



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org
F: +44 (0)20 7957 5710 www.chathamhouse.org

Charity Registration Number: 208223

Africa Programme Meeting Summary

Djibouti's Strategic Position in the Horn of Africa

HE Ilyas Moussa Dawaleh

Minister of Economy, Finance and Planning, Republic of Djibouti

Chair: David Styan

Birkbeck College, University of London

11 July 2012

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

David Styan

Djibouti today is not only of interest to the French Ministry of Defence. It has developed its strategic importance and become central to global security. Japan recently joined France, USA and Spain in opening a military base on its territory. This interest is partially due to the proximity of Somalia and relative ease with which operations in the region can be launched from Djibouti. Moreover, in the past few years, Djibouti has benefitted economically from developments in the region. The Ethiopian-Eritrean war has meant that Ethiopian trade is channelled through Djibouti's ports and profits from this change increase as Ethiopian economy grows. This has also created incentives for Djibouti to focus on the transshipment business as the basis of its economic development strategy. This takes place in the context of internal changes in Djibouti, where we are seeing a process of diversification away from French capital and an influx of Middle Eastern capital.

HE Ilyas Moussa Dawaleh

Djibouti is a small country of roughly 23,000 square miles with little to no natural resources, and a population of less than 1 million. This context creates challenges for Djibouti in terms of developing an independent and sustainable economy. Taking advantage of beneficial global trends is fundamental for such small states. Given that the global trends are primarily shaped by the Anglo-Saxon world, Djibouti wants to open itself more to this particular influence in order to become more globally oriented.

There are several points on the global and regional agenda to which Djibouti can contribute and even play a leading role. Although it is a small country, it plays an important role in international security and stability operations, especially in the region. With its record of political and economic stability, it is an exception in the region. This has been achieved mainly thanks to the international community whose presence, especially that of the French army, was a stabilizing factor. In the area of security, it was a priority of the president to push the Somali issue up on the international agenda and to support peace and reconstruction in Somalia as a whole. Djibouti believes that its own stability and peace depends on stability in Somalia, and that is why it is pushing international actors to support efforts of Somaliland. For this reason Djibouti hosts international armies and forces in order to contribute against piracy and terrorism. American, Japanese, French, and the European Union's Atalanta operation, all have their bases in Djibouti.

In economic terms, we also serve as a port to the region; and as of today we extend our services to South Sudan. We service the overall region and have become the sub-continental hub for logistics in humanitarian operations in Eastern Africa.

There are a number of challenges we face in Djibouti and we believe in our vision of connecting Asia to Africa. We believe in extending our highly strategic position and transforming it into economic benefits for Djibouti and the region. Discussions are well advanced on negotiations between Djibouti, South Sudan and Ethiopia to create a pipeline that will connect these countries to the sea; a strategically important project with great prospects.

A number of new infrastructure projects in Djibouti extend to other parts of the region. Regional cooperation is a fundamental element of Djibouti's strategic development plan. This contributes to the stability of the region as a whole. Djibouti's integration into the wider region is a way of strengthening its stability and that of the region in the future. This is to a large extent a choice dictated by reality: Today Djibouti is sourcing 70 per cent of its energy from Ethiopia, although by 2020 it wants to cover 100 per cent of its needs from internal, geothermal sources.

For these ambitious projects to succeed Djibouti wants to use its strategic position and the advantage of stability as leverage in negotiations with larger partners. This is the basis of the idea of 'Djibouti plus one'. Currently it benefits from a strong relationship with France, but it wants to be 'plus one' for many actors coming to Africa, especially those from emerging Asian markets.

QUESTIONS AND ANSWERS

Question:

You seem to focus on macroeconomics, but there is a large population of young unemployed in Djibouti. How do you encourage their employment?

Answer:

Unemployment in Djibouti has reached 49 per cent. This represents a risk for the government. We have not yet been able to take advantage of the growth of the past six or seven years to create opportunities for our people. Growth is there, but it has not created the jobs we were expecting, especially not those which are stable and permanent, that are most valuable. It is obviously our top priority. The government's social responsibility is an element of its wider concern with social security and stability. Terrorism as a social problem often takes root in the young unemployed, who become frustrated and are more vulnerable to manipulation by some organizations.

The question we ask ourselves is why has growth not created jobs? Part of the answer was the lack of correlation in the skills that people gained in education with the skills required by the growing market. The education system we had was based on the French model – focused on academic and theoretical perspectives, not practical skills. Educating more lawyers and historians than electricians and engineers has in part created this problem.

We have now shifted our educational focus completely towards strong vocational development. We expect that within the coming two years about US\$ 7-10 billion of investments will take place between Djibouti and Ethiopia. We are therefore preparing the youth to take advantage of these investments in railways, ports, pipelines, and geothermal energy. Of course, that is not the whole picture. In the meantime we have other challenges such as imperfect governance, poverty alleviation and wealth inequality to tackle.

Question:

Djibouti is a tiny country hosting several foreign armies' bases. How many more can there be? And are you worried about losing your 'innocence' by getting involved in this hardcore security in Somalia, since there is threat of becoming a target?

Answer:

There is a high risk and we are worried of becoming a target of militant groups, but at the same time we have to get involved. Risks are higher in the long term if Somalia is not stabilized. It is better for Djibouti to be leading these processes as security is closely linked to the economic issue. We plan to become largest trade and logistics hub in Eastern Africa and this vision can only be realized if stability in the surrounding territories is guaranteed. At the end of the day the engagement is genuine and necessary and we have to take responsibility for it.

Question:

How much is the military sector contributing to Djibouti's economy?

Answer:

We are benefitting from some of the partners through rents, but personally I do not think this contribution is significant, at least not to the level of advantage that it gives the visiting military. But this presence also helps a bit our local populations, although it could have had much more impact if we had a better negotiating position. However, previously there was no time for negotiations. For example, with the Americans there was no atmosphere for putting strong requests after the September 11 attacks in 2001. I also think that in the long term this benefit will balance out.

Question:

What is Djibouti's strategy of poverty reduction?

Answer:

The National Initiative for Social Development (INSD) was launched in 2008. It includes a number of plans to properly understand different populations and their levels of need. It also seeks to invest money in order to tackle the problem of poverty. At the same time we also have problems with refugees coming from drought hit territories and war torn countries. However, the programmes we have developed do not have enough strands in them currently to get rid of poverty. We are increasing our experience and in years to come we will have better results.

Question:

To what extent is the international policy of Djibouti subject to internal political debate? How do you evaluate the strength of Djibouti's political system and its possible development in the future?

Answer:

The international and internal policies are on the agenda and are being discussed. Yesterday I was in Paris and visited both chambers of parliament. I was briefed about the history, where the French started and where they are now. They undertook gradual steps to implement democracy. This is the same process that is taking place now in Djibouti. We are on a fast track because we believe this is in our interests, not because westerners are pushing us. In the last local elections the government lost the majority in the parliament. We are happy that a young generation and civil society are now involved in the development of our cities and in shaping local policies.

Some changes need to be applied to the political system in Djibouti. The first step will be to change the electoral law – currently we have a 'winner takes all' system, but decision has been made to create a proportional system so that everyone is more fairly represented in the parliament. This will reflect the political engagement of many individuals who are currently participating as mainly observers and activists.

Question:

What are the main external threats to Djibouti's ambitions, especially those originating in the region? How do you see the conflicts between Sudan and South Sudan, in Somalia and between Ethiopia and Eritrea influencing your internal stability? Can you see a way for everyone to move forward on the Ethiopia/Eritrea conflict?

Answer:

We are very closely monitoring the situation in Somalia, but the conflict in Eritrea has a much bigger potential to destabilize Djibouti and the whole region. I am not an expert on security but as an economist I can tell you that I will not have to pay large sums to have my military stationed on the border with Eritrea once this threat is gone. This money could have been transferred to poverty alleviation instead.

Question:

What can you say about the presence of foreign military and the training your own forces receive? And what is the role of these foreign forces in keeping al Shabaab out of Djibouti?

Answer:

We have a good partnership with France, America and with others. They are helping us by training our officers as well as military engineers, who gain much knowledge when working on projects with foreign specialists. Yes, it helps in keeping away the terrorists and it also helps gaining intelligence.

Question:

What can you say about Chinese investments in eastern Africa and how it impacts Djibouti and Ethiopia?

Answer:

We expect that China will begin to move some of its industries overseas, especially to Asian and African countries. Djibouti is worth considering; we want to attract the biggest Chinese investments based on the 'Djibouti plus one' model. The French built a railway in the 19th century, and now the EU is reconstructing and modernising it. This will help the Chinese build another electrical railway. The shift that is taking place must benefit Africa. The growth will be there, Africa is on the right track.