatches foodstuffs, fertilizers and other bulk cargos for Ethiopian traders and international clients such as

the World Food Programme, which supplies much of northern Somalia and eastern Ethiopia's food aid needs via Djibouti.

Despite the lack of joint ventures between Ethiopia and Djibouti in private equity, their economic interdependency changed gear when Ethiopia began to supply hydro-electric power to Djibouti. Electricity in Djibouti has hitherto been expensively produced by ageing and unreliable oil-fired generators. In a climate where air-conditioning is crucial for offices, homes and industry, electricity costs have been a major barrier to growth. Following Djibouti's connection to Ethiopia's electricity grid in 2011, retail and industrial domestic tariffs were cut significantly, easing pressures on household and business budgets.

While hydro-electric imports accentuate Djibouti's economic and political dependency on its neighbour, it appears to consider it a price worth paying. For Ethiopia there are multiple benefits, including increased export revenues and significantly reduced energy costs at the port, and it is also the first stage in what is envisaged as a major regional export strategy of its abundant hydro-electric power.¹² A further element of bilateral infrastructure integration was added in January 2013 when ministers signed a contract to construct a pipeline to supply drinking water from a source 70 kilometres within Ethiopia to Djibouti-ville. This is scheduled to carry 100,000 cubic metres a day, with the project due for completion in 2014.

Regional rail and port integration

Hydro-electric power is just one piece of a far larger Ethiopian infrastructure jigsaw that has long-term implications for Djibouti. In June 2012 Ethiopia announced a series of major contracts for a new 5,000-kilometre national rail network. Scheduled to be completed in eight phases, it is planned to eventually link the northern

¹¹ The crisis was triggered by Ethiopia's creation of Shipping & Logistics Services Enterprise, a vast new parastatal body intended to combine the functions of three hitherto separate bodies: the shipping, maritime services and dry ports agencies. The simultaneous changes to import and trucking regulations culminated in a log-jam of 22,000 containers in Djibouti.

¹² For one view on this, see Harry Verhoeven (2011), *Black Gold for Blue Gold? Sudan's Oil, Ethiopia's Water and Regional Integration*, Chatham House, June, <http://www.chathamhouse.org/publications/papers/view/175835>.

Ethiopian highlands with Addis Ababa and the west. The plan is exceedingly ambitious in terms of engineering and finance. The value of the two contracts announced in June 2012 alone totalled \$3.2 billion.¹³ While Chinese companies have dominated recent Ethiopian road and rail tenders, in June 2012 a Turkish consortium was awarded the contract to construct a rail branch eastward to the Djiboutian border.¹⁴ The network envisages connecting the northern highlands and Tigray to Djibouti via a branch-line to Elidar. This would then provide a rail link to Djibouti's Tadjourah port via the Djiboutian border town of Balho. If completed, this would restore the cheaper and more direct link to the sea that Ethiopia lost with the severing of ties with Assab in 1998. It would also facilitate potash exports from the nearby Danakil depression, the subject of significant exploration and investment in recent years.

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In July 2012 the foreign ministers of Djibouti and Ethiopia also signed an agreement to renovate the countries' rail link via Dire Dawa. In late 2011 Ethiopia awarded a \$1.2 billion contract to the China Civil

Engineering Construction Corporation to upgrade the Ethiopian track from Me'ese through Dire Dawa to the Djiboutian border crossing at Dewale, with 60 per cent of the cost reportedly to be covered by a Chinese soft loan.¹⁵

The proposed development of the port of Tadjourah illustrates a reconciliation of the tensions between Djibouti's desire both to maintain economic sovereignty and to achieve closer economic integration with Ethiopia in order to boost growth. It has long harboured plans to develop its neglected northern settlements of Obock and Tadjourah. Marginalized politically and economically, the region is close to the Arabian peninsula and – given adequate infrastructural investment – a far more accessible outlet to the sea for highland Ethiopian markets.

With Eritrea locked in economic and political paralysis for the past decade, the development of the port of Tadjourah is the logical extension of an expanded northern Ethiopian rail network. Early in 2012 a call for tenders to construct a deep-water port was issued. On 14 December 2012 the construction of the port was formally launched by President Guelleh and Prime Minister Hailemariam Dessalegn of Ethiopia. Significantly, this was Hailemariam's first visit to Djibouti since succeeding Meles Zenawi in August 2012. During the inauguration ceremony he stressed the importance of integrating infrastructure to ties with Djibouti. Funding for the port is from the Arab League's Kuwait-based Arab Fund for Economic and Social Development and the Saudi Fund for Development. The port's three new quays are scheduled for completion in 2015. A complementary project is under way to upgrade the road from Tadjourah to Djibouti's northern border post via Balho.

13 Details of the overall 5,000 kilometres network plan were announced in September 2011. See Ethiopian Railways Corporation, <http://www.erc.gov.et/index.php/projects/national-railway-network-of-ethiopianrme.html>.

14 Initial contracts were awarded to Chinese and Turkish companies in June 2012. However, plans and tenders for the 734km line via Weldia, terminating at Elidar adjacent to Bahlo on Djibouti's northern frontier, had not been announced by late 2012. See Daniel Berhane, 'Turkish, Chinese sign up for Mekele–Awash new rail route', 29 June 2012, <http://danielberhane.com/2012/06/29/turkish-chinese-sign-up-for-mekele-awash-new-rail-route-ethiopia/>. In the event of a settlement with Eritrea, this Elidar branch-line could easily be extended to the port of Assab.

15 See ERTA, 'Ethiopia, China sign agreement for construction of 1st phase of Ethiopia–Djibouti railway', 25 October 2011, <http://www.ertagov.com/en/component/content/article/34-top1-news/691-ethiopia-china-sign-agreement-for-construction-of-1st-phase-of-ethiopia-djibouti-railway.html>.

The Djibouti–Ethiopia–South Sudan axis

South Sudan's independence in 2011 and its reliance on exporting oil underlie a new regional vision among Djiboutian and regional elites. In February 2012 a tripartite memorandum of understanding was signed in Addis Ababa by the finance ministers of Ethiopia and Djibouti and South Sudan's minister of petroleum and mines. It outlines plans to create a logistical corridor between the three countries comprising oil pipelines and parallel optic-fibre cables alongside Ethiopia's ambitious new rail network. Further meetings were held in Djibouti in July and Addis Ababa in September, leading to the announcement of a \$3 billion pipeline project.¹⁶ Details remain sketchy and, aside from the confident announcement of preparatory works, there remain significant political, financial and logistical barriers to such a venture. The desire to sign contracts in part reflects concern about competition from a rival route to South Sudan's oilfields in the shape of the proposed Juba–Kenya corridor, with its terminal a new deep-water port at Lamu on the Kenyan coast.¹⁷ Officially, ministers have stated there is no direct competition between what are nevertheless clearly rival infrastructure projects. Given the immense financing requirements, it is unlikely that both projects could simultaneously be feasible or profitable in the short run.

If consolidated, via construction and operating contracts, this tripartite axis would enhance the nature of Djibouti's ties with Ethiopia and be a tangible stepping-stone to broader regional integration. It would also boost the profitability of recent investment in bilateral oil supply (the Horizon terminal), hydro-electricity infrastructure, and the proposed northern Ethiopian–Djiboutian rail and road infrastructure. The outcome of the competition between the Juba–Lamu and Juba–Djibouti routes is thus a key element in the evolving debate over regional integration.

Enhancing the strategic military hub

The US presence: AFRICOM and drones

The United States' CJTF-HOA has been based in Djibouti since 2002. Originally conceived as part of the response to the 9/11 attacks, it became the US military's only permanent military facility on the African continent with the creation of AFRICOM in 2008. It is based at a former French military facility, Camp Lemonnier, where it shares runways with French forces and Djibouti's international airport, Ambouli. The United States pays a reported \$38 million annual rent to Djibouti for the facility. Over the last decade the US presence in Djibouti has progressively taken on a more complex and permanent character. In December 2011 the United States inaugurated a large new embassy complex to the south of Camp Lemonnier. It has now announced plans and contracts to significantly expand airstrips and facilities.

There are distinct yet interlocking dimensions to US military policy in the Horn. CJTF-HOA's mission is billed as primarily providing military cooperation and training to allied African states. In practice these currently comprise Ethiopia, Kenya, Tanzania and Uganda, as well as the Indian Ocean states of Mauritius, the Comoros and the Seychelles. The US base provides selective support for the African Union force in Somalia, AMISOM, as well as complementing French training of Djibouti's small armed forces. In 2012 a first contingent of 850 Djiboutian troops joined those of Uganda and Burundi in AMISOM. US military ties with Ethiopia have also steadily increased, and the Americans have established small outposts in southwest Ethiopia and northern Uganda as well.¹⁸ CJTF-HOA military missions and training with all of the 'partner' African states are linked to ad hoc development assistance delivered by US military personnel, notably in health and education.¹⁹

16 'Oily Alliance', *Capital*, 8 October 2012, http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=1763:oily-alliance-&catid=35:capital&Itemid=27. In September 2012 Ethiopia's and Djibouti's finance ministers reconfirmed their commitment to the pipeline corridor when they met with South Sudan's petroleum and mines minister in Addis Ababa.

17 The Lamu–Southern Sudan–Ethiopia Transport Corridor was inaugurated in March 2012. In May of that year the African Development Bank announced a \$12 million loan for road construction from Lamu. 'African Development Bank finances Lamu road corridor project', *Sudan Tribune*, 8 May 2012, <http://www.sudantribune.com/African-Development-Bank-finances,42520>.

18 Craig Murphy, 'U.S. expands secret intelligence operations in Africa', *Washington Post*, 13 June 2012, http://www.washingtonpost.com/world/national-security/us-expands-secret-intelligence-operations-in-africa/2012/06/13/gJQAHyVAbV_story.html.

19 CJTF-HOA has a significant outreach and public relations component. See <http://www.hoa.africom.mil/index.asp>, and the regular 'Duty in Djibouti' videos posted to YouTube.

Wedge between Yemen and Somalia, and astride one of the world's key shipping lanes, Djibouti provides the United States with proximity to Al-Qaeda affiliates in Yemen, Somalia and East Africa. It allows monitoring of and direct attacks against individuals and groups hostile to the United States. The Greater Horn of Africa has long been a theatre for what subsequently became known as the 'War on Terror'. The failed 1995 assassination attempt on Egypt's President Hosni Mubarak in Ethiopia, the 1998 Nairobi and Dar es Salaam US embassy bombings and the 2000 attack on the *USS Cole* are a reminder that US military strategy in the Horn needs to be seen from a broader chronological and strategic perspective, rather than purely a post-9/11 one. CJTF-HOA comprises a wide range of military units, with US authorities citing 23 tenants at Camp Lemonnier, including elements of the Joint Special Operation Command charged with counter-terrorism.

The base currently covers 500 acres and houses around 3,200 personnel, including military, civilian support and contractor staff. In 2012 contracts were issued to further expand the facility. Yet while its operations are large in relation to Djibouti itself and comparable foreign bases elsewhere on African soil, it is best understood as one element in a wider network of American facilities in the Indian Ocean, Middle East and Asia. Thus CJTF-HOA is a staging post for US deployment elsewhere via a network encompassing Bahrain and the Indian Ocean (including facilities in Diego Garcia and the Seychelles), as well as a staging post for the withdrawal of troops from Iraq and Afghanistan. Here again, plans to expand the US presence in Djibouti need to be viewed in this broader geo-strategic context, rather than simply in terms of policy towards the Horn.

Djibouti has also become a hub for US drone attacks since 2010. Before 2012, the presence of drones was an

open secret. As well as operating from the airstrip shared with the international airport, several drones had crashed, including one on the outskirts of the city. In October 2012 the *Washington Post* published details of the escalation of US drone and other covert anti-terror operations from Camp Lemonnier, claiming that 'Over the past two years, the U.S. military has clandestinely transformed it into the busiest Predator drone base outside the Afghan war zone.'²⁰ The newspaper revealed plans for a further \$1.4 billion expansion of US military facilities. It chronicled a steady intensification of drone activities since 2010, when eight Predator drones joined those already deployed to Djibouti.²¹ Conventional and surveillance forces were further strengthened in October 2011 with the deployment of a squadron of F-15E Strike Eagles, operating alongside the French Mirage and Transalls.²² The *Washington Post* also detailed activities by up to 300 Special Operations personnel in Djibouti and estimated that 50 US military flights a day were using the Camp Lemonnier-Ambouli airstrip in July 2012.

The growing volume of personnel and military hardware has prompted plans to enlarge Camp Lemonnier's facilities, including new taxiways, storage facilities and accommodation blocks. This reflects US strategic priorities in the region and a variety of tactical ad hoc cooperation agreements with regional forces and the growing number of other military forces in Djibouti and the Horn. Media reports have fuelled US debates over drone use, triggering publicity over US and French military activities in the Horn and Djibouti.

For Djibouti's rulers, the increased scale and nature of US military operations bring significant revenues as well as risks. To date any resentment at the foreign presence has been muted, and overt public criticism appears non-existent.²³ In July, Finance Minister Ilyas Moussa Dawaleh

20 Craig Murphy, 'Remote US base at core of secret operations', *Washington Post*, 26 October 2012, http://www.washingtonpost.com/world/national-security/remote-us-base-at-core-of-secret-operations/2012/10/25/a26a9392-197a-11e2-bd10-5f056538b7c_story.html.

21 Ibid. The *Washington Post* reports collated unclassified sources, official information requests and interviews in Washington and Djibouti, including with CJTF-HOA's commander.

22 Both US and French militaries regularly report on joint missions. See 'Coalition refueling training enhances interoperability, partnerships, mission capabilities', CJTF-HOA public affairs office, 28 November 2012, <http://www.hoa.africom.mil/getArticleFresh.asp?art=8470&lang=0>. See also French Ministry of Defence, 'Djibouti: exercice interarmées et interalliées CASEX 2012', 7 December 2012, <http://www.defense.gouv.fr/ema/forces-prepositionnees/djibouti/actualites/djibouti-exercice-interarmees-et-interalliées-casex-2012>.

23 'L'administration Obama justifie l'élimination d'Américains', *La Nation*, 7 March 2012. The story carried details of US debates on the legality of drone attacks. Currently the principal domestic comments concern the relative lack of employment generated by the self-contained US base, which imports almost everything from US sub-contractors.

said: 'Of course, we worry about the risks that could be represented by the international military and security presence [...] We accept that it represents a threat to us in terms of security'.²⁴ While he was referring to Djibouti's vulnerability to domestic or foreign terrorist attacks, there is also the potential for public backlash were there to be a major aviation accident in Djibouti-ville or its densely populated suburbs.

France's reconfigured presence

Despite its growing military presence, it is facile to view the United States as simply displacing French power in Djibouti. Even with the further reduction in its military presence in 2011, France still has more frontline troops, aircraft and firepower permanently based there than the United States does. France is still legally the external guarantor of Djibouti's security, including its air and maritime space.²⁵ As such, it is involved in extensive intelligence and logistical cooperation with the United States, as well as with the growing array of multilateral forces operating in the country. Its role is enhanced by its *de facto* status as the logistical anchor for EUNAVFOR's vessels and personnel.

France has a closer historical relationship than the United States with Djibouti's ruling elite and paramilitary forces. Although relations have changed, France's military engagement remains extremely significant. In the 1980s its military direct and indirect expenditure, as well as private capital and services, accounted for the lion's share of the formal sector of Djibouti's economy. This is no longer the case, although France continues to invest in the education sector, notably secondary education via its *lycées*. It significantly cut the number and changed the composition of its troops in Djibouti at the end of the 1990s, down to 2,600. More significantly for Djibouti's economy, family postings were slashed and troops rotated far more frequently, and local spending fell considerably.

Djibouti remains host to France's largest military base in Africa. Nevertheless, changes in the French military presence are largely the consequence of changing priorities in Paris. The 2008 Defence White Paper prompted a series of strategic and cost-cutting measures, including a significant reconfiguration of forces in Africa and the closure of bases in West Africa. Defence agreements with all former French colonies in Africa were renegotiated and Djibouti's role in the global projection of French power was reconfigured.

‘ Even with the further reduction in its military presence in 2011, France still has more frontline troops, aircraft and firepower permanently based in Djibouti than the United States does ’

The 1977 military agreement under which French forces guaranteed Djibouti's territorial integrity and external defence was updated most recently in 2011. Under the terms of the new agreement, France pays €30 million a year for its installations and training facilities. It has around 1,900 military personnel in Djibouti: 1,400 permanently at Camp Monclar, situated between the city centre, the airport and the US facility at Camp Lemonnier, and around 500 on rotation between France and other regional bases.²⁶

The composition of French forces also altered significantly in 2011.²⁷ The 13th demi-brigade of Foreign Legionnaires, based in Djibouti since the 1960s, transferred to Abu Dhabi. A reconfigured regular Army regiment

24 'Djibouti: Western bases pose a manageable risk', *Djibouti Today*, 16 July 2012, http://www.djiboutitoday.com/m_news.php?ID=186.

25 The classified terms of the original defence accord were amended in 1991 and 2003.

26 Notably garrisons in Abu Dhabi, Chad and Libreville (Gabon), plus the French territories of Mayotte and La Réunion.

27 See French Ministry of Defence, 'Les forces françaises stationnées à Djibouti', 23 August 2012, <http://www.defense.gouv.fr/ema/forces-prepositionnees/djibouti/dossier/les-forces-francaises-stationnees-a-djibouti>.

remains based at Camp Monclar and is complemented by separate Air Force and Navy contingents, also stationed permanently in Djibouti.²⁸ France also maintains small military outposts and landing strips elsewhere in the country,²⁹ and runs reconnaissance posts at maritime frontiers, including Ras Doumeira and Ras Bir at Obock.

France is also now engaged in greater cooperation with US and other forces, partly reflecting its full reintegration into NATO's command structure since 2009 and its participation in multilateral forces, including in Afghanistan. In July 2012 a five-year agreement was signed between France and the United States to enhance aerial logistical cooperation between their forces in Djibouti. Both forces regularly report publicly on joint missions in and beyond the country.³⁰

France has also played a lead role in training Djibouti's small armed forces. Since 2006 its Djibouti-based forces have provided training and logistical support to Burundian and Ugandan AMISOM contingents, and from 2011 to 2012 it was instrumental in preparing Djibouti's AMISOM contingent, the first ever such overseas deployment for the country's troops.

Multilateral anti-piracy missions and EU engagement

Changes in France's military presence are due in part to its central role in anti-piracy operations in the Gulf of Aden and Indian Ocean since 2008. In 2009 Djibouti became the operational base for EUNAVFOR Atalanta, the first ever joint EU naval operation and as such a key operational element of the EU's Common Security and Defence Policy. It is scheduled to run until December 2014. EU naval forces make use of both French and US facilities in Djibouti, adding an additional layer of military and maritime intelligence-sharing. French facilities host the

Spanish and German contingents, as well as the force HQ support area for Operation Atalanta, whose command is based in the United Kingdom.

In July 2012 the EU launched a new naval mission, EUCAP Nestor. This €23 million operation, agreed initially for two years, is designed to complement Operation Atalanta by strengthening local maritime capacities. Djibouti's coastal defences and maritime surveillance, overseen by French forces, have been reinforced by recent technical cooperation. This includes the provision of fast coastal patrol boats by the United States and France. Announcing the new programme, the EU's high representative for foreign affairs and security policy, Catherine Ashton, stressed the desire to see local powers increase their capacity to combat piracy.³¹ Djibouti is already home to the Djibouti Regional Training Centre for Maritime Affairs, a facility providing training for law-enforcement officers and coastguards. The Atalanta and Nestor missions, coupled with the EU's commitment to strengthening IGAD (whose secretariat is in the country) as a regional body, highlight the importance of Djibouti to Europe's policy towards the Horn of Africa.³²

A multinational maritime laboratory?

The scale of maritime operations out of Djibouti, within formal and ad hoc missions, has expanded over the past five years. Anti-piracy missions have acted as a catalyst for a deepening array of cooperation initiatives, in turn enhancing the strategic importance of Djibouti at the intersection of the Bab al-Mandab, Gulf of Aden and Indian Ocean routes.

Djibouti is home to a growing Japanese and Chinese military presence. Having temporarily used US facilities, a Japanese base, situated close to Camp Lemonnier,

28 The *5e régiment interarmes outre-mer* is supported by its own aircraft: 4 Puma, 2 Gazelle helicopters. The air force (Base aérienne 188) has 7 Mirage 2000, one C160 reconnaissance plane and 2 Puma helicopters.

29 In March 2012 a 900-metre airstrip was inaugurated in the extreme north of the country. This consolidates radio-telecommunications, air and maritime surveillance of Djibouti's northern borders with Eritrea, Ethiopia and the coastal station of Ras Doumeira.

30 See French Ministry of Defence, 'Djibouti: exercice interarmées et interalliées CASEX 2012'. 7 December 2012.

31 Consilium/EU External Action, press release on launch of Eucap-Nestor, 16 July 2012, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/131746.pdf.

32 See European Parliament, *The EU Strategic Framework for the Horn of Africa: A Critical Assessment of Impacts and Opportunities*, October 2012, <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

opened in July 2011. Around 600 members of its Maritime Self-Defence Forces rotate between Japan's naval vessels operating from the port of Djibouti and the camp. Naval units protecting Japanese shipping in the region had operated out of the US base prior to 2011. Japan is reported to pay an annual rent of \$30 million for the facilities, similar to the sums paid for either of the far larger US and French bases. This has led to an expansion of Japan's civilian aid programme to Djibouti, which has also become a hub for wider development activities in the Horn by the Japan International Cooperation Agency.

‘Economic ties with China were bolstered in 2012 by the announcement that the China Petrochemical Corporation will construct a 300 MW geo-thermal plant on Lake Assal’

China too has expanded military and economic ties. Its vessels have made extensive use of Djibouti's port while protecting Chinese-flagged shipping transiting through the Gulf of Aden and it has become increasingly involved with multilateral anti-piracy operations since 2008. These activities have significance beyond the regional and maritime realms. They have been described as ‘the first major instance in which China has dispatched security forces independently in areas outside its sovereign territory to protect Chinese citizens and national interests’, and as such ‘China's only sustained direct military presence in the global commons’.³³ Between December 2008 and July 2012 its Navy conducted 12 separate anti-piracy escort missions, providing protection to vessels from over 50 countries. These missions have facilitated extensive Chinese interaction with US, NATO (Ocean Shield and

Allied Protector missions) and EUNAVFOR multilateral operations. In 2012 China took a leadership role in the Bahrain-based ‘Shared Awareness and De-confliction’ quarterly process to facilitate the coordination of anti-piracy escort schedules.

President Guelleh attended the Fifth Forum on China–Africa Cooperation in Beijing in July 2012, and ministers, including Finance Minister Dawaleh, also made high-profile official visits to China in 2012. Its growing military assistance includes training and the construction of a hospital in Arta. Economic ties were further bolstered in 2012 by the announcement that the China Petrochemical Corporation (Sinopec) will construct a 300 MW geo-thermal plant on Lake Assal. Earlier in the year the China–Africa Development Fund announced a \$6.4 million soft loan to Djibouti. In April 2013 it was announced that China Import-Export Bank will fund development of a salt handling port terminal at Ghoubet. Chinese funding for the Tadjourah–Ethiopia rail and port link has also been mentioned as a possibility.

China is far from being the only significant non-OECD country to deploy naval forces to the region. In October 2012 Russia requested permission to station two Il-38 reconnaissance planes at the French military base in Djibouti, citing its need to contribute to anti-piracy activities. The navies of Iran, Malaysia and India have all also been active in unilateral and multilateral operations, using Djibouti's ports. However, while Iran has provided some aid to Djibouti, in recent years it has been primarily India – which has a growing commercial and diplomatic presence there – and China that have expanded bilateral programmes with the government.

The domestic challenge

Internal politics: stagnation and renewal

The important strategic and economic changes outlined above have yet to be matched by comparable political reforms in Djibouti. The heavily personalized, patronage-based polity is a mirror of the country's social and

33 See Erickson and Strange, “Selfish Superpower” No Longer?, p. 92.

economic realities. The formal sector is that of a classic rentier economy. A small elite comprises a relatively well-educated and well-paid cadre of civil servants, plus a small business class that subsists largely from foreign trade. Formal-sector salaries sustain a narrow, largely urban electorate, which coexists with the extremely poor remainder of the population. Most of the latter live on the outskirts of Djibouti-ville. At an average of \$2,350 per capita, gross national income is far higher than in neighbouring states,³⁴ yet this figure masks extreme inequalities. With unemployment estimated at 60 per cent, indices of absolute and relative poverty are among the worst in Africa. The livelihoods of the majority of Djiboutians are largely indistinguishable from those of the country's transient population of migrants and refugees from neighbouring states.

With unemployment estimated at 60 per cent, indices of absolute and relative poverty are among the worst in Africa

This economic dualism is reflected in political life. The official claim of a population of 818,000 in 2009 is widely believed to be a considerable over-estimate. Although 200,000 voters were registered to vote in 2008, only 112,000 participated in the 2011 presidential poll. In the most recent, February 2013 legislative elections, just 176,000 people registered to vote.

Perceptions and aspirations among the elite and the disenfranchised majority are shifting, partly in keeping with the declining influence of the Francophone world and improved communications.³⁵ Windfall incomes from

the port, foreign military bases and investments from Gulf Arab states (primarily from Dubai, and Saudi Arabia on a smaller scale), as well as Iran to an extent, have enabled the president's office to sustain patronage networks among the country's narrow elite. More recently there have been limited efforts to prompt formal income redistribution, notably via social housing and infrastructure (implicitly linked to the 2011 election campaigns). However, the state maintains tight controls on the media and freedom of expression, and there has been a steady expansion in the size and capacity of the *gendarmerie* and other paramilitary forces.

For much of the 1990s the authorities and their French protectors were preoccupied with a long-running, low-intensity Afar insurgency, primarily in the north of the country. In 2001 some elements of the rebel *Front pour la restauration de l'unité et de la démocratie*, including veteran Afar dissidents, were co-opted into an alliance with the ruling party, the *Rassemblement populaire pour le progrès* (RPP). This 'alliance' became the leading component in what was rebranded as the *Union pour la majorité présidentielle* (UMP). This loose political body continues to be the main formal channel for patronage. It comprises a mosaic of small, largely personalized factions that dominate the National Assembly, in what is formally a semi-presidential republican government. Afar-Issa tensions are a constant refrain of domestic political life. Paradoxically, if investment is now channelled into the impoverished north, Afar resentment may become more public. Plans to develop Tadjourah port have already triggered both expectations and inter-communal tensions over employment opportunities.

Political continuity has masked underlying tensions. In April 2010 President Guelleh triggered resentment by getting the UMP, which held all 65 of the seats in the legislature, to annul the constitutional clause that prevented him from seeking a third presidential term, which he duly won in April 2011.

³⁴ UNDP, *Human Development Report*, GNI per capita in PPP, constant 2005 terms of \$2,350, <http://hdrstats.undp.org/en/countries/profiles/DJI.html>.

³⁵ These changes are reflected in the pattern of Djiboutians living abroad. No longer restricted primarily to France, there are diaspora communities in Canada, the United Kingdom and the Gulf states. Migration and settlement patterns often follow those of fellow Somali and Afar migrants from the Horn. Given the lack of *de jure* international recognition of neighbouring Somaliland, Djibouti has been the consular conduit for large numbers of Somalis.

This controversy aggravated underlying economic resentment. It coincided with the uprisings in the Arab world and triggered demonstrations in the months prior to the election. Disaffected youths and a unified opposition mobilized thousands of people in protests on 18 February 2011, during which anti-government slogans echoed those of the Arab Spring.³⁶ These demonstrations were forcefully repressed, and opposition leaders and human rights activists were arrested. Rioting prompted a further clamp-down on civil liberties and freedom of expression. Voting in the election, which opposition parties boycotted, was calm but the government still found it prudent to expel US observers. Political tensions also reflected divisions in the presidential entourage, in turn underscoring the role of Gulf Arab funding, personal patronage and Djiboutians' dependency on complex regional economic ties.³⁷

Tensions around the presidential election altered the regime's attitude and strategies toward political legitimacy. By 2011 there was a clear need to reform the sclerotic ruling party and effect a generational change. This agenda was advanced in February 2012 when UMP candidates were defeated in municipal and regional elections by a nebulous youth-based 'independent' group, led by activists drawn from civil society. The UMP's defeat was widely believed to have been engineered by the president's office as part of a strategy to marginalize party elders.

In September 2012 Finance Minister Dawaleh was appointed as the head of the UMP. Before becoming minister in 2011, he had been President Guelleh's campaign manager in that year's election. A technocrat with a background in business and port administration, he has an increasingly prominent international profile, attending both China-Africa and regional IMF gatherings in 2012.³⁸ He is widely viewed as a potential successor to Guelleh in the next presidential polls, scheduled for 2016.

Following electoral reforms in October 2012 the February 2013 legislative elections were the first to be run under a limited form of proportional representation. Up to 20 per cent of seats were allocated in proportion to votes cast.³⁹ The opposition had boycotted previous polls, but critics, including some from the diaspora, now coalesced into the *Union pour le Salut National* (USN) and contested the polls. Campaigning was noisy but mostly good-natured, with both the USN and a smaller opposition faction having access to state media and making extensive use of public rallies and social media. Polling itself was reported calm, with numerous foreign delegations observing it. With only 120,000 people voting (a turnout of 68 per cent of the 176,000 registered voters) preliminary results were available the following day. Under the new 80:20 per cent proportional representation system, in Djibouti-ville, a narrow majority of 49.4 per cent for the ruling UMP gave it 28 of the 35 seats allocated to the capital.

Amid considerable confusion, these results were vehemently contested by the opposition, with contradictory, unconfirmed sets of results in circulation. Street protests, arrests and sentencing of opposition activists followed.⁴⁰ The Constitutional Council published definitive results on 13 March. While controversy, recriminations and sporadic street protests continued, particularly in the sprawling suburb of Balbala, USN representatives declined to take the 20 per cent of National Assembly seats awarded to them when the new legislature convened on 18 March. By convention Djibouti's the premiership is held by an Afar, and Abdoukader Mohamed Kamil, a veteran Afar loyalist from Obock, was duly appointed prime minister in a new cabinet announced on 31 March.

The controversy and friction surrounding the results and aftermath of the elections have for the present derailed

36 Mesfin (2011), *Elections, Politics and External Involvement in Djibouti*.

37 See footnote 10 above on Abdourahman Boreh.

38 See also Ilyas Moussa Dawaleh (2012), 'Djibouti's Strategic Position in the Horn of Africa', Chatham House meeting summary, <http://www.chathamhouse.org/publications/papers/view/185237>.

39 'La réforme électorale émane de la volonté politique du Président', interview with Minister of Interior Hassan Darar Houffaneh, Agence Djiboutienne d'Information, 6 December 2012.

40 Daher Ahmed Farah, spokesman for the USN and a prominent activist who had returned from exile in Belgium to contest the elections, was sentenced to two months' imprisonment on 22 March on charges of 'incitement of insurrection'. Three religious leaders were jailed on identical charges.

the president's hopes of boosting his government's legitimacy via the creation of a parliamentary opposition and bolstering support from a younger political elite. It is therefore likely that the distribution of real power and resources will continue to reflect patronage politics along long-standing Somali–Afar and individual Somali-clan affiliations.

Economic dualism? Unemployment and poverty

The need to broaden the economic foundations of the state's political legitimacy is inextricably linked to attempts to address acute social and economic divisions. While civil servants and the business elite enjoy high incomes, recent economic growth has been achieved with minimal economic diversification. Heightened dependence on the port and soaring rents from foreign military bases have failed to generate many new jobs. Educational standards remain low and opportunities are few. The latest IMF *Country Report* for Djibouti notes that, despite growth and significant change, 'It continues to bear the hallmarks of a dualistic economy in which a modern economic rent-generating [sector] co-exists alongside an informal economy.'⁴¹

The vast majority of Djiboutians eke out a precarious, marginal livelihood. The country is afflicted by pervasive poverty and extensive food insecurity, and abysmal living standards exist in many of Djibouti-ville's suburbs. Steady GDP growth, estimated annually at four to five per cent for the past three years, and fiscal reforms have received conditional backing from the IMF.⁴² However, the data are unreliable; the majority of Djiboutians depend upon informal-sector activities, while formal-sector growth is closely linked to port activities that are in large part dependent on economic trends and policies in Ethiopia.

The government's own (far from reliable) data and the copious, regular reports from Djibouti's donors highlight that, despite some improvement in the past decade

(notably in educational enrolment and maternal health), the country continues to score poorly on almost all human development indicators. Two-thirds of the population still live in relative poverty, and around 25 per cent experience extreme monetary poverty.⁴³ This reflects high costs of living, notably for electricity, imported food and other goods. The latter includes the mild stimulant qat, which is imported daily from Ethiopia and is a key component of consumer spending.

After the 2011 presidential poll, the government revised plans for growth and employment, establishing a clearer focus on new infrastructure, the energy sector and broader job creation. This trend will be reinforced by the new government and ministers appointed in April 2013, with the aim of enhancing regional integration and improving domestic educational opportunities. While such policies are designed to address youth aspirations, in practice there are few signs of a radical change *vis-à-vis* entrepreneurship and job creation. Previous programmes delivered few jobs, with enterprise stymied by high costs and low levels of education and labour productivity. With several thousand young people joining the job market annually, outward migration will accelerate, but domestic growth will also continue to attract Somali and Ethiopian migrants, increasing pressure on the social infrastructure.

Djibouti maintains a relatively open economy and security risks are rarely far from ministers' minds. This reflects not only fresh memories of the urban unrest that preceded the 2011 elections and has again punctuated the aftermath of the 2013 polls, but also concern over deeper communal disaffection. Much of this revolves around patronage among Afar and Somali sub-clans, with communal grievances refracted through the president's entourage. There is also growing awareness that Djibouti's domestic weaknesses increase its potential vulnerability to terrorist threats. This point was explicitly acknowledged by Finance Minister Dawaleh in 2012,

41 IMF (2012), *Djibouti: Poverty Reduction Strategy Paper – Annual Progress Report*. IMF Country Report No.12/131, <http://www.imf.org/external/pubs/ft/scr/2012/cr12131.pdf>. Under its Extended Credit Facility, the IMF has provided Djibouti with \$25 million in budgetary support since 2008.

42 Economist Intelligence Unit, *Djibouti Country Report*, various issues.

43 IMF, *Djibouti: Poverty Reduction Strategy Paper – Annual Progress Report*. IMF Country Report No.12/131, 2012.

when he said: 'The area [that] maybe we have to take care of is properly fighting poverty and unemployment of our youth. Terrorists will be using that to manipulate those in need.'⁴⁴

Conclusion

This paper has highlighted key shifts in the strategic context in which Djibouti's leaders have operated over the past 15 years. Regionally, closer economic and infrastructural integration with Ethiopia appears to offer a relatively secure foundation for economic growth. With Eritrea still isolated, the upgrade of the existing rail link via Dire Dawa, coupled with the proposed development of Djibouti's northern port of Tadjourah, will lessen pressure on the congested road corridor from Doraleh's container and oil terminals over the coming five years. Tadjourah's development should also generate employment and income in the extremely marginalized north. Diplomatic talk of a more extensive 'regional corridor', with Djibouti connected by pipelines to South Sudan via Ethiopia, appears extremely embryonic. Yet the debates serve to underscore the centrality of Djibouti and its leadership to plans for regional integration, which go well beyond the state's current role in Somalia and the tangible and symbolic aspects of hosting IGAD's headquarters.

Over the coming decades, Djibouti is likely to face increased competition from both rehabilitated Eritrean ports and Somaliland's Berbera. However, given recent investment in port facilities and associated infrastructure links to Ethiopia, Djibouti has established significant cost and capacity advantages over these regional rivals. Assuming both that economic growth in northern Ethiopia intensifies and policies in Eritrea eventually shift in order to allow its gradual reintegration into the regional economy, Djibouti will remain the primary conduit for Ethiopian trade in the next ten years or so. Even if Djibouti's integrationist policies were to falter, for example through lack of finance, such competitive advantages will remain. In practice, however, future leaders are

likely to vigorously promote integration agendas, bilaterally and via IGAD, in order to consolidate Djiboutian competitiveness. Projects signed in 2012–13 also suggest that Chinese and Arab finance is keen to back Djibouti's economic vision as a strategic hub.

The expansion of Djibouti as a regional logistics hub has brought with it significant inward investment from Gulf Arab states. This in turn has strengthened its role as a conduit for African–Arab trade links, most notably for Dubai-based and Somali entrepreneurs, including those of southeast Ethiopia. Further financial-sector reforms could enhance its role as a trading hub within IGAD and the Common Market for Eastern and Southern Africa, as well as that of conduit to the Arabian peninsula, counterbalancing what is a *de facto* service-sector dependence on Ethiopian trade flows.

‘Despite the doubts over political pluralism, corruption and fragile development capacity highlighted here, Djibouti's small size and strategic value mean that financial support will continue to be forthcoming’

Djibouti's strategic role as host to US, French and other foreign military facilities is unlikely to change in the medium term. Even if anti-piracy operations decline in the coming decade, its status as a relatively secure and discreet strategic logistical hub will remain. Anti-piracy missions have been the catalyst for an array of new forms of multilateral diplomacy and extensive naval and military cooperation. Aspects of what this paper has termed an 'international maritime and military laboratory' – involving vessels not only from NATO and EU forces but from a wide array of Asian states, and including extensive

44 'Djibouti: Western bases pose a manageable risk' (see note 24 above).

US–Chinese naval interaction – are likely to persist as multilateral military naval and intelligence cooperation intensifies in and around the Gulf of Aden.

A domestic backlash against the growing US presence seems unlikely. However, given its small, relatively open economy and its heterogeneous population's extensive links to neighbouring states, Djibouti remains vulnerable to external destabilization; attacks on city-centre cafés two decades ago were never adequately explained, and a repeat of such violence cannot be ruled out. While the government's role in Somalia, coupled with its dynamic regional and international presence, generates considerable diplomatic and political capital, it also brings attendant security risks. Such issues are enhanced by ruling elites' linkages to the complex intra-Somali politics of both Somaliland and southeastern Ethiopia. The complexity of such ties will be heightened by the fact that these neighbouring regions will be the site of extensive oil and gas exploration and

production in the coming decades, for which Djibouti will mostly likely be the logistical hub.

For all its domestic economic contradictions, Djibouti enjoys considerable support from its different allies and donors. Despite the doubts over political pluralism, corruption and fragile development capacity highlighted here, its small size and strategic value mean that financial support will continue to be forthcoming. With President Guelleh scheduled to step down in 2016, what is less sure is whether a younger generation of politicians will have the political will to attempt to overcome the country's structural barriers to growth. New and more radical policies will be required to ensure the wider distribution of windfall gains from a growing economy that rests on accelerated regional integration and rising rental incomes from foreign military bases. Domestically, economic growth needs to be linked to strategies for job creation and a renewal of domestic political legitimacy.

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