THE SECRET CHESSBOARD OF THE SUPERPOWERS: FROM BRETTON WOODS TO THE 21ST CENTURY, THE CASE OF DJIBOUTI

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Summary:

Although small in size, Djibouti occupies a crucial geostrategic position in the Horn of Africa, at the intersection of global shipping routes and international currency rivalries. Since 1949, the country has been at the centre of an international compromise in which the pegging of the Djibouti franc to the dollar has enabled France to maintain its influence in East Africa while consolidating the American presence, notably with the installation of the Camp Lemonnier military base in 2002.

However, the growing influence of China, marked by massive investment and a strategy of debt diplomacy, is redefining the geopolitical balance. The United States and China, pursuing distinct strategic objectives, are vying for control of Djibouti's key infrastructure, while avoiding destabilisation of the region. This analysis highlights the way in which these superpowers coexist and interact in strategic areas such as Djibouti, illustrating the complexity of global competition.

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1. Introduction :

Despite its small size and modest population, Djibouti occupies a strategic position at the entrance to the Red Sea, linking the Indian Ocean to the Mediterranean via the Suez Canal. Its exceptional geographical position makes it a key crossroads for the world's shipping routes, attracting the interest of the major powers for decades. Close to the Bab-el-Mandeb Strait, an essential passage for world maritime trade, Djibouti controls privileged access to the Red Sea and the Suez Canal, consolidating its geopolitical importance in a region marked by international tensions and rivalries.

Djibouti's strategic importance and the pegging of its currency to the dollar in 1949 have contributed to its economic stability and encouraged the installation of several foreign military bases, notably American, French and Chinese. Historically, this small state in the Horn of Africa has played a central role in international struggles for influence: first during the colonial era, when it served as a maritime control point for France, and then during the Cold War, when its position was crucial for the United States and its allies in the face of Soviet influence.

Today, the balance is once again upset by the rise of China, whose military base in Djibouti and massive investment in the Belt and Road Initiative (BRI) are evidence of increased strategic rivalry with the United States. Against this backdrop of increased militarisation and competing international interests, Djibouti continues to enjoy relative stability that is attracting new investment, particularly in its port infrastructure, underpinning significant economic growth (6.7% in 2023). Djibouti is the only country in the world to be home to two major rival powers. Like its monetary dependence on the US dollar, Djibouti's dependence on Chinese funding raises concerns about its sovereignty, given the risks associated with possible "debt diplomacy". How does China's rise fit into a monetary system shaped by the Bretton Woods agreements and dominated by the Franco-American strategic alliance?

In this analysis, we will draw on several key concepts to understand the dynamics of superpower cohabitation, particularly through the prism of economic and geopolitical relations. We begin by defining the main theoretical frameworks, such as monetary geopolitics, maritime geopolitics and debt diplomacy. We will then explore the results of this analysis, highlighting the way in which the United States and China coexist on the international stage, particularly in strategic areas such as Djibouti. This study will reveal how their interactions influence and redefine current monetary and political systems.

2. Theoretical framework - Monetary geopolitics, maritime geopolitics and diplomacy

Thanks to its proximity to the Bab-el-Mandeb Strait, Djibouti is a strategic crossroads for world trade and maritime security, linking three continents. Mastery of the seas, as Mahan theorised in 1890, is essential for the projection of power by states. Nations with powerful military fleets and the ability to control maritime trade routes dominate the world stage. Strategic chokepoints such as Bab-el-Mandeb, Hormuz and Suez are of paramount geopolitical importance. These passages are crucial for energy security (transport of oil and gas) and for world trade. The colonial powers sought to secure points of access and control on these main maritime routes linking Europe and Asia, in particular to protect their trade routes to their colonies in India, the Far East and Africa. Spykman (1942) introduced the "Rimland" theory, emphasising the strategic importance of coastal zones and strategic maritime routes in geopolitical domination and the control of international trade. As early as 1945, Djibouti, located in a strategic zone of the Rimland, saw its status reinforced by a post-war ministerial decision designating it as an "imperial base"[2] . France's departure from the Levant and the closure of the Beirut base had reshaped maritime routes, positioning Djibouti as France's closest port of call on vital trade routes to Madagascar and Indochina. This positioning made it an essential centre for military and logistical operations, aimed at controlling the strategic sea routes linking Europe to Asia via the Suez Canal and the Red Sea. The French franc had undergone several devaluations (1944, 1945, 1948), greatly affecting confidence in the franc in Djibouti. Its pegging to the US dollar in 1949 was part of a drive to counter Soviet influence in the region, particularly in the context of the Cold War, where Djibouti, as a strategic port, could become a key location for American military bases.

Paul Kennedy (1987) has shown that mastery of the seas enables naval powers to dominate the world economy and impose their currency on trade. He shows that powers such as the British Empire were able to impose the pound sterling as the world currency thanks to their naval domination. Kenneth Waltz (1979) reinforces this idea by explaining that the power of states rests on their ability to secure their interests, including control of the maritime routes that influence economic and financial stability. For Waltz, domination of the seas makes it possible to secure the trade flows essential to prosperity and thus to maintain monetary stability. The importance of US military bases near strategic routes, illustrated by Michael Beckley (2018),

[2] SAEF, B 460, R.Loiseau, note written following a visit to CFS, for M.Guindey, Director of Finex, subject: CFS, 15 September 1947.

shows that these positions support the dominance of the dollar and international trade flows. Barry Eichengreen (2011) has also explored the link between the hegemony of the dollar and the security of maritime routes. The ability of the United States to secure trade routes has played a major role in the prosperity of the dollar as the world's reserve currency.

The concept of *currency statecraft* (monetary diplomacy), according to Cohen (2019), shows that powers such as the United States, China and the European Union use their currencies to support their geopolitical and economic strategies, such as securing trade, financing international investment or projecting military power. This strategy has become an essential aspect of geopolitical ambitions, particularly in a multipolar world where the dominance of the dollar is creating tensions. The relationship between *currency statecraft* and maritime geopolitics is based on the strategic use of currency by states to strengthen their presence on the sea lanes, port infrastructures and military bases that play a key role in world trade and security. In 1949, the concept of "currency statecraft" illustrated how France used the dollar in Djibouti to secure economic and geopolitical alliances and reinforce its dominance on an international scale. By strategically aligning the Djibouti franc with the dollar, France pursued geopolitical and economic objectives such as securing trade, financing international investment and projecting American military bases during the Cold War. This choice, which demonstrates the link between currency and geopolitical influence, fostered Franco-American relations in the region while limiting British influence.

Debt diplomacy is another aspect of *currency statecraft*, where states use loan and debt mechanisms to assert their influence over smaller nations (Zarate, 2013; Dollar, 2018). Debt diplomacy is not new, but it is increasingly associated with Chinese loans to developing countries as part of the Belt and Road initiative. Djibouti, with its rapid development and maritime infrastructure, is also an exemplary case of this strategy (Al-Fadhat, 2022). China has lent massive amounts of dollars for infrastructure projects, such as the port of Doraleh and the Djibouti-Ethiopia railway, which has increased Djibouti's debt and economic dependence on China (Pairault, 2020). Some researchers, such as Hurley et al (2018), warn of the risks of debt overhang, while Brautigam (2020) acknowledges the development benefits of Chinese investment, while highlighting potential vulnerabilities. One of the most worrying aspects is the potential loss of sovereignty for borrowing countries. Dreher et al (2018) show how some African countries have become dependent on Chinese financing, which could force them to sell off strategic assets in the event of default. The case of the port of Hambantota in Sri Lanka is often cited as an example where China acquired control of strategic infrastructure after a default.

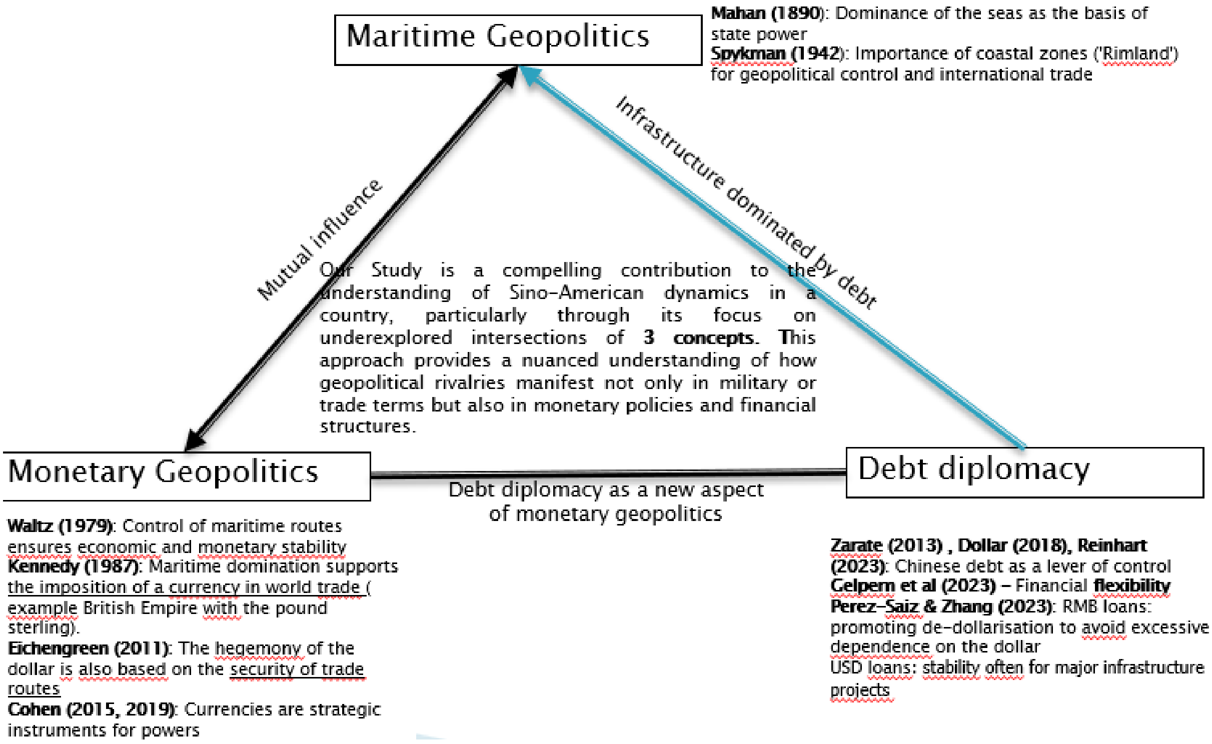
Liu & Papa (2022) argue that China aims to promote de-dollarisation and international cooperation rather than deliberate coercion. Perez-Saiz & Zhang (2023) show that the use of the RMB varies by region: it is growing in Asia, particularly in Mongolia and Laos, but remains limited elsewhere.[3][4]

China's choice of whether to lend in US dollars (USD) or renminbi (RMB) depends on a number of factors, including loan security, market conditions and strategic interests. Loans in RMB are often favoured to strengthen the influence of the Chinese currency on a global scale, while loans in USD are favoured in transactions where stability and liquidity are essential. The dollar, as the world's main reserve currency, is frequently used for large-scale, long-term financing such as infrastructure projects or investments requiring international capital. This preference underlines China's flexibility, as it adjusts its financing options to remain competitive with traditional multilateral and commercial lenders (Gelpern et al., 2023).

Figure 1: Concepts

[3] The main measures taken by the People's Bank of China to internationalise the RMB include bilateral swap lines and offshore clearing banks. Bilateral swap lines: These agreements allow foreign central banks to exchange their local currencies for RMB, thus facilitating commercial payments in the event of a shortage of RMB liquidity abroad. Offshore clearing banks: These banks, located outside China, enable payments to be processed directly in RMB, thereby reducing transaction costs and times. They play an essential role in strengthening RMB liquidity on an international scale.

[4] At 31 March 2024, China's external debt stood at around RMB 17,827 trillion (approximately USD 2,512 trillion). This debt is divided between medium- and long-term debt, which accounts for 44%, and short-term debt, which accounts for 56%. As regards the breakdown by currency, around 48% of foreign debt is denominated in domestic currency (RMB), while 52% is in foreign currencies. Of the latter, 83% is in USD, 7% in Euro, and 4% in HKD and JPY respectively. The remaining 2% includes allocations such as Special Drawing Rights (SDRs)



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3. Results of the analysis on the cohabitation of superpowers, from Bretton Woods to the 21e century.

The post-war geopolitical context was dominated by Franco-British rivalry in East Africa and the emergence of the United States as a key player. The Djibouti franc was initially pegged to the French franc, but successive devaluations of the latter weakened the local currency, threatening French influence in a region dominated by sterling. Pegging the Djibouti franc to the dollar enabled France to align itself with American interests while counterbalancing British dominance in the region. The Djibouti franc has remained pegged to the dollar for 75 years, despite two revaluations in 1971 and 1973, linked to the collapse of the International Monetary System (IMS). Today, competing powers are seeking to exert their influence without destabilising the country, each guided by their own strategic interests. These major powers, which maintain military bases in this country, have an incentive to stabilise its economy in order to guarantee the security of their military installations and preserve access to strategic maritime routes. This explains why the internationalisation of the RMB is marginal, as China has lent massively in dollars for its projects.

So, having explored the intersection between maritime and monetary geopolitical theories, which highlight the dynamics of power and influence in the region, it is essential to consider the practical implications of these concepts on Djibouti's past and present situation.

3.1 Djibouti: the dollar's gateway to East Africa under the Franco-American alliance (1949)

3.1.1 A monetary decision with geopolitical repercussions.

After the Second World War, the French franc underwent several devaluations (1944, 1945, 1948), severely affecting confidence in the Somali franc, the currency used in Djibouti. These devaluations led to a flight to more stable currencies such as the East African shilling, the Marie-Thérèse Thaler and the Ethiopian dollar, disrupting the local economy. The loss of value of the franc in Djibouti made it difficult to exchange goods, even products such as fish, as traders preferred foreign currencies. [5]

To stabilise Djibouti's economy and integrate it into international networks, it had become crucial to peg its currency to a stable one. Although sterling was considered, France opted for the dollar, influenced by the Bretton Woods Agreement and the growing presence of the United States in the region. [6]

This decision was aimed not only at avoiding British influence, but also at consolidating Djibouti as a commercial hub for Ethiopian trade, while attracting American investment. By pegging the Djibouti franc to the dollar in 1949, the United States, to which much of Ethiopia's trade was directed, was able to work with France to influence the Ethiopian government's decisions about routing traffic through the port of Djibouti. France foresaw that if the Franco-Ethiopian railway and the port of Djibouti met the needs of the growing traffic, the Americans, rather than bearing the cost of building a new line, would prefer to use them, thereby helping to strengthen French influence in the region. It was therefore crucial for France to avoid building a railway line to Assab and to do everything possible to channel the expected growth in traffic from Ethiopia to Djibouti, including seeking agreements with American interests, to safeguard the future of French influence in the Horn of Africa. This was all the more feasible as there were no longer any exchange controls in CFS territory and the Djibouti franc replaced the CFA franc, becoming the first autonomous currency in the French empire to be fully backed by dollars.

[5] SAEF, B 460, R.Loiseau, note written following a visit to CFS, for M.Guindey, Director of Finex, subject: CFS, 15 September 1947.

[6] SAEF, B 460, De Largentaye, Managing Director of the International Monetary Fund, letter to M.le Président du Conseil, Ministre des Finances et Direction des Finances extérieures, subject: monetary reform in Djibouti,30 November 1948.

American capital could circulate freely in the CFS territory, allowing any American citizen to trade with the territory as if it were American soil. Thus, the peg to the dollar in 1949 enabled the United States to strengthen its influence in East Africa, while at the same time France was able to maintain its control over Djibouti while taking advantage of American collaboration to develop trade via its strategic port.

For the French Communist Party, this "monetary operation" also had a military dimension: because of its geographical position, Djibouti offered the Americans a strategic location from which to establish bases in the event of conflict with the Soviet Union, thus weakening British positions in the region: "There is another, no less worrying aspect to the 'operation'. You only have to look at the map to see the strategic importance of Djibouti in the event of war with the Soviet Union. From now on, the Americans will have free rein to set up air and naval bases on its territory. The "monetary" operation is therefore also a military operation. And this is one of the reasons why British imperialism did not resist more strongly a measure which deals a very serious blow to its positions in this part of the world" (Henri Claude, 12 May 1949).[7]

3.1.2 Support for the IMF as a lever of American influence (1948-1949)

The Bretton Woods Agreement, signed in 1944, established a system of fixed exchange rates with the US dollar as the global benchmark. This influenced economic and monetary decisions in many countries, including France and its colonies. In two cases, the Paris free market in 1948 and the Djibouti reform in 1949, we look at the different French approaches and their geopolitical impact in a context of rivalry with Great Britain. In both cases, the involvement of the United States and the International Monetary Fund (IMF) played a decisive role, with divergent results depending on the context.

Paris Free Market in 1948: IMF support for Great Britain against France

After the Second World War, France had to deal with multiple devaluations of the franc, notably in 1944, 1945 and 1948. In January 1948, faced with a drastic fall in its foreign exchange reserves, the French government decided to create a free foreign exchange market in Paris in order to make its currency more flexible and introduce discriminatory exchange rates to support its exports (Mérigot & Coulbois, 1950).

This initiative was opposed by Great Britain, which feared a depreciation of the pound sterling against the dollar on the open market. The IMF, concerned about the stability of the Bretton

[7] SAEF, B 7483, Henri Claude, extract published in the newspaper Action, 12 May 1949.

Woods system, while recognising the need for devaluation, refused to validate this market, fearing competitive devaluations. Despite this, France pursued its reform, resulting in the loss of the franc's "par value", as well as that of the CFA franc, and in October 1948 readjusted the parity of the franc, taking into account the concerns of the IMF and Great Britain.

The creation of the free market in Paris failed to gain international support, particularly from the IMF, illustrating the tensions between France and Great Britain. This failure revealed France's inability to cope with economic pressures within the rigid framework of the Bretton Woods Agreement, but indirectly influenced monetary reform in Djibouti. Immediately after the devaluation of October 1948, which restored the exchange rate of 4.03 between sterling and the dollar, the Direction des Finances Extérieures (Finex), headed by Guillaume Guindey, recommended pegging the Djibouti franc to the dollar, recreating a situation similar to that of the quotation of the pound on the Paris free market[8]

Djibouti's monetary reform in 1949: pegging the Djibouti franc to the dollar and American support

At the same time, in Djibouti, the geopolitical rivalry was palpable, as the region was historically under British influence via the sterling zone. Djibouti, whose currency was linked to the CFA franc having lost its "par value" in 1948, occupied a key geostrategic position. The French plan to link the Djibouti franc to the dollar required the approval of the IMF, and although the monetary reform was in line with the spirit of the Bretton Woods agreements, it risked displeasing the British authorities by creating a zone pegged to the dollar in the middle of a region dominated by sterling. Indeed, the creation of a money market in Djibouti where sterling would be exchanged for dollars at rates different from the official market raised concerns that it might reflect wider geopolitical rivalries between France and Britain. However, the French authorities skilfully manoeuvred to keep the project confidential and engage in secret conversations with IMF board members to secure the IMF's discreet support, including assurances that sterling transactions in Djibouti would be restricted to the private sector, without interference from the French monetary authorities.[9] In such a case, the depreciation of sterling

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[8] The attention of the brilliant External Finances - or Finex - team at the Ministry of Finance, gathered around Guillaume Guindey, between 1946 and 1950, had been drawn to both the political and economic interest attached to the project of transforming the territory into a free zone, which had long been requested by the foreign affairs departments and overseas France. The team's position was part of the group that Michel Margairaz (1991) defined as the "austero-liberals", whose movement is characterised by "the dual concern of curbing expenditure and levies internally and ensuring the free movement of goods and capital externally" (Lepage,19999).

[9] SAEF, B 460, Thierry de Clermont-Tonnerre, Direction des finances extérieures, note for the Minister of Foreign Affairs, subject: customs and monetary reform in Djibouti, 28 December 1948.

would not be the result of any action on the part of the French authorities, but of the simple interplay of supply and demand. In this way, no reproach could be levelled by the British against the official French CFS bodies.[10] In unofficial conversations, it was agreed that IMF representatives would refrain from briefing their British colleague, Mr Tansey, until the matter had been officially referred to the IMF.

On 22 March 1949, the IMF approved the reform thanks to American support, despite British opposition, thus strengthening the Franco-American axis.[11] This success enabled France to strengthen its position in Djibouti, while facilitating the entry of American interests into the region. In contrast to the Paris free market, this time the United States played a central role by supporting the pegging of the Djibouti franc to the dollar, thereby strengthening not only its influence in East Africa, but also the creation of a currency zone favourable to its strategic interests in the region. This was part of a drive to counter Soviet influence in the region, particularly during the Cold War, when Djibouti, as a strategic port, could become a key location for US military bases. As well as being a simple economic reform, this monetary operation also had a military and strategic dimension. This reform therefore had a major geopolitical impact, enabling France and the United States to position themselves advantageously in a key region for trade and military strategy.

From the outset, Djibouti's money market was hampered by British restrictions on the creation of Somali sterling accounts. After the devaluation of sterling in September 1949, Ethiopian exchange controls, put in place by the *State Bank of Ethiopia*[12] under the direction of the Americans M. Bennett and M. Blowers since 1943, accentuated these limitations, fuelling rumours of a crisis orchestrated to strengthen American influence to the detriment of the British[13]

3.1.3 American influence in the post-Bretton Woods era

With the collapse of the Bretton Woods system in 1971, many countries abandoned fixed exchange rates, but Djibouti chose to maintain its peg to the dollar. This decision strengthened

[10] SAEF, B 460, Thierry de Clermont-Tonnerre, Direction des finances extérieures, letter for M.Rivain, financial attaché for the Near East, Beirut, subject: monetary reform in Djibouti, 2 January 1949.
[11] SAEF, B 460, Director of the International Monetary Fund, De Largentaye, letter to M.ministre des Finances et Direction des Finances extérieures, subject: monetary reform in Djibouti, 22 March 1949.
[12] This institution, founded by a "proclamation" in 1942, is both the issuing institute and the official bank of the Imperial Government of Ethiopia
[13] SAEF, B 460, Blesson, Telegram for the Ministry of Foreign Affairs, Economic Affairs Directorate, 14 March 1949.

the continuity of monetary stability, but it also maintained Djibouti's dependence on fluctuations in the dollar and US monetary policy, a situation that remains today.

After its independence in 1977, Djibouti's strategic position also continued to influence its relations with the Bretton Woods institutions. Financial support from these institutions is not based solely on economic criteria, but is also motivated by geopolitical interests. Western powers with military bases in Djibouti have an incentive to stabilise its economy in order to guarantee the security of their military installations and access to strategic maritime routes. As a result, relations between Djibouti and the IMF and World Bank have strengthened, with significant financial support for debt management and the funding of development projects. In this context, the United States uses its monetary dominance to protect trade routes, control international transactions, strengthen its economic and military alliances, and apply financial sanctions when necessary. The United States exploits its military presence and the influence of the dollar to preserve its hegemony. As the main reserve currency, the dollar enables the United States to exert significant control over the international financial system and global trade routes, thereby facilitating trade and financing for countries that adopt it (Prasad, 2014; Cohen, 2015; 2019).

Djibouti, with its currency pegged to the dollar, illustrates this dynamic. This persistent link with the dollar, which remains the reference currency for trade and financial flows linked to economic aid and infrastructure contracts, facilitated the establishment of the American military base in 2002, notably at Camp Lemonnier, thus consolidating the American presence. This base reflects the increased geopolitical importance of the country in American security strategies in Africa and the Middle East, as already anticipated in 1949 by the French Communist Party. The country has been able to take advantage of its strategic position, close to areas of conflict in East Africa (Ethiopia, Somalia, Eritrea), becoming a key point for regional stability and the fight against terrorism and piracy. This makes it an international military hub, with new bases for several major powers (United States, China, Japan) reflecting the convergence of international security interests in the region.

However, this monetary stability is accompanied by a dependence on fluctuations in the dollar and US monetary policy, which continues to influence Djibouti's economic situation today. This approach shows that monetary domination is often linked to a military presence to protect economic and political interests.

However, while Western powers have historically been Djibouti's main partners, China has also become a key player in recent years. In 2017, China established its first overseas military base in Djibouti, a move that again reflects the country's growing importance in China's New Silk Roads initiative and its growing strategy in global security. At the same time, China's massive dollar loans also represent a dual strategy. When people talk about China 'getting rid' of its dollars by lending massively to developing countries like Djibouti, this is in fact a key element of debt diplomacy, which has several objectives: to use dollar reserves to obtain a better return on investment than safe, low-yielding assets such as US Treasury bills, while creating financial dependence for strategically located countries. Debt, often at high interest rates, can become unsustainable, giving China leverage to obtain economic concessions (control of strategic infrastructure) or geopolitical concessions (diplomatic alliances, military installations). So "debt diplomacy" and the idea that China is "getting rid" of its dollars by lending to countries like Djibouti are closely linked, strengthening its influence through debt.

3.2 China's debt diplomacy - competition via the dollar

Chinese-Djiboutian relations must be analysed not only in the context of China's economic interests, but also taking into account the economic and monetary stability and maritime geopolitical issues that influence Djibouti. Djibouti's geographical position controls access to vital sea lanes, including the Gulf of Aden, through which more than a billion dollars a day in trade between China and the European Union passes. This reinforces Djibouti's importance in global supply chains and underlines its role in maritime geopolitics, particularly in the context of energy security

Djibouti is also well placed close to resource-rich countries such as Ethiopia and Sudan. To stimulate regional production and trade, Djibouti has established several free trade zones, offering tax advantages including exemptions on corporate and income tax. These zones aim to strengthen Djibouti's role as a trade hub, and are part of China's New Silk Roads (NSI) initiative. This location represents a strategic asset for China, which is seeking to secure its access to the resources needed to support its economic growth. Djibouti's political and economic stability is therefore key to securing this access, and China's infrastructure investments in Djibouti, worth a total of $14.4 billion, aim to strengthen this stability (Chaziza, 2021). Since 2017, China has increased its presence in Djibouti by establishing its first overseas military base.

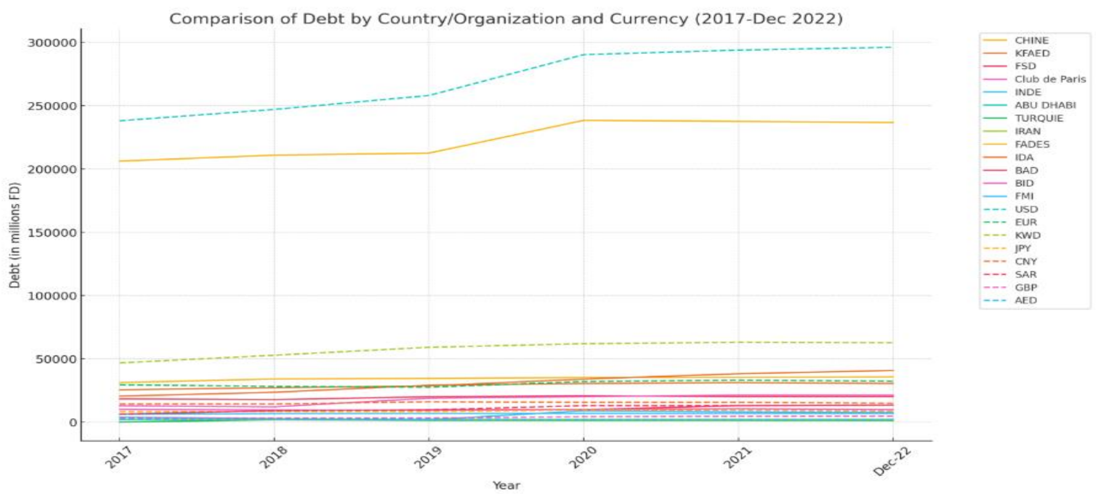
Although China is investing massively in local infrastructure, its loans remain mainly denominated in dollars, consolidating its presence without de-dollarising the local economy.

Chinese loans in USD are favoured in transactions where stability and liquidity are essential (Gelpern et al., 2023).

By using dollar loans to finance strategic investments such as the port of Doraleh and the Djibouti-Ethiopia railway, China is extending its geopolitical influence while maintaining the attractiveness of its financing. This approach allows it to integrate its own economic interests into a monetary system dominated by the United States. In this way, it is using its large currency reserves more strategically to reduce its dependence on the US dollar, diversify its investments and strengthen its economic and geopolitical influence. This approach aims not only to optimise the use of its reserves, but also to consolidate its international position on the world stage.

The most worrying aspect of China's presence in Djibouti is its debt diplomacy. Debt diplomacy is a lever of power for China. Djibouti is now one of the African countries most indebted to China, with around 70% of its external debt held by Chinese creditors. This financial dependence exposes the country to the risk of economic concessions or the sale of strategic infrastructure, such as the port of Doraleh, in the event of default (Faris Al-Fadhat, 2022). In 2020, the IMF warned Djibouti of a high risk of debt distress, fuelling fears of a 'debt trap' in which Beijing could exploit its dominant position to increase its control over Djibouti's infrastructure. China's potential control of strategic infrastructure in the event of default, combined with its military presence, could limit Djibouti's diplomatic room for manoeuvre vis-à-vis Beijing and complicate its relations with other powers such as the United States and France.

Graph 1: Breakdown of debt by country/organisation and by currency from 2017 to December 2022.



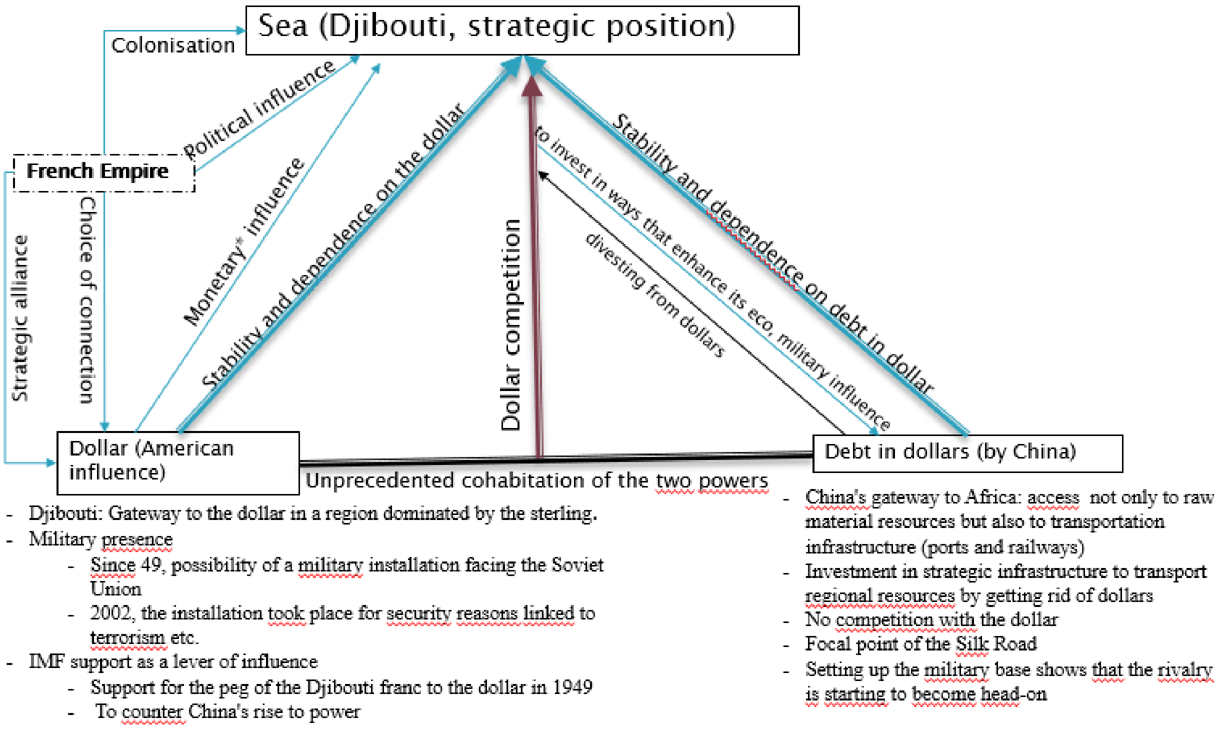
Source : produced by the author

- **Solid lines** represent debt by country or specific organisation, such as China, KFAED, IMF, etc.
- The **dotted lines** represent debt by currency, such as USD, EUR and KWD.

It can be seen that debt to China (solid orange line) and debt in US dollars (dotted blue line) are the largest, with moderate variations in other debts over the years. Djibouti thus finds itself caught up in a dual dynamic in which Chinese investment increases its economic dependence, while the use of the dollar maintains US monetary influence

In addition to this maritime and military issue, Djibouti is at the heart of another aspect of the rivalry between the great powers: control of the submarine cables, a crucial new geopolitical issue

Figure 2: diagram summarising the results of the analysis of superpower cohabitation



Source: produced by the author

Since 1949, the United States has maintained its influence in Djibouti through the pegging of the Djibouti franc to the dollar, anchored in alliances with the French colonial empire. This has meant political influence for France and monetary domination for the United States.

China's growing presence in Africa, with Djibouti as its gateway, adds a new complexity. China avoids direct monetary rivalry by using the dollar to extend its influence. However, the establishment of a Chinese military base indicates that this rivalry is beginning to take a more direct form. Over time, China could demand debt repayments in yuan, challenging the dollar's dominance and transforming the monetary system.

Conclusion

Although small in size and resources, Djibouti is a key strategic player at the crossroads of global trade routes between Asia, Africa and Europe. Its geopolitical importance stems from both its exceptional geographical position, at the crossroads of the Red Sea and the Bab-el-Mandeb Strait, and its role in securing vital maritime routes.

At the same time, its peg to the US dollar since 1949 has helped to stabilise its economy, attract foreign investment and consolidate the US military presence, notably with the Camp Lemonnier base. This strategic choice has enabled Djibouti to ensure monetary stability, which has benefited its economic development.

However, this monetary stability has been accompanied by dependence on fluctuations in the dollar and US monetary policy. With the rise of China, Djibouti finds itself juggling between two global superpowers. On the one hand, the United States is maintaining its monetary and military dominance, while on the other, China is asserting itself through its "debt diplomacy", investing massively in Djibouti's infrastructure, such as the port of Doraleh and the Addis Ababa-Djibouti railway line. These massive investments, while beneficial in the short term for infrastructure development, create economic dependence on China and risk dragging Djibouti into a "debt trap". This situation exposes Djibouti to possible economic or political concessions in the event of default, thereby compromising its sovereignty

This context highlights the complexity for Djibouti of navigating between the enduring Franco-American influence, its strategic role in maritime geopolitics, and Chinese debt diplomacy. These competing powers are seeking to exert their influence without destabilising the country, each guided by its own strategic interests.

The question remains: how can Djibouti preserve its sovereignty while maintaining a balance in its economic and geopolitical relations with these global players? The answer lies in its ability to take advantage of its unique geopolitical position to balance influences and strengthen its diplomatic alliances, to better manage its debt by strengthening its cooperation with multilateral institutions such as the IMF or the World Bank, and to avoid ceding control of its strategic infrastructure. The fact that Djibouti hosts American, French and Chinese military bases demonstrates its ability to remain a neutral and central player in international relations. This neutrality could be an asset in negotiating more favourable terms with its creditors, while maintaining a degree of strategic independence.

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