

21 September 2017

## Djibouti – Improving the Lustre of “The Pearl of Tadjoura”



**Greg Dorey** was British Ambassador to Addis Ababa (covering Ethiopia, Djibouti, the African Union and UNECA) and Budapest. He also served abroad in Brussels (NATO), Hungary (again), Pakistan and Hong Kong. He has wide-ranging diplomatic, foreign/security policy, operational, finance, change management, administration, bilateral and multilateral skills experience. He had a previous career in the Ministry of Defence and experience of banking.

\*\*\*\*\*

Arguably the most visible form of Chinese influence in Africa is now the new Chinese military base in Djibouti, the first abroad. It is there partly to back up their substantial and growing soft power investments ([AP Insight #30](#)).

Until recently, Djibouti was a Francophone backwater of scant wider interest, isolated from the rest of French-speaking Africa. Now it is now one of the most militarised regions in the world; of enormous strategic importance; and of growing economic influence. Eighteen countries have Embassies there (not the UK). What happened?

Unusually, Djibouti was helped by being – forgive the cliché – an ocean of tranquillity in a bad neighbourhood. Lying at the Bab-al-Mandeb, a Red Sea pinchpoint only 25 miles from Yemen, it is critical to safe passage of international shipping. Efficient and competitive ports are distant. And it seemed an ideal base to address the global threats from Somalia, including piracy. Hostile bad-boys Eritrea, next door, did not appear a viable alternative.

So the US set up its only military base in Africa (Camp Lemonnier, leased to 2034 for US\$70m annually) in Djibouti; Japan also joined the French; and Saudi Arabia is supposedly negotiating to establish a base, along with China. But the troops of several other partners pass through Djibouti in the fight against terrorism and piracy. And Djibouti itself makes a small but valuable and presentationally important contribution to AMISOM forces in Somalia. It fast became an invaluable intelligence, surveillance, military and security partner to many other countries.

Civil war in Yemen has added a further dimension and Djibouti's hospitality to refugees from across the straits (as economic refugees from Africa travel in the opposite direction) was welcome. But relations with Gulf countries fighting in Yemen, especially the UAE, have been strained by poor diplomacy (and economic tensions) – which has pushed the latter into Eritrean arms.

Djibouti's development has also been stimulated by its symbiotic relationship with Ethiopia. Being the only feasible entry/exit point for almost all Ethiopia's trade (and humanitarian supplies) has strained cargo-handling infrastructure and communications: this is fast being addressed. In the meantime there are occasional squawks from Ethiopia, which would like more competition, over bottlenecks and high costs. Djibouti also aspires to increase its share of regional transshipment trade dramatically.

THE  
AMBASSADOR  
PARTNERSHIP

---

As a result, over US\$15bn is being invested in new and specialised ports, free zones, airports and related facilities, aside from the splendid new railway linking Djibouti to Addis Ababa. This has boosted real growth in GDP (currently 6-7%) but come at a cost in terms of growing debt (fast approaching 80% of annual GDP). Much of the debt is Chinese: are the Djiboutians hoping for forgiveness or relief down the track? An attempt to pay by shifting assets from DP World to China led to a lawsuit in the London courts (one of two unwise and unsuccessful recent actions by the government).

On the plus side, most investments are economically viable and should more than pay back in time. There are plenty of other opportunities for business in Djibouti too – not least in oil and gas exploration, renewables and mineral extraction. An upsurge in luxury tourism investment is anticipated, taking advantage of the spectacular sea-life. And infrastructure development is inevitably spurring demand for matching high quality services.

None of which makes Djibouti an easy place to invest – it was 171th of 190 countries in the World Bank's 2016 Ease of Doing Business ratings. But it has some very impressive officials and the much-delayed opening of a One Stop Shop for investors in early 2017 should help: business-friendly legislation is also being processed through the system. More Ministers and senior officials speak good English and demand for English language training and Anglophone culture is growing. (And Djibouti would like to lessen reliance on Chinese credit.) Rewards are there for the determined investor.

All this is happening under what might be called an illiberal democracy and a fourth-term President. An intrusive and very visible security presence deters dissent but also maintains safety and security in the face of many threats – the border with Eritrea is fragile (Qatar pulled out its peacekeeping force in June) and there was a suicide bomb in the capital in 2014 but generally the environment has been peaceful. Another concern is high levels of poverty in this tiny population: it is not obvious how the benefits of the economic activity will trickle down. And that problem will in time create instability if ungripped.

So all in all a heady mix. Let's hope at least that the US military can get on well with the new neighbours.

For further information please contact:

**Tracey Stewart**

Partnership Secretary

[tracey.stewart@ambassadorllp.com](mailto:tracey.stewart@ambassadorllp.com)