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## China's Engagement in Djibouti

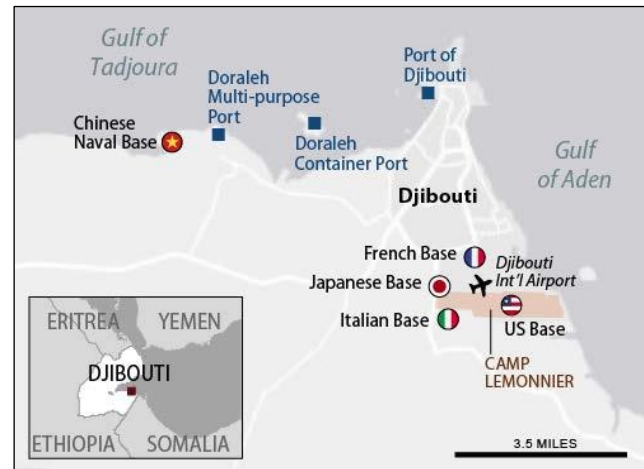
Djibouti—a small country in the Horn of Africa that hosts the only permanent U.S. military base on the African continent—has transformed itself over the past two decades into a regional trade and logistics hub, with the People's Republic of China (PRC, or China) as its largest investor. China's engagement in Djibouti is multifaceted, ranging from major infrastructure investments to China's first overseas military base, established in 2017. China is Djibouti's largest source of imports and its second largest export destination (after neighboring Ethiopia, a landlocked country of 120 million people that relies on Djibouti for the transit of over 90% of its trade). Djibouti is part of China's Belt and Road Initiative, which aims to develop China-centered global infrastructure, transportation, trade, and production networks (see CRS In Focus IF11735, *China's "One Belt, One Road" Initiative: Economic Issues*).

U.S. officials and Members of Congress have monitored and raised concerns about China's role in Djibouti given the latter's strategic location, its debt to China, and the close proximity of the PRC base to the U.S. base. Djibouti sits along one of the world's busiest shipping routes on the Bab el Mandeb strait, a strategic chokepoint between the Red Sea and the Gulf of Aden. The country has become a hub for foreign militaries, hosting facilities for former colonial power France, the United States, Japan, Italy, and, most recently, China. Djibouti's economy depends heavily on trade through its ports, and land leases for foreign military bases are an important revenue source for its government.

China's growing engagement in Djibouti is emblematic of its shift since 2000 toward a more expansive foreign policy in Africa and beyond (see CRS In Focus IF12566, *China and Sub-Saharan Africa*). As the PRC has increased its investments and commercial presence on the continent through state-owned and PRC-based firms, its interest in safeguarding that presence has grown. China's People's Liberation Army (PLA) has its largest overseas deployment in Africa, including almost 2,000 troops deployed in UN peacekeeping missions. The presence of the PLA Navy (PLAN) in the Gulf of Aden, where it conducts anti-piracy operations, dates back to 2008. Djibouti is a key resupply node for those operations, through which the PLAN has developed its capacity for "far seas defense." The Djibouti base expands the PLA's expeditionary capabilities, and the PLA has since increased exercises with African militaries and pursued other efforts to build security ties, including through the PRC's new Global Security Initiative.

China and Djibouti announced in 2024 the "elevation of [their] relationship to a comprehensive strategic partnership." U.S. officials have long characterized Djibouti as a strategic and critical counterterrorism partner; to date, the Trump Administration has not communicated changes to the U.S.-Djibouti relationship. For more on the country and U.S. relations, see CRS In Focus IF11303, *Djibouti*.

Figure 1. Ports and Foreign Military Bases in Djibouti



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

### China's Economic Involvement

Djibouti and China have significantly expanded economic ties over the past two decades. PRC investment has helped fuel Djibouti's economic growth: its gross domestic product (GDP) doubled from \$2 billion in 2013 to \$4 billion in 2023, but its public external debt rose from under 34% of GDP to 68% over that period, largely due to PRC lending. Djibouti is in debt distress, per the International Monetary Fund. PRC institutions hold over half of Djibouti's \$2.6 billion external debt obligations, fueling U.S. concerns about PRC influence there. In late 2022, Djibouti suspended debt repayments to China after debt servicing costs tripled and has since reached a debt service moratorium deal with its largest creditor, China's Export-Import (Exim) Bank.

China has invested in an array of infrastructure projects in Djibouti. Among the projects PRC firms are building is the \$3.5 billion Djibouti International Free Trade Zone (FTZ), set to be Africa's largest; it describes itself as a "model of China-Africa cooperation in this new era." Alongside Djibouti's port authority, three Chinese companies have stakes in the FTZ. Other PRC-backed projects include a multipurpose port, a railway connecting Djibouti and Ethiopia, and a pipeline that provides the arid country with potable water from Ethiopia. Those projects were financed with a \$1.2 billion loan from China's Exim Bank.

PRC companies have connected Djibouti to the Pakistan & East Africa Connecting Europe (PEACE) undersea cable system linking Asia, Africa, and Europe. The PEACE Cable is owned and operated by a subsidiary of Hengtong Group, a PRC state-tied telecommunications firm. One study has suggested that the PRC-financed project, part of China's Digital Silk Road Initiative, could raise Djibouti's GDP and transform it into an international internet and communications hub. U.S. officials have raised concern that data carried by such cables may be vulnerable to espionage.

China's grants have financed schools, hospitals, sports facilities, and housing in Djibouti. China launched Africa's first Luban Workshop, a PRC-funded and PRC-directed vocational training program, in Djibouti in 2019.

## Ports

Djibouti's ports drive its economy. In 2013, a subsidiary of PRC state-owned China Merchants Group bought a 23.5% stake in the Port of Djibouti. Two years later, the company and Djibouti's port authority launched the \$590 million Doraleh Multipurpose Port (DMP) project. The PLA built its naval base adjacent to the DMP.

In 2018, Djibouti terminated its partnership with Dubai Ports (DP) World, which had built and run the Port of Djibouti's Doraleh Container Terminal (DCT) for almost a decade. The government seized control of the facility, nationalized the port authority holding a majority stake in it, and engaged a Singaporean company to expand the port's capacity. Djiboutian officials assert that they have no intention of ceding control of the DCT to China, as Sri Lanka reportedly did with its Hambantota port. DP World has won several court rulings against Djibouti over the takeover, including a 2024 U.S. district court decision to enforce a \$200 million award against Djibouti's government. Djibouti has rejected rulings directing it to return control of the DCT, the country's largest source of revenue and biggest employer, to DP World.

Djibouti, which has a nascent space program, revealed a \$1 billion plan in 2023 to build Africa's first orbital spaceport with two PRC-based companies, Hong Kong Aerospace Technology and Touchroad International Holdings Group. (The latter is building a special economic zone in Djibouti.) The deal reportedly faces challenges and might not proceed. Djibouti launched its first satellite in 2023, on a SpaceX rocket from Vandenberg Space Force Base in California.

## China's Military Presence in Djibouti

The PLA's role in Africa has evolved significantly since the PLAN began counter-piracy operations off the Somali coast in 2008. Those operations and China's peacekeeping deployments in Africa were its stated rationale for pursuing "military supporting" facilities in Djibouti. PLAN efforts to evacuate PRC nationals from Libya in 2011, and later from Yemen, may have also influenced PRC thinking about a base. By one estimate, there are roughly a million PRC nationals in Africa and 500,000 in the Middle East.

Djibouti signed a defense agreement with China in 2014, facilitating the PLAN's use of Djibouti's port, and in 2016, China began to build "support facilities" there as a base for naval rest and resupply. The PRC's deal with Djibouti reportedly entailed a 10-year, \$20 million-per-year contract to lease the site, with facilities that could house "a few thousand" personnel. China's military personnel first deployed to the base in July 2017, and they conducted their first live-fire exercise in the country later that year.

The Department of Defense (DOD) has assessed in reports to Congress that China seeks to expand its logistics and basing infrastructure overseas "to allow the PLA to project and sustain military power at greater distances." DOD has reported that the PLA support base in Djibouti includes barracks, an underground facility, a tarmac, and hangars for unmanned aerial vehicles (UAVs) and helicopters, but no

runway. DOD assesses that the base's pier can likely accommodate aircraft carriers, other large combatants, and submarines. A PLAN Marine Corps (PLANMC) battalion of roughly 400 marines is based in Djibouti to support possible contingency operations, according to DOD. The PLANMC supports the PRC's military diplomacy.

The PLA base sits a few miles from the U.S. base, Camp Lemonnier, which is adjacent to the international airport. DOD has reported that China has sought to restrict airspace over its base. U.S. officials reported several cases in 2018 of lasers pointed from the base at U.S. military aircraft that caused eye injuries to pilots; China denied the allegations.

## U.S. Concerns

U.S. diplomats have described Djibouti as on the front lines of U.S. strategic competition with China, and some U.S. officials have expressed concern that Djibouti's large debt to China could give the latter undue leverage. Some Members of Congress have also raised concerns about PRC influence in Djibouti and possible threats posed by the PLA presence, including with respect to intelligence collection.

In 2023, the head of U.S. Africa Command (AFRICOM) described the PLA base in Djibouti as a "marginal threat to U.S. interests" but warned that "in the event of armed conflict ... the PRC may leverage its ... footprint to project power against the United States, our allies, or global commerce." If China were to establish a military base in West Africa, however, the AFRICOM commander suggested that would "change the whole calculus" of U.S. global campaign plans to protect the homeland.

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

Successive U.S. administrations have sought to maintain good relations with Djibouti and the viability of the U.S. military presence. Ambassador Cynthia Kierscht testified in 2023 that working with Djibouti to achieve its economic development goals, develop human capital, and create jobs was "one of the best ways we can incentivize them away from delving into [risky debt deals] is to engage our own private sector," citing tools such as the U.S. International Development Finance Corporation (DFC) and U.S. Trade and Development Agency (USTDA). She also cited U.S. Agency for International Development (USAID) investments to help develop Djibouti's workforce, energy expertise, and health systems. The future of those programs is unclear as the Trump Administration pursues its foreign aid review and restructuring and planned closure of USAID. The Administration has sought to shift to a "trade, not aid" approach in Africa, focusing on expanding U.S. exports and private investment, and the U.S. embassy in Djibouti is boosting its efforts to advance economic ties.

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