



# Investment for Bases: China's Military Experiment in Africa

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Investment for Bases: China's Military Experiment in Africa

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A Thesis in the Field of International Relations  
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## Abstract

This thesis analyzes Chinese power projection in sub-Saharan Africa through a comparison and contrast of China's "Investment for Resources" and "Investment for Influence" models from 2000 to 2020. In contrast to these two models, this thesis argues that China has developed a third investment model—the "Investment for Bases" model—described in an analysis of China's first overseas naval base in Djibouti.

By analyzing Chinese military investments in Angola, Ethiopia, and Djibouti, this thesis also develops a template for how these investment models are implemented, and suggests that China will likely use its newly developed "Investment for Bases" model to continue to expand its overseas military presence in the next decade. In doing so, this thesis intervenes in contemporary debates in international relations scholarship as to the logic of China's overseas expansions and the theoretical mechanisms that drive military-led outbound investment for rising powers.

## Table of Contents

Glossary of Acronyms .....	v
Chapter I. Introduction.....	1
Chapter II. Thoretical Framework and Literature Review.....	5
Chapter III. China’s Investment Diplomacy in Sub-Saharan Africa.....	17
Investment for Resources Model .....	20
History.....	20
Phase 1: Early Transition Period (1958-1980).....	21
Phase 2: Structural Adjustment Programme (1981–2000) .....	24
Phase 3: Multipolar Competition Period (early 2000s) .....	27
Investment for Influence Model .....	35
Investment for Bases Model .....	45
Chapter IV. China’s Future in West Africa.....	56
Next Steps.....	57
Chapter V. Conclusion .....	63
Bibliography .....	65

## Glossary of Acronyms

AAPSO	Afro-Asian People’s Solidarity Organization
ACE	Africa Coast to Europe
AFPLAN	Regional Food Plan for Africa
AU	African Union
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CHEC	China Harbour Engineering Company
CMG	China Merchants Group
CRBC	China Road and Bridge Corporation
DIFTZ	Djibouti International Free Trade Zone
EPRDF	Ethiopian People’s Revolutionary Democratic Front
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
FTZ	Free Trade Zone
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISI	Import-Substitution Industrialization
LPA	Lagos Plan of Action
MSR	Maritime Silk Road
NATO	North Atlantic Treaty Organization
PLA	People’s Liberation Army [China]
PLA Navy	People’s Liberation Army Navy
PRC	People’s Republic of China
R4I	Resources-for-Infrastructure”
SAP	Structural Adjustment Programme
SEAETC	Sino-Ethiopian Agreement for Economic and Technological Cooperation

TAZARA Tanzania-Zambia Railway Authority  
TPLF Tigrayan People's Liberation Front  
WB The World Bank

## Chapter I.

### Introduction

On August 1, 2017, the Chinese People's Liberation Army (PLA) opened its first permanent overseas military base at the Doraleh Port in Djibouti.<sup>1</sup> Although China referred to the base as a "logistical support facility," it was capable of hosting 10,000 PLA personnel and an aircraft carrier strike group. It came equipped with underground ordinance storage and signals intelligence espionage capabilities, and was designed to survive and defend itself from direct air and ground attacks.<sup>2</sup> The PLA's Doraleh base represented a major pivot in China's foreign and defense policy that reversed decades of purported non-interventionism and military isolationism.<sup>3</sup> This thesis asks how China's early 21st century foreign policy and investment strategy in Africa supported the development of its first overseas base in Djibouti, and whether evidence indicates that the expanding Chinese military presence in Africa is a threat to Western hegemony on the continent.

China's recent security shift in Africa coincides with its elevation on the world stage as a "rising power" and its experimentation as a new superpower in a formerly unipolar world. From the 1980s to the early 2000s, China enacted significant economic

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<sup>1</sup> Jean-Pierre Cabestan, "China's Military Base in Djibouti: A Microcosm of China's Growing Competition with the United States and New Bipolarity," *Journal of Contemporary China*, 125:29 (2020): 731.

<sup>2</sup> Cabestan, "China's Military Base in Djibouti," 738.

<sup>3</sup> Sun Degang, and Yahia H. Zoubir, "Securing China's 'Latent Power': The Dragon's Anchorage in Djibouti," *Journal of Contemporary China*, 30:130 (2021): 687.



reforms. During this time, it kept a relatively low-key diplomatic profile in Africa, practicing restraint in line with Deng Xiaoping’s “Hide your strength, bide your time” philosophy.<sup>4</sup> By the 2010s, however, China’s rapid growth, demand for natural resources, and transition to a new generation of politicians ushered in significant changes in its foreign policy priorities.

In 1995, China switched from being a net exporter to a net importer of oil, and by 2013 it was the largest oil importer in the world.<sup>5</sup> It is expected to replace the United States as the world’s largest energy consumer by 2030.<sup>6</sup> To meet increasing demand for resources, China has invested heavily in resource-rich, low-income countries, particularly in sub-Saharan Africa.<sup>7</sup> Beginning in the early 2000s, these investments came in the form of loans and public infrastructure in exchange for natural resources.<sup>8</sup> At present, a large portion of Chinese foreign direct investment (FDI) in Africa is tied to loans and infrastructure for natural resources—an economic model that scholars have termed “Investment for Resources”<sup>9</sup> that is viewed by many economists as a form of predatory lending.<sup>10</sup>

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<sup>4</sup> Ellison Shumba, “An investigation into ‘Wolf Warrior’ diplomacy in Africa via Twitter and Facebook at the height of the COVID-19 pandemic,” *South African Journal of International Affairs*, 28:3 (2021): 472.

<sup>5</sup> Makio Yamada, “Islam, Energy, and Development: Taiwan and China in Saudi Arabia, 1949–2013,” *American Journal of Chinese Studies*, vol. 22, no. 1 (2015): 82.

<sup>6</sup> Xuming Qian, and Jonathan Fulton, “China-Gulf Economic Relationship under the ‘Belt and Road’ Initiative,” *Asian Journal of Middle Eastern and Islamic Studies*, vol. 11, no. 3 (2017): 13.

<sup>7</sup> Seifudein Adem, “China in Ethiopia: Diplomacy and Economics of Sino-optimism,” *African Studies Review* 55, no. 1 (2012): 152.

<sup>8</sup> Adem, “China in Ethiopia,” 144.

<sup>9</sup> Adem, “China in Ethiopia,” 151.

<sup>10</sup> Adem, “China in Ethiopia,” 152.

In 2012-2013, a new foreign policy framework arose coinciding with the start of President Xi Jinping's tenure, wherein China became more assertive, aggressive, and belligerent in response to external criticism.<sup>11</sup> Simultaneously, China began targeting infrastructure investment and other forms of FDI in certain countries in exchange for diplomatic and/or national security support rather than natural resources.<sup>12</sup> This has been termed "Investment for Influence,"<sup>13</sup> which Xi has championed as a method of facilitating his Belt and Road Initiative (BRI) and Maritime Silk Road (MSR).<sup>14</sup>

Three recent examples of China's investment diplomacy can be found in Ethiopia, Djibouti, and Angola.<sup>15</sup> Ethiopia has relatively few natural resources and was once one of the poorest countries in Africa, but China's rapidly expanding footprint there has been tied by scholars to its diplomatic ambition and influence in the home of pan-Africanism and the African Union.<sup>16</sup> Similarly, Djibouti has relatively few natural resources but its location in the Horn of Africa is commercially and strategically important.<sup>17</sup> Djibouti is also the location of the only permanent U.S. military base on the continent.

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<sup>11</sup> Nicole Talmacs, "Africa and Africans in *Wolf Warrior 2*: Narratives of Trust, Patriotism and Rationalized Racism Among Chinese University Students." *Journal of Asian and African Studies*, 55:8 (2020): 1242.

<sup>12</sup> Sun and Zoubir, "Securing China's 'Latent Power': The Dragon's Anchorage in Djibouti," 678.

<sup>13</sup> Adem, "China in Ethiopia," 153.

<sup>14</sup> Cabestan, "China's Military Base in Djibouti," 731.

<sup>15</sup> Arndt Graf, and Azirah Hashim, eds. *African-Asian Encounters: Creating Cooperations and Dependencies* (Amsterdam: Amsterdam University Press, 2017): 109.

<sup>16</sup> Adem, "China in Ethiopia," 151.

<sup>17</sup> Cabestan, "China's Military Base in Djibouti," 731.

With the African Union's support, China opened its first overseas military base in 2017 in Djibouti, only miles away from U.S., French, and Japanese bases.<sup>18</sup> This period from 2014 to 2018 also saw Djibouti's sovereign debt increase from 50% to 104% of gross domestic product (GDP),<sup>19</sup> primarily due to infrastructure loans for a number of public works projects that China financed and constructed in Djibouti starting in the early 2010s.<sup>20</sup>

In the last year, the U.S. government and numerous scholars have alleged that China is actively soliciting countries in West Africa to host a second naval base.<sup>21</sup> The geostrategic implications of a Chinese naval base of any size on the Atlantic Ocean are significant and could best be described as a game changer in China's great power rivalry with what it perceives as the "West-dominated world order."<sup>22</sup>

This thesis examines the confluence of Chinese political, economic, and military policy in sub-Saharan Africa, from 2000 to present, specifically, how China has leveraged its economic and sociopolitical influence to expand its military presence on the continent through investments. After exploring China's different investment models using Angola, Ethiopia, and Djibouti as case studies, I created a template that aligns China's investment diplomacy framework with its military power projection.

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<sup>18</sup> Olivia Shen, "China's Base in Djibouti: Who's Got the Power?" In: Jane Golley, Linda Jaivin, Paul Farrelly, and Sharon Strange, (eds.), *Power* (Australia: ANU Press, 2019), 206.

<sup>19</sup> Cabestan, "China's Military Base in Djibouti," 733.

<sup>20</sup> Cabestan, "China's Military Base in Djibouti," 733.

<sup>21</sup> Lolita C. Baldor, "General: China's Africa outreach poses threat from Atlantic." *AP News*, May 6, 2021. <https://apnews.com/article/middle-east-africa-china-business-government-and-politics-24f774a952eaabcb38d2b25380b61a62>. See also Cabestan, "China's Military Base in Djibouti," 746.

<sup>22</sup> Cabestan, "China's Military Base in Djibouti," 732.

## Chapter II.

### Theoretical Framework and Literature Review

This research adopted a constructivist approach as its theoretical paradigm, using the American Constructivist model made popular by theorists such as Wendt, Checkel, and Katzenstein to argue that China's goals in sub-Saharan Africa are continuously evolving.<sup>23</sup> This approach is contrasted with the rationalist/realist perception that is prevalent in the U.S. and among members of the North Atlantic Treaty Organization (NATO). Both view China's rise and African agenda as predestined and primarily driven by an inevitable "great powers" competition with the West. Following an examination of these trends from a constructivist perspective, this research rejects the rationalist view in favor of the argument that China's investment diplomacy and power projection in Africa developed over time through social constructs, including domestic politics and economic necessity, rather than an inherent hegemonic inception.

The origin of China's relationship with Africa dates to more than a millennium ago, near the beginning of the Tang dynasty. From 618 A.D. until the end of the Chinese Civil War, China enjoyed a brisk trade relationship with Africa.<sup>24</sup> The first major shift in this Sino-African relationship occurred with the founding of the People's Republic in

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<sup>23</sup> Hoyoon Jung, "The Evolution of Social Constructivism in Political Science: Past to Present." *SAGE Open*, 9:1 (2019): 3. See also Maysam Behraves, "The Relevance of Constructivism to Foreign Policy Analysis." *E-International Relations*, July 17, 2011. <https://www.e-ir.info/2011/07/17/the-relevance-of-constructivism-to-foreign-policy-analysis/> . Accessed March 3, 2020.

<sup>24</sup> Mthuli Ncube, and Michael Fairbanks. "China in Africa: Myths, Realities, and Opportunities." *Harvard International Review* 34, no. 2 (2012): 21.

1949, after which China spent most of the second half of the 20th century engaging in piecemeal ideological diplomacy across Africa in competition with the Soviet Union.<sup>25</sup>

The second shift began with Deng Xiaoping's reforms that transitioned China into a free-market economy starting in the late 20th century.<sup>26</sup> From the early 1990s until the late 2000s, China's growing wealth and rapid industrialization led to an unparalleled domestic demand for natural resources, which it found on the African continent.<sup>27</sup> In exchange for African oil, timber, and other resources, China issued government backed loans to African governments and built new roads, railways, and airports across the continent.<sup>28</sup>

The 2010s coincided with China's transition into a superpower, rivaling and/or eclipsing the U.S. in some metrics. For example, in 2014, China's economy surpassed the U.S. in terms of purchasing power,<sup>29</sup> and in 2019, the PLA Navy surpassed the U.S. Navy in number of ships and tonnage.<sup>30</sup>

The "investment for natural resources" strategy that China developed in Africa in previous decades was so successful that it was implemented all over the world.<sup>31</sup>

Although Chinese foreign investment activity and infrastructure projects in Africa in the

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<sup>25</sup> Adem, "China in Ethiopia," 144.

<sup>26</sup> Stephen N. Smith, "China's 'Major Country Diplomacy': Legitimation and Foreign Policy Change," *Foreign Policy Analysis*, 17:2 (2021): 5.

<sup>27</sup> Graf and Hashim, *African-Asian Encounters*, 106.

<sup>28</sup> Graf and Hashim, *African-Asian Encounters*, 110.

<sup>29</sup> Guo Zestos, Wei Guo, and Ryan Patnode, "Determinants of Real Chinese GDP 1978–2014," *Atlantic Economic Journal*, 46:2 (2018): 164.

<sup>30</sup> "China has the world's largest navy—what now for the US?", *Deutsche Welle*, October 21, 2020. Accessed November 5, 2021. <https://www.dw.com/en/china-navy-vs-us-navy/a-55347120>

<sup>31</sup> Graf and Hashim, *African-Asian Encounters*, 110.

2000s focused primarily on resource-rich countries in a tangible *quid pro quo* “investment for resources” relationship in the 2010s. China’s growing appetite for soft power political influence resulted in a more concerted effort to expend financial resources in resource-poor African countries, a strategy called “investment for influence.”<sup>32</sup>

The 2010s also led to the ascendancy of the next generation of politicians who took over the leadership of the Chinese Communist Party (CCP), and with it a pronounced shift in the tone and tactics of China’s diplomats in Africa. In 2012, Xi Jinping was appointed as CCP General Secretary, and he spent the fall of 2012 appointing political allies into senior party and government positions before assuming presidency of the People’s Republic of China (PRC) in March 2013.<sup>33</sup> Xi rose through the CCP ranks as part of a newer, younger cohort of leaders whose style was more confident and assertive than previous generations, who were themselves more influenced by Deng’s *taoguang yang hu* (known as “Hide your strength, bide your time,” literal translation: “hiding brightness and nourishing obscurity”) philosophy.<sup>34</sup>

Xi and his allies climbed the ranks primarily after Deng’s market reforms started to take place, and Xi’s generation were witnesses and participants in China’s rise as a world power. Xi himself lived and studied in Iowa as a young man, something that his parents’ generation could not have conceived of doing during the turmoil and chaos of the Cultural Revolution. While Deng and other Chinese leaders of the late twentieth century valued and prioritized stability and domestic economic growth, Xi’s generation

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<sup>32</sup> Jean-Pierre Cabestan, “China and Ethiopia: Authoritarian Affinities and Economic Cooperation,” *China Perspectives* no. 4 (92) (2012): 53.

<sup>33</sup> Cabestan, “China’s Military Base in Djibouti,” 734.

<sup>34</sup> Sun and Zoubir, “Securing China’s ‘Latent Power,’” 680.

inherited the leadership soon after China had successfully weathered the end of a global economic recession and was emerging as the world's newest superpower.

Xi's first few years in power had several important consequences for Africa. Less than one year into his presidency, Xi unveiled the Belt and Road Initiative and the 21<sup>st</sup> century Maritime Silk Road.<sup>35</sup> The BRI and MSR together represent the most ambitious foreign policy initiatives China has ever attempted. As part of both initiatives, China began focusing more on soft power, which was the primary impetus for the development of its "investment for influence" strategy in Africa. Along with valuing soft power, China became much more sensitive about its public image abroad, more willing to diverge from the Deng-era low profile to engage the West on anything from World Trade Organization disputes to social media confrontations, and more willing to adapt the strategies and tactics of other countries, including Russia.<sup>36</sup>

After Xi's arrival, China's foreign policy shifts also led to new cultural shifts domestically, and those foreign and domestic changes affected and influenced each other in a closed loop throughout the 2010s. An example involving Africa was the 2015 Chinese movie *Wolf Warrior*. The movie, referring to a fictional PLA special forces unit of the same name, featured the unit defeating Western mercenaries led by an American Navy SEAL.<sup>37</sup> The 2017 sequel, *Wolf Warrior 2*, involved Djibouti-based PLA special forces operators evacuating citizens to China's new Doraleh base and defending local inhabitants of an impoverished sub-Saharan African country from new American-led

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<sup>35</sup> Smith, "China's 'Major Country Diplomacy,'" 12.

<sup>36</sup> Shumba, "An investigation into 'Wolf Warrior' diplomacy," 479.

<sup>37</sup> Shumba, "An investigation into 'Wolf Warrior' diplomacy," 471.

Western mercenaries who closely resembled the U.S. military.<sup>38</sup> The sequel was heavily criticized by foreign commentators for its overly jingoistic plot and racist, xenophobic depictions of Africans; it was praised domestically in China and made US\$874 million there, where it became the highest grossing non-English film of all time.<sup>39</sup>

Where the “Wolf Warrior” movies departed from fiction and jingoism and became reality was in China’s foreign policy in Africa from the second half of the 2010s going into the COVID-19 pandemic. By 2020, China’s public image in Africa was declining for a combination of reasons. Survey data and face-to-face interviews collected between 2019 and 2020 in 18 African countries by Edem Selormey of Afrobarometer indicated that most African countries in 2020 viewed the U.S. as a better model for development.<sup>40</sup> The perception of China’s influence on economic growth declined 15% between 2014 and 2020, while 58% of respondents in 2019-2020 indicated that their government borrowed too much from China; only 2% of respondents during the same years believed that Chinese was the best international language for their children to learn.<sup>41</sup>

Key observational takeaways from Selormey’s face-to-face interviews were that China was perceived as being present in Africa to buy land and take natural resources; that Chinese infrastructure projects only employed Chinese labor and did not benefit local African economies; and that the products and services offered by Chinese companies

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<sup>38</sup> Shumba, “An investigation into ‘Wolf Warrior’ diplomacy,” 471.

<sup>39</sup> Talmacs, “Africa and Africans in Wolf Warrior 2,” 1231.

<sup>40</sup> Edem Selormey, “Africans’ Perceptions About China: A Sneak Peak From 18 Countries”, *Afrobarometer*, 3 September 2020. [https://www.afrobarometer.org/wp-content/uploads/migrated/files/africa-china\\_relations-3sept20.pdf](https://www.afrobarometer.org/wp-content/uploads/migrated/files/africa-china_relations-3sept20.pdf) . Accessed 4 November 2021.

<sup>41</sup> Selormey, “Africans’ Perceptions About China.”



were substandard.<sup>42</sup> Coinciding with these perceptions and with Xi's tenure, Chinese diplomats based in Africa began to engage in numerous public confrontations with the U.S. and the West on social media in what amounted to public relations stunts.<sup>43</sup>

Ellison Shumba observes that these social media confrontations were engineered by Chinese diplomats in Africa for the consumption of domestic African audiences, to make China look sympathetic and to portray it in a positive light—in part to rehabilitate its image in Africa, but also in line with Xi's more aggressive style of diplomacy.<sup>44</sup> In the context of this research, these observations are important because China's new strategy of emboldened confrontation and competition with the West in Africa, dubbed by the media and scholars as 'Wolf Warrior Diplomacy'<sup>45</sup> after the movies, ceased being just a publicity stunt and converged with mainstream Chinese foreign policy in Africa by 2021. In turn, China has integrated this more aggressive form of competition with the West within its BRI and MSR frameworks in Africa. Two of the most glaring examples of it so far have been in Ethiopia and Djibouti, with the potential for a new domain in West Africa.<sup>46</sup>

In analyzing contemporary Sino-Ethiopian relations, scholar Seifudein Adem points out that Ethiopia is one of the oldest cultures on the continent, the birthplace of the pan-Africanism movement, the headquarters of the African Union (AU), and one of the

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<sup>42</sup> Selormey, "Africans' Perceptions About China."

<sup>43</sup> Shumba, "An investigation into 'Wolf Warrior' diplomacy in Africa," 473.

<sup>44</sup> Shumba, "An investigation into 'Wolf Warrior' diplomacy in Africa," 478.

<sup>45</sup> Shumba, "An investigation into 'Wolf Warrior' diplomacy in Africa," 471.

<sup>46</sup> Cabestan, "China's Military Base in Djibouti," 746.

only countries in Africa to largely escape European colonialism.<sup>47</sup> Adem argues that China's interest in Ethiopia is primarily opportunistic and rooted in dependency theory; investing in Ethiopia is an opportunity to garner influence and support in the cultural heart of Africa and in the AU while attempting to correct the image that China has accrued in parts of the continent of engaging in predatory lending practices and taking advantage of low-income countries.<sup>48</sup>

China's history in Djibouti is more recent. Although China was active in Ethiopia during the 1970s and 1980s and competed with the Soviet Union for ideological influence in other communist African countries, it was largely absent in Djibouti until the Xi era. In 2011, China began building a US\$4 billion railway between Ethiopia and Djibouti, which went into operation in January 2018.<sup>49</sup> China's projects in Djibouti over the last ten years have also included a US\$320 million water pipeline from Ethiopia to Djibouti that is precarious given Ethiopia's own water issues; two multipurpose commercial ports for US\$400 million, and the ongoing construction of several international free trade zones that each cost tens of millions of dollars.<sup>50</sup> The prevalence of Chinese-sponsored and built infrastructure connections between Ethiopia and Djibouti are not a coincidence, nor is the timing of China's investment in Djibouti.

In 2011, China learned a hard lesson when it evacuated 36,000 of its nationals from Libya with some difficulty. Most had to be moved to Sudan by land and flown out by the PLA Air Force, and the incident left China with a growing interest in establishing

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<sup>47</sup> Adem, "China in Ethiopia: Diplomacy and Economics of Sino-optimism", 147.

<sup>48</sup> Adem, "China in Ethiopia: Diplomacy and Economics of Sino-optimism", 147.

<sup>49</sup> Cabestan, "China's Military Base in Djibouti," 732.

<sup>50</sup> Cabestan, "China's Military Base in Djibouti," 733.

a military facility somewhere central to Africa and southwest Asia.<sup>51</sup> There is evidence that soon after Xi rose to power, significant PLA resources were committed to building a base in Djibouti.<sup>52</sup> In 2013, China's National Defense University developed a proposal for a naval base in Djibouti, and while the exact timing of the process is unknown, China's negotiations with Djibouti for a naval base occurred at roughly the same time as the rollout of its BRI and MSR and its investment in several new infrastructure projects in Djibouti.<sup>53</sup>

Jean-Pierre Cabestan frames China's presence in Djibouti as a "microcosm"<sup>54</sup> of its increasingly assertive great power rivalry with the West. Djibouti is at the confluence of Africa, Asia, and the Indian Ocean. Furthermore, France, Italy, Japan, and the U.S. already have bases there, and other countries have expressed interest.<sup>55</sup> In the past, the PLA has valued privacy and secrecy with its military bases and activities, so on the surface, having a large, highly visible base a few miles from its greatest geostrategic rivals makes little sense for China. Cabestan argues that China's presence in Djibouti is unique because it allows the PLA to practice amphibious warfare and train in an austere foreign environment while obtaining what it perceives as the prestige of joining other major powers in an important location.<sup>56</sup>

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<sup>51</sup> Cabestan, "China's Military Base in Djibouti: A Microcosm of China's Growing Competition with the United States and New Bipolarity", 734.

<sup>52</sup> Cabestan, "China's Military Base in Djibouti," 734.

<sup>53</sup> Cabestan, "China's Military Base in Djibouti," 734.

<sup>54</sup> Cabestan, "China's Military Base in Djibouti," 731.

<sup>55</sup> Cabestan, "China's Military Base in Djibouti," 732.

<sup>56</sup> Cabestan, "China's Military Base in Djibouti," 735.

Furthermore, Cabestan relates that the PLA's Doraleh base was purposefully built at a strategic location at the entry point to the Horn of Africa and the Red Sea, which is directly adjacent to undersea telecommunications cables that connect the African continent with Europe and Asia, ostensibly allowing the PLA to intercept signals intelligence and spy on allies and adversaries.<sup>57</sup> Although the precise complement of the Chinese garrison at the Doraleh base is unknown, Cabestan estimates it to be in the thousands, including PLA marines and special forces.<sup>58</sup> Cabestan also argues that the July 2018 expansion of the base to include an additional 600 meters long dock capable of accommodating the largest PLA warships, including its newest aircraft carriers and submarines, was a further reason to believe that China's claims to non-interventionism and portrayal of the Doraleh base as a logistics facility was an unsubtle façade.<sup>59</sup>

Subterfuge aside, China's Doraleh base in Djibouti understandably has Western countries alarmed. Djibouti's current debt load, almost entirely owned by China, gives the appearance of an intentional debt trap, conceived and implemented shortly after Xi took office, to give China leverage with Djibouti's autocratic leader Ismael Omar Guelleh, and perhaps eventual veto or eviction power over Western bases in the country. Djibouti's example also demonstrates that Africa is an integral part of the PLA's defense posture in the current decade and raises intriguing questions about China's next move there.

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<sup>57</sup> Cabestan, "China's Military Base in Djibouti," 738.

<sup>58</sup> Cabestan, "China's Military Base in Djibouti," 731.

<sup>59</sup> Sun and Zoubir, "Securing China's 'Latent Power,'" 681.

In May 2021, U.S. Army General Stephen Townsend stated that China was interested in a naval facility on Africa's Atlantic coast and had already started approaching West African countries about the possibility.<sup>60</sup> A four-star general stating this publicly implies that the Pentagon and the U.S. intelligence community concur with this belief. At the same time, several scholars also surmised that the PLA was actively looking at West Africa, with a particular emphasis on geostrategic port locations in Southwestern Africa and the Gulf of Guinea.<sup>61</sup>

Within a year of General Townsend's announcement, research by Isaac B. Kardon and Wendy Leutert concluded that the construction of numerous large military bases in a traditional string-of-pearls-style hegemony throughout Africa and elsewhere is expensive, time consuming, and in China's case, sometimes unnecessary.<sup>62</sup> Private and state-owned Chinese businesses have increased their investment footprints in overseas port construction, expansion, and ownership. At the same time, China has reinvented its presence across the African continent, leveraging these investments to convert foreign commercial ports where it has a presence into dual-use facilities capable of hosting and resupplying its deployed naval fleet.<sup>63</sup>

Although Chinese owned and operated civilian port infrastructure in Africa is capable of providing vital logistics support to visiting Chinese warships, Kardon and Leutert point out that most of these commercial ports are not designed for use in combat

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<sup>60</sup> Baldor, "China's Africa outreach poses threat from Atlantic."

<sup>61</sup> Cabestan, "China's Military Base in Djibouti," 746.

<sup>62</sup> Isaac B. Kardon, and Wendy Leutert, "Pier Competitor: China's Power Position in Global Ports," *International Security*, 46:4 (2022): 10.

<sup>63</sup> Kardon and Leutert, "Pier Competitor," 9.

and would have significant security vulnerabilities in a potential conflagration.<sup>64</sup> At the same time, they argue, the majority of China's trade is seaborne, and Chinese firms have business and investment relationships with more than half of the top foreign container ports in the world.<sup>65</sup> Furthermore, China is increasingly prioritizing its ability to project power and divest itself from its perceived dependence on U.S. military security guarantees.<sup>66</sup> Kardon and Leutert argue that these factors make the prospect of galvanizing foreign commercial container ports into dual-use military logistics facilities an attractive option that China is increasingly taking advantage of, despite the inherently limited combat utility of commercial container ports.<sup>67</sup>

While the model of converting foreign container ports into *de facto* naval support facilities, which Kardon and Leutert outline, is evidence of China's ability to think outside the box, there are specific reasons why large, formal overseas bases also appeal to its logistical and political goals. Aside from the fact that a full-sized naval base designed and constructed specifically for military use offers significantly increased defensive and offensive capabilities, overseas bases also offer multiple sociopolitical opportunities.

If China desires to further diversify and divest itself from the West's maritime security umbrella, a West African base would be a provocative gesture and symbol of the PLA's growing capability and influence. Such a move would demonstrate China's ability to exercise soft power through political and economic means to unilaterally change the security dynamic on the West's doorstep. Having even a small formal naval facility in

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<sup>64</sup> Kardon and Leutert, "Pier Competitor," 14.

<sup>65</sup> Kardon and Leutert, "Pier Competitor," 11.

<sup>66</sup> Kardon and Leutert, "Pier Competitor," 13.

<sup>67</sup> Kardon and Leutert, "Pier Competitor," 44.

West Africa would officially establish China as a power in the Atlantic, and extend the PLA's logistical and conventional warfare capabilities to include the Mediterranean, Western Europe, the Caribbean, and North America's eastern seaboard in ways that a dual-use commercial container port might lack.

A West African base would allow the PLA Navy to significantly increase patrols and intelligence gathering activities in these regions, and it would also garner China greater international prestige and domestic publicity for Xi and his allies. Although little objective data or public statements are available on this subject, it is both reasonable and intriguing to further investigate how and where China might establish a West African base.

### Chapter III.

#### China's Investment Diplomacy in Sub-Saharan Africa

This chapter provides a historical introduction to China's economic and political relationship with sub-Saharan Africa, with a focus on the evolution of Sino-African relations and policy since the 1950s. It demonstrates that China's foreign policy goals in the region have fluctuated during the second half of the twentieth century, with periods of ideological and economic competition interspersed with neglect and absence.

Although the earliest evidence of Sino-African trade pre-dates Christianity, consistent trade relations were not recorded until the late 18th century.<sup>68</sup> Mao Zedong did not prioritize African outreach early on in part because he was focused on domestic issues in the newly formed PRC, and additionally, most of Africa was still under European control.<sup>69</sup>

As an economic leader on the continent with a large existing Chinese diaspora, South Africa became the first country in sub-Saharan Africa to establish relations with China in 1949.<sup>70</sup> Relations were established with other African countries in the 1950s and 1960s, but China was not a significant economic presence in sub-Saharan Africa during this period.<sup>71</sup> Instead, China adopted policies and strategies early on in which it tried to

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<sup>68</sup> David H. Shinn, "China-Africa Ties in Historical Context." In Arkebe Oqubay, and Justin Y. Lin (eds.), *China-Africa and an Economic Transformation* (New York: Oxford University Press, 2019), 61-83.

<sup>69</sup> Shinn, "China-Africa Ties," 62.

<sup>70</sup> Shinn, "China-Africa Ties," 62.

<sup>71</sup> Shinn, "China-Africa Ties," 63.



maximize the benefits of its limited capabilities and resources. In the 1950s, China focused on Sino-African political solidarity by sending a delegation to the first Afro-Asian People's Solidarity Organization (AAPSO) meeting in Egypt. At the first AAPSO meeting, China used the forum to criticize U.S. and Western imperialism and to emphasize the common plight of Africans and Asians—a theme that China repeatedly returned to at future AAPSO conferences and became a hallmark of China's Mao-era diplomacy in Africa.<sup>72</sup>

The second AAPSO conference in Guinea in 1960 marked a shift in Sino-African relations that reflected the first ideological and sociopolitical split on the continent between China and the Soviet Union, as well as being the year with the single highest number of African countries declaring independence. During this conference, an increasingly assertive China pushed for the Soviet Union to be excluded from AAPSO; similarly, in the third conference in 1963 in Tanzania, Sino-Soviet tensions escalated and distracted from the intended focus on African-Asian relations.<sup>73</sup>

China's foreign policy in Africa during the 1960s and 1970s was less concerned with economics or a *quid pro quo* relationship and more focused on competition with the Soviet Union for anti-Western ideological domination of the continent.<sup>74</sup> In the 1960s, China actively worked to overshadow and upstage the Soviet Union in Africa, appealing to the pro-socialist political leanings of many newly-independent African countries and

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<sup>72</sup> Shinn, "China-Africa Ties in Historical Context," 64.

<sup>73</sup> Shinn, "China-Africa Ties in Historical Context," 64.

<sup>74</sup> Shinn, "China-Africa Ties in Historical Context," 66.

portraying itself as more communist and more revolutionary than the Soviet Union.<sup>75</sup>

This devolved into open hostility between China and the Soviet Union at the fourth AAPSO conference in Ghana in 1965, and it came to characterize not just Sino-African foreign policy, but also broader Afro-Asian solidarity during the Cold War.<sup>76</sup> Just as the Soviet Union had its spheres of influence in Africa in the 1960s, so did China, including political and financial support for revolutionary movements across the continent, and on-the-ground direct training of guerrilla fighters in places like Ghana, Niger, Rwanda, and Cameroon.<sup>77</sup>

The 1970s marked a shift in Sino-African policy that coincided not only with the softening and eventual end of the Cultural Revolution in China, but also with increasing Chinese pragmatism and discourse with the West.<sup>78</sup> The U.S. process of normalizing relations with China, which began in 1971, also reflected China's willingness to work with more pro-Western and conservative governments in sub-Saharan Africa, which also coincided with China's admission to the United Nations in October 1971.<sup>79</sup>

China continued to compete with the Soviet Union globally, and increased its focus on competing with and upstaging the Soviets in Africa in the 1970s, in line with Mao Zedong's "Three Worlds Theory," which emphasized the solidarity of the

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<sup>75</sup> Shinn, "China-Africa Ties in Historical Context," 66.

<sup>76</sup> Shinn, "China-Africa Ties in Historical Context," 64.

<sup>77</sup> Shinn, "China-Africa Ties in Historical Context," 64.

<sup>78</sup> Shinn, "China-Africa Ties in Historical Context," 68.

<sup>79</sup> Ncube and Fairbanks, "China in Africa," 21.

developing world as an alternative to U.S.-Soviet hegemony.<sup>80</sup> This shift was significant because it marked the first concerted policy effort made by China outside of the purely ideological competition of the 1950s and 1960s to present itself as an economic and political alternative to both the West and the existing superpower *status quo* for African countries and leaders. It came at a time of momentous socioeconomic and political problems in sub-Saharan Africa, when many countries were beginning to seek alternatives to the Western-dominated International Monetary Fund and World Bank.<sup>81</sup>

### Investment for Resources Model

This section provides a primer on China's post-colonial economic policies in sub-Saharan Africa and examines China's "Investment for Resources" diplomatic mechanism. It illustrates China's transition in sub-Saharan Africa from competing with the Soviet Union into positioning itself as an ideologically blind economic powerhouse and alternative to the West that has pioneered its own form of diplomacy using investment mechanisms.

### History

Although the history of colonization between Europe and North Africa goes back millennia, the European partitions of sub-Saharan Africa reached its peak in the late 19th

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<sup>80</sup> James Gethyn Evans, "Maoism, Anti-Imperialism, and the Third World." *Made in China Journal*, 6:2 (2021): 142. See also: Shinn, "China-Africa Ties in Historical Context", 67.

<sup>81</sup> Shinn, "China-Africa Ties in Historical Context", 68.

to early 20th century.<sup>82</sup> Despite the precipitous rise of colonialism in Africa between 1880 and 1910, the arrival of post-World War II independence movements across the continent led to an equally rapid end. In 1960 alone, 17 African countries won independence from France, Belgium, or Britain; that number doubled by October 1968, and by May 1980, there were no European colonies left in sub-Saharan Africa.<sup>83</sup>

The history of post-colonial economic growth and development in sub-Saharan Africa can be divided into three phases: the Early Transition Period from 1957-1980; the Structural Adjustment Program (SAP) Period from 1981-1999; and the Multipolar Competition Period, from 2000 to present.

Phase 1: Early Transition Period (1958-1980). The Early Transition Period began with Ghana's independence from Britain in March 1957 and ushered in an era of unbridled enthusiasm and hope for the political and economic ambitions of newly independent countries in sub-Saharan Africa. Although there was an enormous amount of optimism, the advent of the phrase "Africans must run while the others walk"<sup>84</sup> during this era illustrates the sincere but pragmatic approach of many African leaders regarding the challenges of economic development and growth in the 1960s and 1970s. Inspired in part by the Prebisch-Singer Hypothesis, which emphasizes the long-term value of manufacturing over commodities,<sup>85</sup> many newly independent African countries initially

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<sup>82</sup> Colin Flint, and Madeleine Waddoups, "South-South Cooperation or Core-Periphery Contention? Ghanaian and Zambian Perceptions of Economic Relations with China," *Geopolitics*, 26:3 (2021): 890.

<sup>83</sup> Radio France Internationale. "Timeline: African Independence." <https://www.rfi.fr/en/africa/20100216-timeline-african-independence> . Accessed March 2, 2022.

<sup>84</sup> Franz Heidhues, and Gideon Obare, "Lessons from Structural Adjustment Programmes and Their Effects in Africa," *Quarterly Journal of International Agriculture*, 50:1 (2011): 55.

<sup>85</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 55.

invested in industrialization with the intent of becoming manufacturing-based economies.<sup>86</sup> Additionally, African leaders had an ideological affinity for import-substitution industrialization (ISI) to reduce their reliance on the import of manufactured goods.<sup>87</sup>

In an attempt to reach parity with more-developed countries and bring about rapid changes in their early efforts to industrialize, African leaders eschewed a capitalist-style reliance on the private sector, relegated agriculture and natural resources to less important roles, and adopted hybrid socialist policies with the government as the facilitator and arbiter of economic development and industrialization, including with the implementation of ISI.<sup>88</sup> In the early years of independence, African leadership used this approach to open massive government-subsidized and managed industries that were funded in large part by donor countries and Western organizations.<sup>89</sup> African governments also developed and implemented detailed five-year economic growth plans and protectionist regulatory frameworks to control credit, imports/exports, market prices, and trade restrictions.<sup>90</sup>

During the first decade of independence, these policies appeared to work: economic growth averaged over 3% per year in sub-Saharan Africa; local workforces

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<sup>86</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>87</sup> Daron Acemoglu, Simon Johnson, and James A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91:5 (2001): 1374.

<sup>88</sup> Acemoglu, Johnson, and Robinson, "The Colonial Origins of Comparative Development," 1377.

<sup>89</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>90</sup> Francis Owusu, "Pragmatism and the Gradual Shift from Dependency to Neoliberalism: The World Bank, African Leaders and Development Policy in Africa," *World Development*, 31:10 (2003): 1658.

trained and modernized; FDI inflows increased; and life expectancy and literacy rates improved.<sup>91</sup>

However, most of these metrics slowed and reversed beginning in the early 1970s.<sup>92</sup> Demand for exports and overall economic growth decreased, the regional food self-sufficiency ratio dropped during the period from 1962 to 1977, and sovereign debt and cost of living increased.<sup>93</sup> By the early 1980s, sub-Saharan African countries experienced a myriad of socioeconomic issues including significant public debt, high rates of population growth with low levels of employment, a continued lack of infrastructure, declining FDI, and weak institutions.<sup>94</sup>

In the late 1970s, the response to reversals was a fragmentary attempt at policy change, most notably with the Regional Food Plan for Africa (AFPLAN) and the Lagos Plan of Action (LPA). AFPLAN was designed to improve the declining food self-sufficiency ratio and accomplish food self-sufficiency by focusing more resources on agricultural production, which had been sidelined in the 1960s and 1970s in favor of manufacturing.<sup>95</sup> The LPA, signed by African leaders in Nigeria in 1980, was a collective attempt at both a policy and affirmation, with the goal of economic self-sufficiency and autonomy for sub-Saharan Africa.<sup>96</sup> The LPA blamed Africa's stagnating development

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<sup>91</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>92</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>93</sup> Yibo Luan, Xuefeng Cui, and Marion Ferrat, "Historical trends of food self-sufficiency in Africa," *Food Security*, 5:1 (2013): 394.

<sup>94</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>95</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 56.

<sup>96</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 57.

on the West, doubled down on protectionism and ISI-style industrial growth, and continued to grow both the size and role of government bureaucracy in economic planning and decision making.<sup>97</sup>

African countries that attempted to implement the LPA either failed or were met with mixed results, in part because the LPA was largely a continuation of the failed economic policies first created in the 1960s, because of corruption, inefficiency, and other structural weaknesses in the government institutions responsible for economic administration, and because of a rejection of these policies by Western donor countries and organizations like the International Monetary Fund (IMF) and World Bank (WB).<sup>98</sup> The IMF and WB rejections were primarily due to the World Bank's 1981 Berg Report, which concluded that economic problems in sub-Saharan Africa were due to government inefficiency and ineptitude, which resulted in the improper application of subsidies, ineffective exchange rate policies, resource mismanagement, and general corruption.<sup>99</sup> Phase 2: Structural Adjustment Programme (1981–2000). The second phase of sub-Saharan Africa's post-colonial economic history was the Structural Adjustment Programme Period from 1981-2000. The Berg Report recommended a divergence from protectionism and an avoidance of government controls —precisely the opposite of the stated policy goals in the LPA.<sup>100</sup> As a result of the antithetical economic policies reaffirmed by African leaders in Lagos in 1980, the WB and IMF made the 1981 Berg

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<sup>97</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 57.

<sup>98</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 57.

<sup>99</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 57.

<sup>100</sup> Heidhues and Obare, "Lessons from Structural Adjustment Programmes," 57.

Report recommendations a prerequisite for future structural stabilization loans, referred to as Structural Adjustment Programmes (SAPs).<sup>101</sup>

SAP loans in the 1980s were the IMF and WB answer to the declining economic situation in sub-Saharan Africa that began in the early 1970s. The IMF and WB developed programs together, with the WB doing most of the direct lending and the IMF developing the SAP policy framework.<sup>102</sup> The SAP loan programs were specifically designed by the IMF to remedy the operational and policy deficiencies that led to economic stagnation and discouraged FDI in Africa the 1970s, including price controls and distortions, over-reliance on government management of economic policy, publicly funded investments and enterprises that generated losses, improper subsidies, and the ineffective allocation of resources.<sup>103</sup>

The Western neo-liberal solution was therefore the opposite of the policies that African leaders put into place in the 1960s and reaffirmed in Lagos in 1980. SAPs stressed Western-style free market capitalism with an emphasis on reigning in inflation, public debt, red tape and bureaucratic overreach, ‘Reaganomics’ style de-regulation and privatization with an end to subsidies and a reduction in social services, currency devaluation to increase exports, and austerity style debt management.<sup>104</sup> The impact of SAPs in Africa in the 1980s and 1990s is still being debated; the WB has consistently

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<sup>101</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 57.

<sup>102</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 57.

<sup>103</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 58.

<sup>104</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 59.



argued that they have been successful tools for economic growth and poverty reduction.<sup>105</sup>

However, similar to the socioeconomic issues that Europe experienced with austerity during and after the 2008 recession, the consequences and legacy of SAPs remain dubious, and some scholars and economists associate the programs with an increase in urban poverty and food insecurity across the continent.<sup>106</sup> To say that SAPs were unpopular in Africa, particularly by the 1990s, is an understatement. The programs engendered a wide range of negative emotions among African leaders, including a general feeling of malaise and exhaustion about Western agendas and narratives in Africa and the perception that the West did not understand “how particular markets work and how culture and habits of thought shape African markets to operate differently from Western markets.”<sup>107</sup> By the late 1990s, the WB went so far as to admit that SAPs failed to adequately understand or focus on institutions or infrastructure in sub-Saharan Africa.<sup>108</sup>

SAPs failed in part, as the WB acknowledged, because they focused so thoroughly on enacting the Western free market ideals of the Reagan era that meaningful investments and reforms in institutions and infrastructures required to flourish in such a free-market economy were challenging at best and ignored in most African countries.<sup>109</sup> Due to these factors, SAP loans also failed because their success was predicated on a

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<sup>105</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 59.

<sup>106</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 59.

<sup>107</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 62.

<sup>108</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 62.

<sup>109</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 62.

model of government that included high governance standards, and they were rolled out in newly independent African countries that were struggling with endemic corruption and weak institutions.<sup>110</sup>

Phase 3: Multipolar Competition Period (early 2000s). The third and current phase of sub-Saharan Africa's post-colonial economic history is the Multipolar Competition Period, which began in the early 2000s. In the late 20th century, the majority of externally funded infrastructure projects and sovereign loans in Africa were secured through SAP loans from the IMF/WB, Western donor countries, or other international development banks.<sup>111</sup>

Angola was an outlier: flush with oil but mired in an intermittent civil war that lasted from 1975 to 2002, Angola pioneered a funding alternative out of necessity because it did not meet the economic or political requirements for SAP loans.<sup>112</sup> Starting in the early 1980s, Angola developed “oil-backed lending,” also referred to as “Angola-model deals” in the 1980s and 1990s, and later termed “Resources-for-Infrastructure” (R4I), which eventually became the foundation of China's “Investment for Resources” model of diplomacy in Africa.<sup>113</sup>

The R4I financing concept is similar to bartering goods for services; in exchange for natural resources, a foreign country or business signs a contract agreeing to build

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<sup>110</sup> Heidhues and Obare, “Lessons from Structural Adjustment Programmes,” 62.

<sup>111</sup> Shinn, “China-Africa Ties in Historical Context,” 72.

<sup>112</sup> Tom Ogwang, and Frank Vanclay, “Resource-Financed Infrastructure: Thoughts on Four Chinese-Financed Projects in Uganda,” *Sustainability*, 13:33 (2021): 3.

<sup>113</sup> Paulo Carvalho, Dominik Kopiński, and Ian Taylor, “A Marriage of Convenience on the Rocks? Revisiting the Sino–Angolan Relationship,” *Africa Spectrum*, 0:0 (2021): 4.

infrastructure or provide loans.<sup>114</sup> The contract might stipulate the payment of raw/refined natural resources up front, guaranteed resource extraction rights over a specific tenure, land lease or possession rights, or a mixture of these options.<sup>115</sup> In sub-Saharan Africa, the public infrastructure deficit was even more severe in the 1980s and 1990s.<sup>116</sup> In the context of R4I financing, public infrastructure includes healthcare and educational facilities; utilities like water, power and sewage systems; transportation, including roads, airports, railways, bridges and public transport systems; and IT/telecommunications.<sup>117</sup>

Non-public infrastructure financed under R4I can also include military items like weapons, training, and mercenaries.<sup>118</sup> The most notable example of mercenaries in this context is the Wagner Group, which has been active across the continent in assisting the governments of Sudan, Mozambique, the Central African Republic, Mali, and Madagascar as a “guns for hire” private paramilitary organization.<sup>119</sup>

The R4I concept developed in Angola has become one of the dominant financing constructs in sub-Saharan Africa over the last four decades precisely because of infrastructure deficit there; as of 2021, approximately 650 million people in this region do not have electricity and two-thirds of rural Africans live more than two kilometers from

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<sup>114</sup> Ogwang and Vanclay, “Resource-Financed Infrastructure,” 3.

<sup>115</sup> Ogwang and Vanclay, “Resource-Financed Infrastructure,” 3.

<sup>116</sup> Carvalho, Kopyński, and Taylor, “A Marriage of Convenience,” 5.

<sup>117</sup> Ogwang and Vanclay, “Resource-Financed Infrastructure,” 4.

<sup>118</sup> Lucy Corkin, *Uncovering African Agency: Angola’s Management of China’s Credit Lines* (Burlington, VT: Ashgate Press, 2013), 16.

<sup>119</sup> Federica S. Fasanotti, “Russia’s Wagner Group in Africa: Influence, commercial concessions, rights violations, and counterinsurgency failure.” Blog. The Brookings Institution, February 8, 2022. <https://www.brookings.edu/blog/order-from-chaos/2022/02/08/russias-wagner-group-in-africa-influence-commercial-concessions-rights-violations-and-counterinsurgency-failure/>. Accessed February 9, 2022.

paved roads.<sup>120</sup> In urban areas, power outages, poor water quality and availability, decaying roads and airports, a lack of rail and numerous other infrastructure issues negatively impact economic growth and job creation and are estimated to require billions per year in investment.<sup>121</sup>

Prior to Angola's R4I scheme, China's infrastructure investments in Africa came primarily in the form of interest-free loans and grants.<sup>122</sup> From the 1950s until Mao's death in 1976, China's aid to Africa totaled approximately US\$2.4 billion, almost all of it in the form of interest-free loans.<sup>123</sup> As previously outlined, China's policy shift in the 1970s represented a departure from the firebrand revolutionary image it portrayed in the 1960s as it attempted to represent itself as the developing world's stable and reliable alternative to U.S.-Soviet hegemony.<sup>124</sup>

China's first major infrastructure project in Africa in this new era was the railway it built from Tanzania to Zambia between 1970-1975 for US\$406 million.<sup>125</sup> The railway, called the Tanzania-Zambia Railway Authority (TAZARA) and known as the Tazara Railway, was China's first complex overseas infrastructure project. At the time of the railway's conception, Zambia was newly independent and relied on white-dominated

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<sup>120</sup> Michael Fleshman, "Laying Africa's roads to prosperity," *Africa Renewal*, January 2009. <https://www.un.org/africarenewal/magazine/january-2009/laying-africa%E2%80%99s-roads-prosperity>. Accessed March 3, 2020.

<sup>121</sup> Weiyi Shi, and Brigitte Seim, "A Reputation Deficit? The Myths and Reality of Chinese Investment in Zambia." *Journal of East Asian Studies*, 21:1 (2021): 268.

<sup>122</sup> Shinn, "China-Africa Ties in Historical Context," 75.

<sup>123</sup> Shinn, "China-Africa Ties in Historical Context," 67.

<sup>124</sup> Shinn, "China-Africa Ties in Historical Context," 69.

<sup>125</sup> Emmanuel Matambo, and Paul C. Onwuegbuchulam, "Friend or Would-be Coloniser? A Constructivist Appraisal of Zambia-China Relations in the Light of Anti-Chinese Sentiments in Zambia," *International Journal of China Studies*, 12:2 (2021): 230.

minority governments in Rhodesia and South Africa to ship its copper exports overseas.<sup>126</sup>

China embraced the public-relations aspect of this project and saw the railway as an opportunity to promote its status as a Western alternative for Africans weary of SAP loans and Western stabilization programs, as well as to promote Sino-African solidarity.<sup>127</sup> Given the coming unpopularity of SAPs and austerity-based Western economic programs in the 1980s,<sup>128</sup> China's shift to bill itself as an alternative to these programs in the 1970s could not have come at a better time for its strategic attempts to become an alternative lender and partner in Africa by the end of the century.

Chinese aid to Africa, particularly in the form of interest-free loans, peaked between 1970 and 1975, and began to decline after Mao's death in 1976 and the start of Deng Xiaoping's domestic reforms in 1978.<sup>129</sup> Angola's development of R4I financing as its own alternative to IMF and WB loans in the early 1980s coincided with the CPC's signaling that it would expend less aid in Africa as it focused on reforms and growth.<sup>130</sup>

By the end of the 1980s, Premier Zhao Ziyang signaled that the era of ideological competition with the Soviet Union in Africa was over, and introduced his "Four Principles" during a tour of Africa that emphasized a mutually beneficial relationship (the precursor to the current "win-win" terminology China uses), strong economic

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<sup>126</sup> Matambo and Onwuegbuchulam, "Friend or Would-be Coloniser?," 234.

<sup>127</sup> Matambo and Onwuegbuchulam, "Friend or Would-be Coloniser?," 226.

<sup>128</sup> Carvalho, Kopiński and Taylor, "A Marriage of Convenience," 8.

<sup>129</sup> Shinn, "China-Africa Ties in Historical Context," 68.

<sup>130</sup> Shinn, "China-Africa Ties in Historical Context," 69.

performance for China's FDI in Africa, a greater variety of projects, and a focus on the self-reliance of both sides in Sino-African business partnerships.<sup>131</sup>

Zhao's Four Principles marked the evolution of China's economic policy in Africa, pivoting from a Cold War-era focus on revolutionary ideology and competition with hegemonic superpowers that required the distribution of large amounts of free or interest-free aid, to the foundations of China's 21st-century trade framework of profit-based business joint ventures, mutual economic benefits, respect for autonomy and non-interference, neutrality, and self-reliance that today underpins Xi's BRI and MSR.<sup>132</sup> This pivot also set the stage for China's predatory lending, opportunistic trade practices, political influence, and power projection on the African continent.

China did not play a significant political role in Angola's civil war like the Soviet Union and Cuba, choosing instead to remain largely staying out of the country because Angola was viewed as part of the Soviet sphere of influence during the Cold War.<sup>133</sup> However, China's shift in the 1980s to a more ideologically blind, profit-based lending framework conveniently occurred at the same time that Angola was pioneering its new method of foreign infrastructure investment in exchange for oil.<sup>134</sup> Even more conveniently, China's domestic reforms and ongoing economic transformation created an unconstrained need for natural resources and meant that by the mid 1990s China had switched from being a net exporter to a net importer of oil.<sup>135</sup>

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<sup>131</sup> Shinn, "China-Africa Ties in Historical Context," 69.

<sup>132</sup> Shinn, "China-Africa Ties in Historical Context," 69.

<sup>133</sup> Carvalho, Kopiński, and Taylor, "A Marriage of Convenience on the Rocks?," 11.

<sup>134</sup> Shinn, "China-Africa Ties in Historical Context," 70.

<sup>135</sup> Yamada, "Islam, Energy, and Development," 82.

China closely monitored the development and evolution of Angola's oil-backed infrastructure (R4I) deals in the 1980s and 1990s, and a modified version of R4I would eventually be adopted by China as the backbone of its "Investment for Infrastructure" model of investment diplomacy. Conversely, the West tends to value property rights and rule of law in Africa, and the money that comes from donor countries and multinational banks often come with strings attached related to human rights, good governance, rule of law, and property rights.<sup>136</sup>

Whereas Western investment in Africa has typically come in the form of grants or interest-free loans since the 1980s, China employs an investment model that prioritizes economic performance.<sup>137</sup> Where China and the West are similar is in that both value rule of law and political stability; China will rarely do business in countries that are experiencing civil war or extreme violence.<sup>138</sup> Where China and the West differ is that while the West is explicit in its preference for good governance and democratic institutions, China is indifferent and does an equal amount of business in African countries associated with both good governance and poor governance.<sup>139</sup>

From a data-driven perspective, China is little concerned with whether it is doing business with an authoritarian dictator or a democratically elected government. What it cares about is political stability in order to ensure a reliable business partner and a return

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<sup>136</sup> Flint and Waddoups, "South-South Cooperation or Core-Periphery Contention?," 892.

<sup>137</sup> Shinn, "China-Africa Ties in Historical Context," 70.

<sup>138</sup> Wenjie Chen, David Dollar, and Heiwai Tang, "Why Is China Investing in Africa? Evidence from the Firm Level," *World Bank Economic Review*, 32:3 (2018): 612.

<sup>139</sup> Chen, Dollar, and Tang. "Why Is China Investing in Africa?," 612.

on investment.<sup>140</sup> For these reasons, China avoided doing business with Angola until its civil war ended in 2002. Then the primary modification to Angola's original R4I model that eventually comprised China's "Investment for Resources" model included a mechanism for Chinese creditors, including banks and corporations. These entities received payments ranging from cash to raw natural resources directly from local governments and customers, and effectively bypassed the centralized bureaucracy common in many sub-Saharan African countries in order to avoid corruption and ensure reliable, stable contracts.<sup>141</sup>

When China did start a business relationship with Angola, its largest deal was an oil-backed R4I using China's new Investment for Resources model.<sup>142</sup> In 2002, Angola's public infrastructure was crumbling after decades of civil war, and it was in dire need of FDI inflows.<sup>143</sup> Its credit was destroyed and few countries or banks would inject large amounts of capital for fear that the country would renege on its debts and plunge back into civil war.<sup>144</sup> In 2004, China's Exim Bank extended a \$2 billion USD credit line to Angola to utilize Chinese companies for infrastructure works including new roads, electricity, telecommunications, water and sewage systems.<sup>145</sup>

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<sup>140</sup> Chen, Dollar, and Tang. "Why Is China Investing in Africa?", 613.

<sup>141</sup> Carvalho, Kopiński, and Taylor, "A Marriage of Convenience on the Rocks," 5.

<sup>142</sup> Ogwang and Vanclay, "Resource-Financed Infrastructure," 3.

<sup>143</sup> Carvalho, Kopiński, and Taylor, "A Marriage of Convenience on the Rocks," 12.

<sup>144</sup> Carvalho, Kopiński and Taylor, "A Marriage of Convenience on the Rocks," 12.

<sup>145</sup> Carvalho, Kopiński and Taylor, "A Marriage of Convenience on the Rocks," 7.



The deal, worth US\$3.4 billion in current prices, was backed by crude oil, with Angola agreeing to give China 10,000 barrels of crude per day for 17 years.<sup>146</sup> The loan terms also came with a 1% interest rate and a 15-year repayment period, and the majority of the infrastructure work was performed by Chinese contractors.<sup>147</sup> The result of this deal was that China effectively loaned Angola US\$2 billion in exchange for a guaranteed two-decade supply of free oil on top of a return on investment in cash on its multi-billion-dollar loan and the employment of tens of thousands of workers from its state-owned Chinese construction companies to build the infrastructure in Angola. In 2006, Angola borrowed US\$2.9 billion from the China International Fund, and in 2007, China's Exim Bank loaned Angola another US\$2 billion, all for additional infrastructure needs and with similar terms.<sup>148</sup>

Angola is a clear example of the structure of China's Investment for Resources model. With that said, it is just one of many examples over the last two decades of China's use of modified R4I agreements to secure natural resources such as bauxite and iron ore from countries all over sub-Saharan Africa. While China is certainly not the only foreign investor in Africa making a profit, the only country making resource-backed investment deals, or the only non-African country in recent history to take advantage of political and socioeconomic issues in the region, it is certainly a major and growing player in the region.

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<sup>146</sup> Ogwang and Vanclay, "Resource-Financed Infrastructure," 3.

<sup>147</sup> Peter Konjin, and Rob van Tulder, "Resources for infrastructure (R4I) swaps," *Critical Perspectives on International Business*, 11:3 (2015): 267.

<sup>148</sup> John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," *Center for Global Development*, March 2018. <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective>. Accessed February 3, 2022.

### Investment for Influence Model

This section presents an analysis of China's "Investment for Influence" model in Ethiopia, which represents the second iteration of Beijing's investment diplomacy framework. Although Ethiopia is not a resource rich country, it has substantial cultural and political influence in sub-Saharan Africa. As China's interests and needs on the continent have changed over time, its investment diplomacy has evolved to take advantage of what Ethiopia has to offer.

Unlike South Africa or Egypt, Ethiopia did not have close historical ties with China or a large Chinese diaspora during the 20<sup>th</sup> century.<sup>149</sup> During the reign of the country's final hereditary monarch from 1923 to 1974, Ethiopia's primary diplomatic focus in Asia was on Japan.<sup>150</sup> This is not to say there were no relations between China and Ethiopia; Premier Zhou Enlai visited Ethiopia in 1964 and Emperor Haile Selassie visited China in 1971, shortly after China and Ethiopia established formal relations.<sup>151</sup> However, Ethiopia ventured away from China after its military coup d'état in 1974 and the subsequent communist regime and civil war drew it closer to the Soviet Union starting in 1977.<sup>152</sup>

China returned to Ethiopia during its change in strategy and attitude in the late 1980s after it decided to focus less on upstaging or out-competing the Soviets and more on presenting itself as an alternative to the superpower duopoly in Africa.<sup>153</sup> In 1988,

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<sup>149</sup> Adem, "China in Ethiopia", 144.

<sup>150</sup> Adem, "China in Ethiopia", 144.

<sup>151</sup> Adem, "China in Ethiopia", 144.

<sup>152</sup> Adem, "China in Ethiopia," 144.

<sup>153</sup> Adem, "China in Ethiopia," 144.

Ethiopian President Mengistu Mariam traveled to Beijing to sign the Sino-Ethiopian Agreement for Economic and Technological Cooperation (SEAETC), and shortly thereafter, China loaned Ethiopia US\$15 million for it to build a new stadium and ring road in Addis Ababa.<sup>154</sup>

The timing of the SEAETC loan was not coincidental. By the late 1980s, the Soviets were beginning to withdraw military advisors from Angola, Namibia, and Tanzania, and had signaled that the amount of aid they could provide to left-wing rebels and communist governments in Africa was waning as they experienced their own economic volatility and political upheaval at home.<sup>155</sup> The communist Ethiopian government had been closely allied with the Soviets since 1977 but began making efforts to grow closer to China out of both caution and necessity as it struggled to survive.<sup>156</sup>

Ethiopia's government was overthrown by a smaller leftist organization, the Tigrayan People's Liberation Front (TPLF), in May 1991.<sup>157</sup> The TPLF created the Ethiopian People's Revolutionary Democratic Front (EPRDF), which initially eschewed its communist affinities and adopted ideological neutrality after it took power, in part because the West had just won the Cold War and in part because of backing it had received from the U.S. when it deposed the previous government in 1991.<sup>158</sup>

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<sup>154</sup> Adem, "China in Ethiopia," 144.

<sup>155</sup> Adem, "China in Ethiopia," 145.

<sup>156</sup> Adem, "China in Ethiopia," 145.

<sup>157</sup> Adem, "China in Ethiopia," 145.

<sup>158</sup> Adem, "China in Ethiopia," 145.

The 1990s started with Ethiopia's orbit appearing to tilt toward the West, but this quickly changed.<sup>159</sup> The collective West misjudged the climate in Ethiopia and misunderstood its culture and history, improperly perceiving it to be like Eastern European countries at the time that had recently emerged from over four decades of communism and were ready to pivot toward liberal capitalism democracy. When the U.S. gave conditional support to the EPRDF in 1991, it placed a series of conditions or "strings" attached to its support that were interpreted by some as "no democracy, no cooperation."<sup>160</sup> International financial institutions like the IMF and WB attached similar conditions to the funding that Ethiopia had requested.<sup>161</sup>

The conditions on support and aid imposed by the West were interpreted in Ethiopia as demands and were not received well.<sup>162</sup> Part of the West's initial misstep in Ethiopia in the 1990s was in treating the country like a former colony. Although Ethiopia was invaded by Italy and briefly occupied, it is the only country in Africa that was never colonized by Europeans and the only African country to maintain its territorial integrity for thousands of years.<sup>163</sup> Although it had gone through a monarchy, two communist juntas, civil war, and famine in the second half of the 20<sup>th</sup> century, Ethiopia as a territory and self-governing entity persisted.

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<sup>159</sup> Adem, "China in Ethiopia," 145.

<sup>160</sup> Gilbert A. Lewthwaite, "Rebels pledge democracy in Ethiopia: U.S.-brokered talks end in agreement after fall of capital," *Baltimore Sun*, May 28, 1991. <https://www.baltimoresun.com/news/bs-xpm-1991-05-29-1991149072-story.html> . Accessed February 16, 2022.

<sup>161</sup> Adem, "China in Ethiopia", 145.

<sup>162</sup> Adem, "China in Ethiopia", 145.

<sup>163</sup> Jean-Paul Larçon, and Corinne Vadcar, "Belt and Road in Ethiopia and China's African Ambition," *China and the World: Ancient and Modern Silk Road*, 4:2 (2021): 4.

Ethiopia is also considered to be the birthplace of pan-Africanism and the cultural center of Africa, which is a large part of why the Organization of African Unity voted to base the African Union in Ethiopia when it was established in 1999 in the Sirte Declaration.<sup>164</sup> As a result of this unique culture and history clashing with the West's demands, Ethiopian leaders decided in 1995 to counterbalance Western pressure with "countries whose rhetoric and policies were not always in lock-step with the preferences of leading Western powers," including Russia and China.<sup>165</sup>

Shortly thereafter, Ethiopian Prime Minister Meles Zenawi visited China and expressed Ethiopia's interest in closer ties, and China responded with a visit by President Jiang Zemin in 1996.<sup>166</sup> In 1998, the China-Ethiopia Joint Commission was formed, and bilateral government-to-government exchanges began as the Ethiopian government attempted to study and learn from the market reforms that Deng Xiaoping introduced.<sup>167</sup> During this period in the late 1990s and early 2000s, bilateral political cooperation increased but China made no significant investment inflows into Ethiopia.<sup>168</sup>

Changes within both Ethiopia and China in the mid to late 2000s led to closer collaboration. In Ethiopia, a 2005 election that was considered by monitors to be free and fair led to the election of opposition groups hostile to the government, so the government responded with authoritarian controls and jail sentences to crack down on dissent.<sup>169</sup> This

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<sup>164</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 7.

<sup>165</sup> Adem, "China in Ethiopia," 145.

<sup>166</sup> Adem, "China in Ethiopia," 145.

<sup>167</sup> Adem, "China in Ethiopia," 145.

<sup>168</sup> Adem, "China in Ethiopia," 145.

<sup>169</sup> Adem, "China in Ethiopia," 146.

democratic backsliding led to predictably harsh criticism and disapproval from the West, and the Ethiopian government's human rights abuses of the opposition resulted in the suspension of aid and loan programs from various donor countries and multinational banks, including the WB.<sup>170</sup>

Meanwhile, China was in the midst of massive economic rise, with a 14.2% increase in real GDP growth in 2007 alone.<sup>171</sup> China was also increasing its investments and presence in Africa exponentially at this time, with billions in FDI outflow to sub-Saharan Africa each year.<sup>172</sup> Although Sino-Ethiopian bilateral trade was strong and quintupled between 2002 and 2006, Chinese lending was much stronger in resource-rich African countries up until this point because China was prioritizing its Investment for Resources model of investment diplomacy.<sup>173</sup>

By late 2006, Ethiopia was continuing to diverge from the West and backslide into increasingly severe authoritarianism, but it was not alone in Africa in this regard and it was still seen as the cultural and political center of the continent.<sup>174</sup> That the African Union, created in 1999 and established in 2002, was headquartered in Addis Ababa was evidence of this. At the same time, China was rapidly expanding its presence at a rate no

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<sup>170</sup> Adem, "China in Ethiopia," 146.

<sup>171</sup> Ncube and Fairbanks, "China in Africa," 22.

<sup>172</sup> Institute of Developing Economies, Japan External Trade Organization. "China in Africa." [https://www.ide.go.jp/English/Data/Africa\\_file/Manualreport/cia\\_10.html](https://www.ide.go.jp/English/Data/Africa_file/Manualreport/cia_10.html). Accessed February 20, 2022.

<sup>173</sup> China Africa Research Initiative, "Chinese Loans to Africa Database." <https://chinaafricaloandata.bu.edu/>. Accessed February 14, 2022.

<sup>174</sup> Adem, "China in Ethiopia", 148.

foreign power had attempted on the continent since the “Great Scramble for Africa” by European countries a century before.<sup>175</sup>

These conditions were ideal for increased Sino-Ethiopian collaboration. Ethiopians perceived China as a rising superpower they could align with; China came from similarly humble beginnings, had a similarly hybrid Marxist-Capitalist system with an authoritarian government, and was a model (in their view) for economic development. Ethiopians considered themselves to be “Africa’s capital,”<sup>176</sup> and appropriately or not, they viewed closer ties with China as the opportunity to emulate Chinese policies and growth in Africa and to one day become the “China of Africa.”<sup>177</sup>

Under normal circumstances, China would not give a country of Ethiopia’s size, natural resource profile, economy, or location nearly as much diplomatic attention as it has received. Ethiopia is an exception because it represents a stable, reliable source of publicity, influence, and propaganda on a continent that China is heavily invested in, so much so that Africa is the centerpiece of President Xi Jinping’s BRI. This is also of importance because of recent anti-Chinese sentiment, which is becoming increasingly pervasive in Africa. It began around the late 2000s as China was securitizing its loans with commercial interest rates and natural resource backing in several sub-Saharan countries.

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<sup>175</sup> Flint and Waddoups, “South-South Cooperation or Core-Periphery Contention?”, 890.

<sup>176</sup> Cabestan, “China and Ethiopia: Authoritarian Affinities and Economic Cooperation,” 53.

<sup>177</sup> Cabestan, “China and Ethiopia: Authoritarian Affinities and Economic Cooperation,” 53.

This alternative model of investing in a country for political rather than economic advantage, called “Investment for Influence,”<sup>178</sup> represents the second component of China’s investment diplomacy framework. The formal inception of the model occurred in November 2006 when Ethiopian President Zenawi traveled to China on a bilateral visit.<sup>179</sup> Shortly thereafter, China announced a US\$1.9 billion infrastructure loan for Chinese IT companies to build Ethiopia’s new telecommunications system in what was (at the time) one of the largest non-resources backed infrastructure loans in Sino-African history.<sup>180</sup>

This was followed up with a Sino-Ethiopian agreement in 2008, which created an industrial free trade zone called a “special economic zone” that set aside several square miles of vacant land outside Addis Ababa for the construction of dozens of factories to manufacture textiles, construction equipment, and electric appliances.<sup>181</sup> In 2008, China also built \$170 million USD in high rise condominiums in downtown Addis Ababa which it formally stated was to address the “housing problem” in Ethiopia.<sup>182</sup>

In 2009, China donated a US\$200 million gift to Ethiopia and the African Union in the form of designing and building the African Union headquarters and complex in Addis Ababa; the building was designed by architects at Tongji University and built by the China State Construction Engineering Corporation, with everything from wood

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<sup>178</sup> Reid Standish, “New Study Says China Using Investments to Buy Political Influence in Central, Eastern Europe,” *Radio Free Europe*, September 09, 2021. <https://www.rferl.org/a/chinese-investments-central-eastern-europe/31452615.html>. Accessed February 20, 2022.

<sup>179</sup> Larçon and Vadcar, “Belt and Road in Ethiopia,” 15.

<sup>180</sup> Adem, “China in Ethiopia,” 150.

<sup>181</sup> Larçon and Vadcar, “Belt and Road in Ethiopia,” 6.

<sup>182</sup> Adem, “China in Ethiopia,” 146.



veneer paneling on the inside walls to seats imported from mainland China.<sup>183</sup> It was later discovered that the computer servers that China provided for the African Union headquarters had pre-installed spyware that was connecting to servers in Shanghai every night to provide data transfers. The walls and furniture inside the headquarters building and complex were also found to be bugged with microphones that uploaded digital recordings to the building's computer servers before each nightly data dump to Shanghai.<sup>184</sup>

Despite being the capital of one of the poorest countries on the continent and in the world, the late 2000s and early 2010s transformed Addis Ababa's skyline into a mixture of Western and Asian-style high-rise condo and office buildings, modern light rail, factories, and a new international airport. All of this was almost entirely funded and built by China, including Addis Ababa's two newest and tallest high-rise buildings: the Commercial Bank of Ethiopia headquarters and the African Union headquarters.<sup>185</sup> Unsurprisingly, the EPRDF learned enough from the 2005 elections that the country had essentially become a one-party state by the May 2010 election, in which the EPRDF won 545 out of 546 parliamentary seats.<sup>186</sup>

The 2010s have been much of the same story for Ethiopia; its economic development has grown, and it has modernized faster than at any other point in recent

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<sup>183</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 7.

<sup>184</sup> Raphael Satter, "Suspected Chinese hackers stole camera footage from African Union," December 16, 2020. <https://www.reuters.com/article/us-ethiopia-african-union-cyber-exclusiv-idINKBN28Q1DB>. Accessed January 22, 2022.

<sup>185</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 7.

<sup>186</sup> Adem, "China in Ethiopia," 146.

history.<sup>187</sup> It has also grown increasingly close to, and increasingly reliant on, China.<sup>188</sup> Ethiopia is now second only to Angola in terms of the number of loans and amount of money China has invested in an African country, with US\$13.7 billion in Chinese loans to Ethiopia since 2006.<sup>189</sup>

China has also funded and built some monumental infrastructure projects in the last few years to better connect Ethiopia with its neighbors, particularly with Djibouti. Between 2015 and 2020, China built a railway, a gas pipeline, and a water pipeline between Ethiopia and Djibouti; it also facilitated Djibouti's attachment to Ethiopia's power grid.<sup>190</sup> China helped fund and construct the multi-billion-dollar Grand Ethiopian Renaissance Dam on the Blue Nile River, which provides additional hydroelectric power to Ethiopia and Djibouti.<sup>191</sup>

It has not been entirely smooth sailing or an equal relationship, however. Rather than balancing between the East and West as Ethiopia's government originally intended in the mid 1990s, Ethiopia is financially reliant on and indebted to China.<sup>192</sup> China owns the majority of Ethiopia's debt and is Ethiopia's largest trade partner by imports and exports.<sup>193</sup> The problem with this kind of reliance is that now China effectively has the power to shape Ethiopian economic policy. China's Exim Bank recently refused to lend

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<sup>187</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 7.

<sup>188</sup> Adem, "China in Ethiopia," 154.

<sup>189</sup> China Africa Research Initiative, "Chinese Loans to Africa Database."

<sup>190</sup> Cabestan, "China and Ethiopia," 58.

<sup>191</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 6.

<sup>192</sup> Malancha Chakrabarty, "Ethiopia-China Economic Relations: A Classic Win-Win Situation?" *World Review of Political Economy*, 7:2 (2016): 230.

<sup>193</sup> Chakrabarty, "Ethiopia-China Economic Relations," 231.

Ethiopia another US\$339 million, mandating Ethiopia's participation in debt restructuring negotiations as a precondition for the funds to be released.<sup>194</sup> On the surface, this seems trivial, but its consequences cannot be understated. In other parts of the world and in other African countries less reliant on a single country, there might be other options, but because China is Ethiopia's primary creditor and has so much socioeconomic and political influence, withholding even smaller amounts of money with demands or preconditions is a shockingly effective tool that China can exercise to accomplish its agenda. The implications for this transcend other economic and political realms, including within the African Union as an institution.

The last 15 years have highlighted a burgeoning relationship between China and Ethiopia, framed by massive loans and investment, whirlwind infrastructure projects, and increasingly close political cooperation, influence, and dependence. That Ethiopia is the second-largest destination of Chinese loans on the continent and the recipient of some of the largest and most technically complex infrastructure projects in Sino-African history—despite being a resource-poor, landlocked, and impoverished country—is illustrative of China's development and pivot into an investment diplomacy model that emphasizes political and cultural influence.<sup>195</sup>

This Investment for Influence model, combined with the Investment for Resources model, form the majority of China's investment diplomacy in sub-Saharan

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<sup>194</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 9.

<sup>195</sup> China Africa Research Initiative. "Chinese Loans to Africa Database."

Africa.<sup>196</sup> The combination of these two models in Africa also serves as the framework for the next evolution of Chinese foreign policy, as evidenced in Djibouti.

### Investment for Bases Model

Most recently, China's investment diplomacy has evolved to include a third approach: the "Investment for Bases" model, as highlighted by China's recent efforts in Djibouti. This section is the central component of this thesis. Opened in 2017, China's military base in Djibouti exemplifies a paradigm shift in Chinese military and foreign policy. The base is China's first purpose-built military installation on foreign soil, constructed after decades of nonintervention. The Djibouti base, and the template that it represents, illustrate both the most recent evolution of China's investment diplomacy and Xi Jinping's influence on it.

Unlike Angola or Ethiopia, Djibouti does not have the natural resources or diplomatic influence that it can use to attract loans and infrastructure investment, but it has something equally as valuable—location. Located in the Horn of Africa, at the southern end of the Bab al-Mandab Strait separating Africa from Asia, it sits at the gates of the passage linking the Gulf of Aden and the Red Sea with the Indian Ocean and the Mediterranean. Djibouti is nearly at the geographic center of China's MSR connecting Europe, Africa, and Asia.<sup>197</sup>

Djibouti is a convenient evacuation point for foreign expat citizens in Africa and Western Asia, an excellent port for monitoring shipping traffic and policing against

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<sup>196</sup> Institute of Developing Economies."

<sup>197</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 13.

piracy, and a transit point for undersea telecommunications cables linking Africa and Asia.<sup>198</sup> All of these factors, as well as Djibouti's relative political stability, neutrality, and willingness to work with foreign governments, are why the country is home to multiple Western military bases. Hence, the prestige of joining a rather elite club of foreign expeditionary bases is a crucial bonus for China.<sup>199</sup>

China's modern relationship with Djibouti started in the late 1970s. Formerly French Somaliland and the French Territory of the Afars and Issas, Djibouti did not receive independence from France until 1977.<sup>200</sup> Djibouti established relations with China in January 1979, and shortly thereafter the first leader of the newly independent country, President Hassan Aptidon, visited Beijing.<sup>201</sup> From 1979 until the late 2000s, there was nothing notable about Sino-Djiboutian relations.<sup>202</sup> Domestically, President Aptidon turned Djibouti into a one-party state in 1981, and hand-picked his nephew, Ismail Omar Guelleh, as his successor in 1999.<sup>203</sup>

In October 2000, an al-Qaeda suicide attack killed 17 U.S. Navy sailors in nearby Aden, Yemen.<sup>204</sup> This action, followed by the September 9, 2011 attack on the World Trade Center in New York City, caused the U.S. to express interest in a base in

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<sup>198</sup> Cabestan, "China's Military Base in Djibouti," 745.

<sup>199</sup> Pádraig Carmody, "Dependence, not debt-trap diplomacy," *Area Development and Policy*, 5:1 (2020): 27.

<sup>200</sup> Cabestan, "China's Military Base in Djibouti," 733.

<sup>201</sup> David Styan, "China's Maritime Silk Road and Small States: Lessons from the Case of Djibouti," *Journal of Contemporary China*, 29:122 (2019): 194.

<sup>202</sup> Styan, "China's Maritime Silk Road and Small States," 1994.

<sup>203</sup> Styan, "China's Maritime Silk Road and Small States," 192.

<sup>204</sup> Styan, "China's Maritime Silk Road and Small States," 195.

Djibouti<sup>205</sup>—and undoubtedly put the country on China’s radar. Guelleh visited China in 2001, which fostered closer relations and an agreement to provide bunkering for Chinese merchant vessels traveling between the Gulf of Aden and the Red Sea.<sup>206</sup> Shortly thereafter, Guelleh also negotiated a long-term lease of land next to the existing civilian airport in Djibouti for the U.S. to use as its first base in the Horn of Africa; the base was opened in 2003.<sup>207</sup>

In the mid 2000s, China’s navy, the People’s Liberation Army Navy (PLA Navy), began taking a larger role in delivering humanitarian aid and participating in international exercises. In 2008, the PLA Navy embarked on its first ever “blue water navy” sorties farther from home, conducting anti-piracy patrols in the Gulf of Aden and Indian Ocean. The following year, Chinese forces engaged pirates off of Somalia for the first time.<sup>208</sup> Meanwhile, during the same period, Japan was negotiating a land lease with Djibouti to build its first overseas base since World War II.<sup>209</sup>

China’s interest in Djibouti strengthened after President Guelleh’s state visit to China for the Forum on China-Africa Cooperation (FOCAC) in 2012, during which Djibouti and China agreed to create a bilateral commission to expand political and military cooperation.<sup>210</sup> During this visit, Guelleh also signed on to a Chinese-sponsored effort to resurrect a derelict French colonial-era railway from Ethiopia to Djibouti; China

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<sup>205</sup> Sun & Zoubir, “Securing China’s ‘Latent Power’,” 690.

<sup>206</sup> Styan, “China’s Maritime Silk Road and Small States,” 195.

<sup>207</sup> Cabestan, “China’s Military Base in Djibouti,” 733.

<sup>208</sup> Sun and Zoubir, “Securing China’s ‘Latent Power’,” 679.

<sup>209</sup> Cabestan, “China’s Military Base in Djibouti,” 732.

<sup>210</sup> Styan, “China’s Maritime Silk Road,” 195.

also offered to build port infrastructure in Djibouti to link to this new rail system.<sup>211</sup> It appeared to be a win-win for Ethiopia and Djibouti: Djibouti received a new shipping port, and land-locked Ethiopia, which had not had direct ocean access since its conflict with Eritrea, suddenly had a way to get its manufactured goods to the ocean and then onto ships headed overseas.

These closer ties that China forged with Djibouti and promoted between Djibouti and Ethiopia marked a major change in strategy and coincided with the start of Xi Jinping's tenures as General Secretary of the CPC and President of the PRC.<sup>212</sup> Less than eight months later, Xi unveiled the BRI and MSR, and China's investments in the Horn of Africa began to rapidly increase.<sup>213</sup>

There are four expensive, Chinese-funded and -built infrastructure projects over the last decade that have come to represent China's BRI/MSR commitment in the region and define the Sino-Djiboutian relationship: the US\$3.5 billion Ethiopian-Djibouti railway<sup>214</sup>; the US\$600 million Doraleh Multipurpose Port (MPP) and Djibouti International Free Trade Zone;<sup>215</sup> the US\$340 million water aqueduct from Ethiopia to

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<sup>211</sup> Hurley, Morris, and Portelance, "Examining the Debt Implications of the Belt and Road Initiative."

<sup>212</sup> Sebastian Seibt, "Djibouti-China marriage 'slowly unravelling' as investment project disappoints." *France 24*, September 4, 2021. <https://www.france24.com/en/africa/20210409-djibouti-china-marriage-slowly-unravelling-as-investment-project-disappoints>. Accessed February 9, 2022.

<sup>213</sup> Cabestan, "China's Military Base in Djibouti," 734.

<sup>214</sup> Sun and Zoubir, "Securing China's 'Latent Power'," 688.

<sup>215</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 15.

Djibouti;<sup>216</sup> and the proposed US\$4 billion liquified natural gas pipeline from Ethiopia to Djibouti.<sup>217</sup>

China became Djibouti's largest investor and creditor in 2012.<sup>218</sup> The foundation of its infrastructure investment in Djibouti is the 756-kilometer, US\$3.5 billion railway connecting Addis Ababa directly with the ocean at Djibouti's Doraleh MPP.<sup>219</sup> The electrified railway was inaugurated in 2016 and was operating at 100% by 2018.<sup>220</sup> For the portion of the railway in Ethiopia, 70% was financed by the China Exim Bank and 30% by the Ethiopian government.<sup>221</sup> China fully financed and electrified the portion in Djibouti, in exchange for the China Railway Construction Corporation obtaining an equity ownership share in Djibouti's railway company that operates the line.<sup>222</sup>

While the Ethiopian-Djibouti railway was designed to transport Ethiopian manufactured goods to the ocean, the Doraleh MPP was designed to connect the ocean, and the rest of the BRI/MSR, with the railway and with Ethiopia—all funded with Chinese money and built by Chinese state-affiliated companies and laborers.<sup>223</sup> Unlike the railway, which is at least partially funded and operated by the Ethiopian and

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<sup>216</sup> Styan, "China's Maritime Silk Road," 197.

<sup>217</sup> Styan, "China's Maritime Silk Road," 202.

<sup>218</sup> Styan, "China's Maritime Silk Road," 195.

<sup>219</sup> Styan, "China's Maritime Silk Road," 196.

<sup>220</sup> Dipanjan Roy Chaudhury, "China widens presence in Indian Ocean through massive inroads in Djibouti," *Economic Times*, October 1, 2021. <https://economictimes.indiatimes.com/news/defence/china-widens-presence-in-indian-ocean-through-massive-inroads-in-djibouti/articleshow/86676234.cms?from=mdr> . Accessed February 9, 2022.

<sup>221</sup> Styan, "China's Maritime Silk Road," 196.

<sup>222</sup> Styan, "China's Maritime Silk Road," 196.

<sup>223</sup> Styan, "China's Maritime Silk Road," 194.



Djiboutian governments, the Doraleh MPP is entirely funded and operated by the China Merchants Group (CMG), which is the primary Chinese banking entity responsible for funding almost all Chinese port projects, including the Hambantota port in Sri Lanka and the port in Lome, Togo.<sup>224</sup>

The US\$600 million Doraleh port, opened in May 2017, features a roll-on/roll-off commercial shipping terminal directly connected to the railway that can also be used to onload and offload military equipment such as tanks, aircraft, and heavy artillery.<sup>225</sup> Separately, the adjacent Chinese-managed US\$4 billion Djibouti International Free Trade Zone (DIFTZ)\* opened in July 2018.<sup>226</sup> Although Djibouti was one of the early ports that China invested in, by 2016 Chinese banks were associated with ports and free trade zones in 19 different African countries, half of which were in West Africa, including Nigeria, Togo, Cameroon, Ivory Coast, Ghana, Guinea, Mauritania, Equatorial Guinea, and the Republic of Congo.<sup>227</sup>

The majority of these Sino-African port construction/expansion projects, including the Doraleh MPP and DIFTZ, are attempting to emulate the Shekou Model.<sup>228</sup> China opened the Shekou Industrial Park in Shenzhen the year after Deng Xiaoping took office, and the successful growth of the port and its adjacent special economic zone is an

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<sup>224</sup> Larçon and Vadcar, “Belt and Road in Ethiopia,” 14.

<sup>225</sup> Cabestan, “China’s Military Base in Djibouti,” 739.

<sup>226</sup> Larçon and Vadcar, “Belt and Road in Ethiopia,” 15.

<sup>227</sup> Zhongzhen Yang, Yunzhu He, Hao Zhu, and Theo Notteboom, “China’s Investment in African Ports: Spatial Distribution, Entry Modes and Investor Profile,” *Research in Transportation Business & Management*, 37 (2020): 5.

<sup>228</sup> Mandira Bagwandeem, “China Merchants Group Exports its Shekou Model of Port-industrial Development to Africa,” *China Africa Project*, November 4, 2021. Accessed March 7, 2022 <https://chinaafricaproject.com/analysis/china-merchants-group-exporting-its-shekou-model-of-port-industrial-development-to-africa/>

early example of Deng’s market-friendly economic reforms.<sup>229</sup> The model emphasizes synergies and integration, with the original park including connected infrastructure such as a free trade zone, commercial and industrial parks, residential areas, and even power plants.<sup>230</sup>

At the same time that China was funding and building its port vision in Djibouti based on the Shekou Model, it made a well-intentioned attempt to hydrate Djibouti’s inland deserts. Approximately 0.04% of Djibouti is arable land.<sup>231</sup> The US\$340 million Ethiopia-Djibouti water aqueduct—95% funded with loans from the China Exim Bank—was intended to provide some relief to the most arid parts of Djibouti when the aqueduct opened in 2017.<sup>232</sup> Such was the anticipation and excitement when it opened that Ethiopian diplomats spoke of it with pride and Chinese media called it the “water of happiness”.<sup>233</sup> Its 104,000 cubic meter flow of water only lasted two years before it was interrupted by low water levels and power outages in Ethiopia.<sup>234</sup>

Except for the water aqueduct, these projects are intended to link Ethiopia’s natural resources, goods, and services with China and the broader BRI via Djibouti’s ocean port rather than being built directly for Djibouti’s benefit. As of 2018, Ethiopia

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<sup>229</sup> Bagwandeem, “China Merchants Group Exports its Shekou Model.”

<sup>230</sup> Bagwandeem, “China Merchants Group Exports its Shekou Model.”

<sup>231</sup> Guled Ahmed, “Djibouti needs a Plan B for the post-Guelleh era,” *Middle East Institute*, July 20, 2021. <https://www.mei.edu/publications/djibouti-needs-plan-b-post-guelleh-era>. Accessed February 7, 2022.

<sup>232</sup> Styan, “China’s Maritime Silk Road,” 197.

<sup>233</sup> Hu Yifeng, “The Water of Happiness Comes to Djibouti,” *Chinese Ministry of Commerce*, n.d. <http://www.mofcom.gov.cn/article/beltandroad/dj/enindex.shtml#:~:text=It%20is%20the%20highest%20point,then%20through%20Ethiopia%20to%20Djibouti.&text=This%20is%20the%20%E2%80%9CWater%20of,people%20of%20Ethiopia%20and%20Djibouti>. Accessed February 3, 2022.

<sup>234</sup> Styan, “China’s Maritime Silk Road,” 197.

used Djibouti's ports for 95% of its imports and exports.<sup>235</sup> However, the BRI/MSR have not brought significant employment to Djibouti, and the projects intended to actually help it, such as the water aqueduct and the linking of Djibouti to Ethiopia's power grid, have experienced frequent failures.<sup>236</sup> The benefit to both China and Djibouti is that there is unlikely to be any kind of domestic pushback to failed policy or inadequate economic growth—Djibouti is an authoritarian state with no critical media or public policy debate.<sup>237</sup>

In the middle of Beijing's multi-billion dollar infrastructure investments in Djibouti, it released a defense strategy white paper in 2015 that called for an increasingly aggressive and assertive naval presence outside of Southeast Asia to support Chinese peacekeeping efforts, carry out anti-piracy operations, protect Strategic Sea Lines of Communication (SLOC's), and support humanitarian aid and assistance activities.<sup>238</sup> At the same time in April 2015, China concluded negotiations with Djibouti for a long-term land lease adjacent to the Doraleh MPP to build its first overseas naval base.<sup>239</sup>

In August 2017, China opened its Doraleh "logistics facility"—in reality a reinforced naval base designed to host 400 marines, helicopters, and armored vehicles.<sup>240</sup> The base is located next to the Doraleh MPP and DIFTZ, and also at the location of the

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<sup>235</sup> Larçon and Vadcar, "Belt and Road in Ethiopia," 3.

<sup>236</sup> Ahmed, "Djibouti needs a Plan B for the post-Guelleh era."

<sup>237</sup> Chen, Dollar, and Tang. "Why Is China Investing in Africa?", 612.

<sup>238</sup> Styan, "China's Maritime Silk Road," 197.

<sup>239</sup> Cabestan, "China's Military Base in Djibouti," 731.

<sup>240</sup> Cabestan, "China's Military Base in Djibouti," 738.

undersea telecommunications cables that connect East Africa with Western Asia.<sup>241</sup>

Unlike nearby French, U.S., and Japanese bases, which are notoriously secretive about their base operations, China's base was opened to great fanfare with an elaborate opening ceremony filmed by Chinese television crews and drones as PLA soldiers, sailors, and marines stood at attention in dress uniform and raised the Chinese flag.<sup>242</sup>

China's PLA Navy uses several justifications for the base's existence based on its 2015 and 2019 defense strategy White Papers. First and foremost, China argues that the base is a necessary presence to enable the PLA Navy to provide anti-piracy patrols and support for all commercial shipping traffic in the region.<sup>243</sup> Second, the base protects China's overseas interests and those of the BRI/MSR, specifically including its investments in the Horn of Africa.<sup>244</sup> Third, the base gives China a way to facilitate evacuations of its growing expat presence in Africa and Western Asia.<sup>245</sup> Finally, it serves as a home base for Chinese peacekeepers deployed on UN humanitarian missions throughout the continent.<sup>246</sup>

The subsequent start of operations at the base, including the live-fire exercises that PLA Marines began conducting in the Djiboutian desert (on a French-controlled firing range), were also covered extensively by Chinese media outlets, illustrating the

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<sup>241</sup> Cabestan, "China's Military Base in Djibouti," 745.

<sup>242</sup> Styan, "China's Maritime Silk Road," 197.

<sup>243</sup> Styan, "China's Maritime Silk Road," 204.

<sup>244</sup> Sun and Zoubir, "Securing China's 'Latent Power'," 678.

<sup>245</sup> Styan, "China's Maritime Silk Road," 199.

<sup>246</sup> Sun and Zoubir, "Securing China's 'Latent Power'," 681.

domestic public relations value of the base to the Chinese government.<sup>247</sup> Within two years of opening, China's Doraleh base expanded its quayside to facilitate every type of ship in the PLA Navy's fleet, including a fully equipped aircraft carrier strike group.<sup>248</sup>

What China's presence in Djibouti over the last decade has demonstrated is that its investment diplomacy sometimes has good intentions but still has the potential to overwhelm smaller countries with unsustainable debt burdens that lead to negative outcomes. In this timeframe, China has invested US\$1.9 billion in loans and US\$14 billion in total investment in a country with less than one million people, no natural resources, and almost no industry.<sup>249</sup> In 2019, China held over 70%<sup>250</sup> of Djibouti's debt and was its largest trading partner. Yet, the following year, Djibouti was forced to apply for a \$43 million USD emergency loan from the IMF in order to service its debt obligations to Chinese banks.<sup>251</sup>

At the same time that China has shaped Ethiopian economic policy as it forces the country to restructure its debt, and has taken ownership shares in Ethiopian manufacturing and shipping to hedge against payment defaults, it has taken similar debt-for-equity swaps in Djibouti as the government and state-owned companies there have struggled to repay debts that China originally provided under the auspices of a "win-win"

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<sup>247</sup> Styan, "China's Maritime Silk Road," 198.

<sup>248</sup> Cabestan, "China's Military Base in Djibouti," 738.

<sup>249</sup> China Africa Research Initiative."

<sup>250</sup> Ahmed, "Djibouti needs a Plan B for the post-Guelleh era."

<sup>251</sup> Wafa Amr, "IMF Executive Board Approves a US\$ 43.4 Million Disbursement to Djibouti Under the Rapid Credit Facility, and Debt Relief Under the Catastrophe Containment and Relief Trust to Address the COVID-19 Pandemic," *International Monetary Fund*, May 8, 2020. Accessed February 11, 2022.

relationship based on equality and mutual respect.<sup>252</sup> Similarly, China likely had some modicum of good intent when it built its naval facility at Doraleh port, but like its concept of its “win-win” relationship with Djibouti, Ethiopia, and Angola, the reality is somewhat different.

The PLA Navy’s base in Djibouti demonstrates the evolution of a new model of Sino-African investment diplomacy. This new model utilizes the same structural mechanisms from its Investment for Resources and Investment for Influence frameworks, but it weaponizes them to serve the purpose of providing China with a hard power contingency and the prestige of power projection that its military and leadership craves.

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<sup>252</sup> Ahmed, “Djibouti needs a Plan B for the post-Guelleh era.”

## Chapter IV.

### China's Future in West Africa

China's investment model in Djibouti presents a potential model for its future investments in Africa. This chapter outlines the mechanisms by which China's "Investment for Bases" approach occurs, and presents a potential template for how China might choose future investment sites.

China has perfected its *Investment For Diplomacy* template over the last two decades, including its natural resources model in Angola and its influence model in Ethiopia. The key characteristics of this framework include:

- Hearts and minds with massive infrastructure projects that are funded by Chinese banks and built by Chinese construction firms
- Engineered economic dependence through capital/loan inflows into the country until China is the country's largest investor, creditor, and trading partner
- Hedged indemnity against debtor default by securitizing or bartering for partial or full share ownership of economic infrastructure, such as oil equity in Angola, manufacturing facilities and shipping company in Ethiopia, and the Doraleh MPP and rail operating company in Djibouti

China's *Investment For Bases* model includes the above characteristics, but also features several additions:

- Under the auspices of BRI/MSR cooperation, invest in a port and establish a Free Trade Zone (FTZ) based on the Shekou Model

- Negotiate a status-of-forces agreement and/or bunkering arrangements for naval warships under justification of anti-piracy patrol efforts
- Subsequently open a naval base and call it a “logistics facility” or another similarly innocuous title with its existence predicated on BRI and anti-piracy imperative
- Ideal pre-conditions for host country:
  - Authoritarian government
  - Strong rule of law
  - Geo-strategically important location
  - Co-located with or near existing Chinese investments
  - At least one justification exists that fits within the construct of the PLA’s 2015-2019 white papers on defense strategy (e.g., piracy, humanitarian crisis, etc.)

### Next Steps

China’s next steps in Africa are clear. As Kardon and Leutert point out, China already has a naval presence in the Atlantic and Mediterranean by virtue of its exploitation of various foreign commercial ports with which it has developed a privileged business/investment presence to re-supply its visiting naval ships.<sup>253</sup> This technique, which China has executed in multiple African countries, has effectively extended its military reach in peacetime to almost anywhere with a Chinese owned/operated container

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<sup>253</sup> Isaac B. Kardon, and Wendy Leutert, “Pier Competitor: China’s Power Position in Global Ports,” *International Security*, 46:4 (2022): 10.



port. However, the military utility of this technique is limited.<sup>254</sup> In a conflict, the PLA cannot rely on the defensive and geopolitical vulnerabilities associated with foreign commercial infrastructure never designed for combat, located in a foreign country that may or may not be receptive to China during war. Sole reliance on this type of unpredictable access to an overseas port system defeats the purpose of having a blue-water navy capable of global power projection.

Alternatively, a purpose-built foreign military base designed and staffed by PLA personnel with reinforced defensive capabilities is significantly more useful during a conflict. Combined with a long-term land lease backed up by economic and political leverage that has been secured via pre-existing investment diplomacy, a limited number of strategically placed foreign bases labeled as “logistical support facilities” offers China power and prestige while still leaving it room to proselytize non-interventionism and bemoan Western imperialism.

Additionally, while China is not explicitly aspiring to have the type of global military presence the U.S. currently employs, its ambitions have evolved over time and an expansion of the BRI/MSR beyond its current construct is a future outcome that the PLA would be prudent to plan for. Using its Djibouti base as a template, a series of multi-purpose, geographically strategic foreign naval bases connecting its commercial port investments, and capable of hosting an aircraft carrier strike group that could project power during a conflict or humanitarian operation, would put China on par with the military capabilities of the U.S., Great Britain, France, and the former Soviet Union.

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<sup>254</sup> Kardon and Leutert, “Pier Competitor,” 14.

Most of the Investment for Bases characteristics and pre-conditions have either been met or are in the process of being met for a Chinese base in West Africa. Piracy is a threat to the maritime shipment infrastructure of several oil-producing West African countries. In response, China has invested in multiple ports on the Gulf of Guinea, and it has reportedly approached countries that it has strong economic relationships with in this region about hosting another naval facility similar to its base in Djibouti.<sup>255</sup> Through its Investment for Bases framework, it is feasible to expect that China will have a permanent, operational naval base in West Africa by the 2030s, perhaps by the end of this decade.

Côte d'Ivoire and Equatorial Guinea are both strong host country candidates on the Gulf of Guinea for the PLA's first Atlantic naval base. In this century, China has invested approximately US\$5 billion in Côte d'Ivoire, with \$3.6 billion spread across 24 loans between 2001 and 2019, and nearly \$1 billion invested by the China Harbour Engineering Company (CHEC) for its port expansion in Abidjan.<sup>256</sup> Similarly, China has invested approximately US\$3.4 billion in Equatorial Guinea, including \$3 billion over 22 loans between 2001 and 2019 and more than US\$300 million invested by the China Road and Bridge Corporation (CRBC) in the Bata port expansion.<sup>257</sup>

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<sup>255</sup> Cabestan, "China's Military Base in Djibouti," 46.

<sup>256</sup> Yang, He, Zhu, and Notteboom, "China's Investment in African Ports," 5.

<sup>257</sup> Yang, He, Zhu, and Notteboom, "China's Investment in African Ports," 5.

Côte d'Ivoire and Equatorial Guinea both follow the Djibouti model:

- Small oil state
- Debt to GDP ratio between 30% and 50%
- Authoritarian government that enforces the rule of law
- Strategically located near shipping routes and areas of active piracy, but without significant local attacks
- Substantial overall Chinese investment and loan debt
- Specific Chinese investment presence in at least one deepwater commercial port.

Between the two, Equatorial Guinea makes the most sense as the host of China's next African naval base. Chinese diplomatic and economic relations with Equatorial Guinea pre-date similar relations with Côte d'Ivoire by over a decade and remain strong.<sup>258</sup> Equatorial Guinea is a reliable middle-income country with a stable history of authoritarian regimes, with its current leader in power since 1979; Côte d'Ivoire has had two civil wars in the last two decades. Although Côte d'Ivoire's commercial port expansion in Abidjan has received heavy Chinese investment more recently, it was originally built by France and dates to the mid-20<sup>th</sup> century, whereas Equatorial Guinea's port in Bata was funded by the ExIm Bank of China, built by the China Communications

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<sup>258</sup> Bonny Lin, Jude Blanchette, Joseph S. Bermudez Jr., and Mvemba Phezo Dizolele, "Is China Building a New String of Pearls in the Atlantic Ocean?" *Center for Strategic & International Studies*, December 20, 2021. <https://www.csis.org/analysis/china-building-new-string-pearls-atlantic-ocean>. Accessed September 17, 2022.

Construction Company in 2006, and has also recently received expansion funding by CRBC.<sup>259</sup>

In addition to China's longstanding diplomatic and trade relations with Equatorial Guinea, and its history of financing and building the port in Bata, it is deeply involved in the financing, construction, and operation of the country's telecommunications systems, hydroelectric power, and manufacturing. Chinese companies even constructed the barracks for Equatorial Guinea's armed forces.<sup>260</sup> In the context of a future Chinese naval base using the Djibouti template, the most notable aspect of this relationship is China's involvement in Equatorial Guinea's telecom industry.

Equatorial Guinea is one of the few countries on the Gulf of Guinea with access to undersea telecommunications cables that connect that region of West Africa to Europe. In 2015, Equatorial Guinea's government awarded a major contract to build a new underwater cable system, called Ceiba-2, to China's Huawei Marine Networks Company (Huawei).<sup>261</sup> In so doing, Equatorial Guinea effectively gave Huawei the keys to its new submarine telecommunications system connecting a substantial part of Africa to the Africa Coast to Europe (ACE) cable and the European continent.<sup>262</sup>

Signals intelligence gathering is an often overlooked but integral part of the PLA's Doraleh base, and likely a key part of the Djibouti template of Chinese overseas basing. In addition to all the other hallmark features of a high-profile military base

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<sup>259</sup> Yang, He, Zhu, and Notteboom, "China's Investment in African Ports," 5. See also: Lin, Blanchette, Bermudez Jr., and Dizolele, "Is China Building a New String of Pearls in the Atlantic Ocean?"

<sup>260</sup> Yang, He, Zhu, and Notteboom, "China's Investment in African Ports," 5.

<sup>261</sup> Hui Pan, "Government of Equatorial Guinea Awards Huawei Marine Contract to Build Ceiba-2 Submarine Cable System," *China Telecom Newsletter* 22:3 (2015): 12.

<sup>262</sup> Pan, "Government of Equatorial Guinea Awards Contract," 12.

designed and constructed for both offensive and defensive combat use, the PLA's Doraleh base in Djibouti contains underground signals intelligence facilities that are capable of intercepting and monitoring the submarine cables and traffic that transit between that region and Southwestern Asia.<sup>263</sup>

The submerged Ceiba-2 communications network that Huawei built to connect Equatorial Guinea and adjacent countries to Europe begins at the same port in Bata that China funded and built in 2006, and is now in the process of expanding.<sup>264</sup> This port/region of Equatorial Guinea is therefore a likely location for a PLA base employing the Djibouti template.

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<sup>263</sup> Pan, "Government of Equatorial Guinea Awards Contract," 12.

<sup>264</sup> Pan, "Government of Equatorial Guinea Awards Huawei Marine Contract," 12.

## Chapter V.

### Conclusion

This thesis argues that China's presence in Africa, including its base in Djibouti and its future ambitions in West Africa, are not the consequences of an inevitable or inherently realist-style great power rivalry with the West, just as China's investment diplomacy in Africa is not an intentional debt-trap scheme. China is a rational actor that is not attempting to engage the West in a nefarious Cold War-style battle for global ideological supremacy, nor is it intentionally suffocating sub-Saharan African countries with unsustainable debt loads for the sole purpose of encroaching on their sovereignty.

That said, China does seek to compete with and overtake the U.S. and the West in Africa, both economically and politically. It is a self-serving superpower with an approach to diplomacy that prioritizes economic opportunism and political leverage, and it does so to prepare its hard-power capabilities in tandem with its soft-power strategies. The important distinction here is that while China does not intentionally engage in debt-trap diplomacy, its investment diplomacy produces harmful consequences in sub-Saharan Africa similar to what could ostensibly result from a debt trap, including substantial long-term economic indebtedness and loss of sovereignty. While scholars like Bräutigam are correct that the negative effects of China's investment diplomacy are not intentional and not always uniformly harmful, they are nonetheless extremely damaging in a number of countries that have a fragile fiscal base. Additionally, although China claims to have peaceful ambitions with both the BRI/MSR construct and its base in Djibouti, the PLA

Navy's installation at Doraleh represents the latest evolution of China's Investment for Resources and Investment for Influence models.

In sum, the base embodies the weaponization and securitization of investment diplomacy, leveraging experience, infrastructure, and influence to create a hard-power contingency that is also capable of soft-power projection. China does not intend to use its overseas bases to train left-wing insurgents like it did in Ghana in the 1960s; it values regional stability above all else. However, China is no longer self-conscious about asserting itself on the world stage, and its Djibouti base will serve as a template for force projection and power competition that it will utilize in the future to implement and augment its foreign policy in West Africa and beyond.

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