

## **Market for Access: Competition, Power Projection, and the Cost of Foreign Bases**

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Power projection is a central means by which states exert influence. Conventional wisdom holds that states pay more for foreign bases in the presence of third-party competitors, yet the mechanisms by which competition shapes the costs of bases are both theoretically underspecified and empirically understudied. This article tests three mechanisms by which competition can shape the price of access—denial, crowding out, and information—by studying the behavior of the United States in Africa, using new quantitative data on US compensation and bases and qualitative evidence from the US presence in Djibouti. The findings indicate that China’s economic incentives crowded out the effectiveness of US economic incentives, while Djiboutian leaders escalated their demands for US compensation as other base-seekers entered the market. Our findings suggest that third-party competitors can pose problems for the United States even without seeking bases themselves.

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## Introduction

Foreign military access is central for states seeking to influence events far beyond their borders with military power, particularly for remote, maritime states such as the United States.<sup>3</sup> Because projecting power is logistically intensive, and becomes even harder when moving troops and materiel across bodies of water, great powers seek access to foreign territory to station, deploy, and resupply military forces.<sup>4</sup> Foreign bases thus represent a key geopolitical instrument.<sup>5</sup>

The United States maintains the largest global network of bases<sup>6</sup> and yet, like other sending states, it often must pay for the privilege of stationing troops on foreign soil, and there is enormous variation in the amount of compensation that it offers to host countries. In 2001, the United States paid \$2 million a year in base rent along with infrastructure upgrades to secure military access to an airbase at the Manas International Airport in Kyrgyzstan. By 2009, the United States was paying \$60 million a year, making Manas the most expensive US base in the world.<sup>7</sup> A similar dynamic unfolded in Djibouti. In 2003, the United States signed a \$15 million annual lease for Camp Lemonnier. By 2015, base rents had increased to \$63 million a year, along with a package of arms, aid, and contract spending, making Camp Lemonnier the new most expensive US base.<sup>8</sup> In other cases, by contrast, hosts compensate the United States for the costs of US bases through “host-nation support” programs.<sup>9</sup>

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<sup>3</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001); Jack S. Levy and William R. Thompson, “Balancing on Land and at Sea: Do States Ally against the Leading Global Power?,” *International Security*, Vol. 35, No. 1 (2010), pp. 7–43; Jonathan N. Markowitz and Christopher J. Fariss, “Going the Distance: The Price of Projecting Power,” *International Interactions*, Vol. 39, No. 2 (2013), pp. 119–143.

<sup>4</sup> Martin Van Creveld, *Supplying War: Logistics from Wallenstein to Patton* (New York: Cambridge University Press, 1977); Michael E. O’Hanlon, *The Science of War: Defense Budgeting, Military Technology, Logistics, and Combat Outcomes* (Princeton, NJ: Princeton University Press, 2009).

<sup>5</sup> Access is multidimensional and varies in terms of duration and scale. Short-term and minimal forms of access include overflight and transit rights, while basing rights are a longer-term, maximal form of access. We focus on foreign basing as one of the most consequential, visible, and measurable forms of military access. As such, we use the terms “access” and “bases” interchangeably unless otherwise specified.

<sup>6</sup> This network ranges from large permanent bases to small contingency locations designed to support specific operational needs. As of 2015, the US military reported 587 real property sites—locations owned or leased by the DoD—across 42 foreign countries. Department of Defense, *Base Structure Report: FY 2015 Baseline* (Washington, DC: US Department of Defense, 2015), pp. 3–6. The majority of these sites are part of the Cold War legacy network in Germany, Japan, and South Korea.

<sup>7</sup> Jim Nichol, “Kyrgyzstan and the Status of the U.S. Manas Airbase: Context and Implications” (Washington, DC: Congressional Research Service, July 1, 2009), p. 4, <https://apps.dtic.mil/sti/citations/ADA502702>; Jim Nichol, “Central Asia: Regional Developments and Implications for US Interests” (Washington, DC: Congressional Research Service, March 21, 2014), <https://sgp.fas.org/crs/row/RL33458.pdf>.

<sup>8</sup> Andrew Jacobs and Jane Perlez, “US Wary of Its New Neighbor in Djibouti: A Chinese Naval Base,” *The New York Times*, February 25, 2017, <https://nyti.ms/2lHemYf>.

<sup>9</sup> Michael J. Lostumbo et al., *Overseas Basing of U.S. Military Forces: An Assessment of Relative Costs and Strategic Benefits* (Santa Monica, CA: RAND, 2013).

Existing literature suggests several explanations for variation in the cost of overseas military presence. The literature on foreign basing often points to the role of domestic politics and anti-basing movements in driving up the price of access, as well as the presence of outside options for the host. In a nutshell, when states compete for bases, they pay more.<sup>10</sup> This basic insight accords with the conventional wisdom, rooted in broader literatures and policy discourse, that states will pay more for less in the presence of competition. The economics literature, for example, suggests that the price of a valuable commodity is sensitive to competition. The more potential “buyers” there are, the more compensation a “seller” can demand in exchange.<sup>11</sup> In international relations, this logic has been applied in the context of military alliances,<sup>12</sup> as well as to explain why donors fail to achieve influence or impose conditions in foreign aid.<sup>13</sup>

But while intuitive at first glance, the link between competition and foreign military presence is less obvious under further scrutiny. First, is basing necessarily a scarce good? One state’s presence does not obviously preclude others from establishing a base in the same country. *Ceteris paribus*, hosts should want to collect compensation from multiple states. Second, what constitutes an outside option? If we define outside options narrowly, in the form of other countries competing directly for bases, then competition may not be common. Although China seeks influence in many countries that host US forces, it has only obtained a base in one US base host to date (Djibouti). More broadly, while we have evidence of competition for basing in select

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<sup>10</sup> Robert E. Harkavy, *Great Power Competition for Overseas Bases: The Geopolitics of Access Diplomacy* (New York: Pergamon, 1982); Alexander Cooley and Daniel H. Nexon, “The Empire Will Compensate You: The Structural Dynamics of the U.S. Overseas Basing Network,” *Perspectives on Politics*, Vol. 11, No. 4 (2013), pp. 1034–1050; Jonathan N. Brown, “Immovable Positions: Public Acknowledgment and Bargaining in Military Basing Negotiations,” *Security Studies*, Vol. 23, No. 2 (2014), pp. 258–292; Jonathan N. Brown, “The Sound Of Silence: Power, Secrecy, and International Audiences in US Military Basing Negotiations,” *Conflict Management and Peace Science*, Vol. 31, No. 4 (2014), pp. 406–431.

<sup>11</sup> Kalyan Chatterjee and Ching Chyi Lee, “Bargaining and Search with Incomplete Information about Outside Options,” *Games and Economic Behavior*, Vol. 22 (1998), pp. 203–237; Kalyan Chatterjee, *Bargaining in the Shadow of the Market: Selected Papers on Bilateral And Multilateral Bargaining* (Singapore: World Scientific, 2013).

<sup>12</sup> Glenn H. Snyder, *Alliance Politics* (Ithaca, NY: Cornell University Press, 1997); Timothy W. Crawford, *Pivotal Deterrence: Third-Party Statecraft and the Pursuit of Peace* (Ithaca, NY: Cornell University Press, 2003); Tongfi Kim, *The Supply Side of Security: A Market Theory of Military Alliances* (Stanford, CA: Stanford University Press, 2016).

<sup>13</sup> Bruce Bueno de Mesquita and Alastair Smith, “Competition and Collaboration in Aid-for-Policy Deals,” *International Studies Quarterly*, Vol. 60, No. 3 (2016): 413–27; Thad Dunning, “Conditioning the Effects of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa,” *International Organization* Vol. 58, No. 2 (2004): 409–23.

cases, we lack systematic empirical evidence on how competition shapes the price of foreign military presence across a large universe of cases.<sup>14</sup>

In this article, we investigate the mechanisms by which competition can shape the price of foreign military bases. We argue that there are at least three. First is the *denial* effect, through which a rival state's actions directly and intentionally prevent a sender from maintaining a base. This can be due to the simple scarcity of the available real estate, with the rival's possession of a base preventing others from operating on the same territory, or to coercive diplomacy, with competitors enticing or threatening hosts to deny each other access. Second is the *crowding out* effect, through which a competitor's incentives indirectly and perhaps unintentionally devalue the incentives offered by the sending state by reducing the host's need for them. Hosting foreign military bases is not costless, as doing so has the potential to foster a domestic backlash.<sup>15</sup> By receiving incentives from third parties, governments may become less willing to tolerate hosting a foreign presence considering the associated downsides, driving up the price they would be willing to accept. This mechanism highlights the role of indirect competition, which we argue can have similar effects to direct competition in the form of base seekers (or deniers).

Finally, the *informational* effect operates by revealing to the host government the value of its real estate. When more than one foreign power seeks a presence, hosts will likely bid up their asking price in recognition of their leverage. While these mechanisms reflect the host's outside options, they are conditioned by the sending state's outside options. When the sending state can opt out of a competitive market for access, then it can avoid unfavorable bargains. When the sending state has fewer choices of its own, it is more vulnerable to the effects of competition.

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<sup>14</sup> Harkavy, *Great Power Competition for Overseas Bases*; Robert E. Harkavy, *Bases Abroad: The Global Foreign Military Presence* (New York: Stockholm International Peace Research Institute, 1989); Alexander Cooley and Hendrik Spruyt, *Contracting States: Sovereign Transfers in International Relations* (Princeton, NJ: Princeton University Press, 2009); Cooley and Nexon, "The Empire Will Compensate You."

<sup>15</sup> Alexander Cooley, *Base Politics: Democratic Change and the U.S. Military Overseas* (Ithaca, NY: Cornell University Press, 2008); Andrew Yeo, *Activists, Alliances, and Anti-U.S. Base Protests* (New York: Cambridge University Press, 2011); David A. Lake, "Legitimizing Power: The Domestic Politics of U.S. International Hierarchy," *International Security*, Vol. 38, No. 2 (2013), pp. 74–111; Takako Hikotani, Yusaku Horiuchi, and Atsushi Tago, "Revisiting Negative Externalities of US Military Bases: The Case of Okinawa," *International Relations of the Asia-Pacific*, doi:10.1093/irap/lcac002. Though as Schmidt and Yeo and Pettyjohn argue, the tension between sovereignty and hosting foreign forces has likely declined over time due to bases becoming more a function of voluntary agreements than conquest and colonialism. Sebastian Schmidt, *Armed Guests: Territorial Sovereignty and Foreign Military Basing* (New York: Oxford University Press, 2020); Sebastian Schmidt, "Imperial Relations? Hierarchy and Contemporary Base Politics," *Security Studies*, Vol. 31, No. 5 (October 2022), pp. 917–944; Andrew Yeo and Stacie Pettyjohn, "Bases of Empire? The Logic of Overseas U.S. Military Base Expansion, 1870–2016," *Comparative Strategy*, Vol. 40, No. 1 (2021), pp. 18–35.

We explore these mechanisms using evidence on US military bases and compensation in Africa. In recent years, Africa has been targeted by outside powers seeking influence and access for security and economic ends. The United States has pursued expanded military bases across the continent while its primary competitor, China, has invested heavily in states that include US base hosts. Africa represents a useful case study because the nature of competition from China varies both across cases and over time, allowing us to search for evidence of all three mechanisms. In most cases, China has sought only an economic, rather than military footprint. But in Djibouti, China established its first overseas military base in 2017.

We conduct the first large-N statistical analysis of variation in the costs of bases in Africa, using new data on US bases and compensation in Africa between 2001 and 2020. These data account for approximately \$38 billion in previously unmeasured government spending and provide a more robust measure of the price of bases when combined with traditional measures such as foreign aid and arms. Finally, we process-trace the hypothesized mechanisms in a case study of US basing access in Djibouti. The quantitative findings show that the United States offers more incentives to host countries when those hosts receive more economic assistance from China, offering evidence for the crowding out mechanism. The Djibouti case study shows that the costs of US access increased as more rival powers sought their own access in the country, both because their attempts revealed the value of Djiboutian territory to its leaders, and because the United States paid a premium to avoid having to share space with its major power competitors, Russia and China.

This article makes several contributions to international relations scholarship. First, we add to scholarship on economic statecraft by presenting the first systematic study of the conditions under which great powers are more or less able to use economic inducements to secure overseas bases.<sup>16</sup> We also highlight government procurement as a strategic tool that has gone largely unstudied as a source of international influence.<sup>17</sup> Second, we add to scholarship on the politics of foreign basing by more precisely theorizing the effects and mechanisms of competition, employing new data on US bases and compensation to test them, and providing

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<sup>16</sup> Though Allen and coauthors investigate the effects of economic benefits on public support for US bases. Michael A. Allen et al., “Outside the Wire: U.S. Military Deployments and Public Opinion in Host States,” *American Political Science Review*, Vol. 114, No. 2 (2020), pp. 326–341.

<sup>17</sup> Brian Blankenship and Renanah Miles Joyce, “Purchasing Power: US Overseas Defense Spending and Military Statecraft,” *Journal of Conflict Resolution*, Vol. 64, No. 2–3 (2020), pp. 545–573; Allen et al., “Outside the Wire.”

systematic, large-N evidence that the emergence of a provider of alternative goods increases the price the United States must pay to secure overseas bases. Finally, we contribute to literature on great power politics by showing the ways in which rivals can impose costs on great powers which rely on foreign bases. Persuading other states to provide access is inherently costly; by providing outside options for host states, third parties can increase these costs, a trend likely to be reinforced as US power declines relative to competitors.<sup>18</sup>

The findings have implications for US foreign policy as well. In an era of renewed great power competition, in which the United States vies for influence and access with rival powers like China and Russia, it is worth revisiting the ways in which competition shapes the price of presence. China does not yet have a large overseas military presence commensurate with its growing economic and military power.<sup>19</sup> One might thus not expect US-China competition to pose the sorts of problems for American bases abroad as did US-Soviet competition during the Cold War, where the two superpowers competed for bases in the same regions and sought to persuade and intimidate hosts to deny access to the other.<sup>20</sup> Yet our findings suggest that even without competing directly for bases, China's efforts to expand its economic footprint and seek other forms of influence can nevertheless shape the United States' ability to secure bases abroad.

### **How Competition Shapes the Costs of Basing**

At its core, competition is likely to drive up the amount of compensation that base hosts can extract by allowing them to refuse lower offers more easily. A large economics literature shows that when buyers compete for scarce commodities, sellers can drive more advantageous bargains.<sup>21</sup> Related literatures extend this logic to show that actors pay more for less when providers of alternative goods emerge: aid donors struggle to impose conditions,<sup>22</sup> great powers

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<sup>18</sup> Alexander Cooley and Daniel Nexon, *Exit from Hegemony: The Unraveling of the American Global Order* (New York: Oxford University Press, 2020).

<sup>19</sup> Isaac B. Kardon, "China's Global Maritime Access: Alternatives to Overseas Military Bases in the Twenty-First Century," *Security Studies*, Vol. 31, No. 5 (October 2022), pp. 885–916.

<sup>20</sup> Harkavy, *Great Power Competition for Overseas Bases*; Stacie L. Pettyjohn, *U.S. Global Defense Posture, 1783-2011* (Santa Monica, CA: RAND, 2012); Mark David Nieman et al., "An International Game of Risk: Troop Placement and Major Power Competition," *The Journal of Politics*, Vol. 83, No. 4 (2021), pp. 1307–1321.

<sup>21</sup> Shirish D. Chikte and Sudhakar D. Deshmukh, "The Role of External Search in Bilateral Bargaining," *Operations Research*, Vol. 35, No. 2 (1987), pp. 198–205; Chatterjee and Lee, "Bargaining and Search with Incomplete Information about Outside Options"; Chatterjee, *Bargaining in the Shadow of the Market: Selected Papers on Bilateral And Multilateral Bargaining*.

<sup>22</sup> Dunning, "Conditioning the Effects of Aid."

get less foreign policy compliance,<sup>23</sup> and maintaining hegemony becomes harder.<sup>24</sup> This logic has been applied to basing, with scholars observing that when a base host has its choice of other partners, it can drive an even harder bargain.<sup>25</sup>

However, it is not a priori clear whether or how the logic of competition applies to basing. First, basing is not automatically a scarce good—countries can and do host multiple bases. Djibouti hosts nine different foreign bases, following a regime philosophy of “let a thousand flowers bloom.”<sup>26</sup> Second, the competitors who may shape the sending state’s ability to secure bases at reasonable costs are not always seeking bases themselves, and it is thus not clear what constitutes an “outside option” in the context of foreign military basing. The United States and China compete across Africa—and much of the world—for influence, but not for bases per se. To date, to the best of our knowledge, China has only pursued a base in one country that also hosts US forces. Once we relax assumptions about scarcity and outside options, the connection between competition and the cost of basing becomes less clear. In the remainder of this section, we take up the task of specifying at least three ways that third-party actors might drive up the price of bases.

The first stems from what we call the *denial effect*, which refers to ways in which rivals actively prevent a country from obtaining a base. This is, in essence, the “classic” case for competition over basing. Rivals can directly compete for the same good of military access, which is not necessarily zero-sum but nevertheless can be a scarce good. The level of supply-side exclusivity is related to the type of access: minimal forms of access tend to be less exclusive than maximal ones. Countries can grant overflight to many states, but will only offer to host so many bases—often because of domestic constraints on hosting foreign militaries, as we discuss below. The nature of the country’s infrastructure can enhance scarcity as well, as port and airfield capacity may be in limited supply.

Geopolitical competition between buyers can also introduce scarcity. Especially during the Cold War, the Soviet Union used a variety of diplomatic, economic, and military tools to entice and coerce hosts into denying access to the United States. For example, the Soviets tried to

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<sup>23</sup> Bueno de Mesquita and Smith, “Competition and Collaboration in Aid-for-Policy Deals.”

<sup>24</sup> Andersen, Morten Skumsrud, Alexander Cooley, and Daniel H. Nexon, eds., *Undermining American Hegemony: Goods Substitution in World Politics* (Cambridge: Cambridge University Press, 2021).

<sup>25</sup> Cooley and Spruyt, *Contracting States*; Harkavy, *Great Power Competition for Overseas Bases*.

<sup>26</sup> Zach Vertin, *Great Power Rivalry in the Red Sea: China’s Experiment in Djibouti and Implications for the United States* (Brookings Doha Center, June 1, 2020), p. 6.

lure Iceland into evicting the United States from its base at Keflavik Airport by becoming a major importer of Icelandic goods, especially fish.<sup>27</sup> Moreover, the United States and Soviet Union sometimes competed over base hosts in the same region.<sup>28</sup> For example, the Soviet Union was unwilling to seek bases in Djibouti during the Cold War because the Djiboutian port was under French control.<sup>29</sup>

The unipolar era may have relieved these constraints, as the United States became effectively the only great power seeking bases globally, even though other states maintained smaller footprints in certain regions.<sup>30</sup> With the reemergence of great power competitors in recent years, however – particularly China – one might expect Cold War-style dynamics to reemerge, with the United States and China competing for influence and base hosts and seeking to deny them to each other. Indeed, recent fears that a Chinese military presence in Djibouti would impede the US military’s ability to operate freely prompted the United States to issue a series of “red lines” to Djibouti in an effort to limit Chinese access.<sup>31</sup> In our other motivating example of Manas airbase in Kyrgyzstan, Russian economic and political coercion played a role in Kyrgyz efforts first to extract a higher price for the US base and ultimately to evict the Americans.

Even if rivals are not necessarily competing for the same bases, they might pressure the seller into restricting each other’s military access, and pay a premium to do so. China used its investments in the Northern Marianas Islands as leverage in an attempt to restrict US military access in 2015, for example.<sup>32</sup> Other reasons that states may deny access include fear of external reprisals for enabling military operations from their territory. For example, West European

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<sup>27</sup> Gudni Th. Jóhannesson, “To the Edge of Nowhere?: US-Icelandic Defense Relations during and after the Cold War,” *Naval War College Review*, Vol. 57, No. 3/4 (2004), pp. 115–137.

<sup>28</sup> Harkavy, *Great Power Competition for Overseas Bases*; Harkavy, *Bases Abroad*; Nieman et al., “An International Game of Risk.”

<sup>29</sup> Memorandum From Paul B. Henze of the National Security Council Staff to the President’s Assistant for National Security Affairs (Brzezinski), August 1, 1979, *Foreign Relations of the United States (FRUS), 1977–1980*, Vol. 17: Horn of Africa, Part 1 (Washington, D.C.: Government Printing Office [GPO], 2016), p. 887–888.

<sup>30</sup> Robert E. Harkavy, “Thinking about Basing,” *Reposturing the Force: US Overseas Presence in the Twenty-First Century* (Newport, RI: Naval War College Press, 2005), pp. 9–31; Pettyjohn, *US Global Defense Posture, 1783–2011*; Cooley and Nexon, “The Empire Will Compensate You”; Cooley and Nexon, *Exit from Hegemony*.

<sup>31</sup> Zach Vertin, “Great Power Rivalry in the Red Sea: China’s Experiment in Djibouti and Implications for the United States” (Brookings Institution, June 15, 2020), p. 6, <https://www.brookings.edu/research/great-power-rivalry-in-the-red-sea/>.

<sup>32</sup> Johnny Blades, “US military plans present difficult balancing act for Marianas,” *Radio New Zealand News*, August 22, 2016, <https://www.radionz.co.nz/international/pacific-news/311582/us-military-plans-present-difficult-balancing-act-for-marianas>.

dependence on Middle Eastern oil led allies to stave off the brunt of the oil embargo by denying the US military overflight and aircraft refueling rights during the 1973 Arab-Israeli crisis.

For the second mechanism, we relax the assumption of direct competition and consider that inducements from an alternative provider function as a form of indirect competition, even when the alternative provider is not directly seeking to acquire or block a base. This is the *crowding out* effect, through which a competitor's incentives reduce hosts' need for one's own compensation. Because the great power depends on its quid pro quo, any actor that provides a similar good devalues the great power's leverage. This similar good may involve economic inducements such as foreign aid, or non-economic incentives like alliances. In 2008, for example, Ecuador ejected the United States from Manta Air Base in part because economic assistance from Venezuela and Hong Kong reduced Ecuador's need for US compensation.<sup>33</sup> More broadly, the emergence of China as a rival aid donor and trade partner has made it easier for developing countries to refuse making political concessions in exchange for assistance.<sup>34</sup> Yet to date, China is unique in that it has sought to expand its ability to project power abroad, but has largely done so not through bases, but through access to infrastructure like ports through the ownership rights of state-owned enterprises.<sup>35</sup>

For this second mechanism to operate, one must assume that, all else being equal, hosts would prefer not to host the sending state's base, and do not desire one for its own sake. This could be true to the extent that the host government is likely to face domestic costs for allowing a foreign state to seemingly encroach on its sovereignty, and potentially for exposing local populations to negative externalities including crime, noise, and pollution.<sup>36</sup> In principle, host

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<sup>33</sup> Joshua Partlow, "Ecuador Giving US Air Base the Boot," *Washington Post*, September 4, 2008, <http://www.washingtonpost.com/wp-dyn/content/article/2008/09/03/AR2008090303289.html>.

<sup>34</sup> Ngaire Woods, "Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance," *International Affairs (Royal Institute of International Affairs 1944-)*, Vol. 84, No. 6 (2008), pp. 1205–1221; Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (New York: Oxford University Press, 2009); Stephen B. Kaplan, "Banking Unconditionally: The Political Economy of Chinese Finance in Latin America," *Review of International Political Economy*, Vol. 23, No. 4 (2016), pp. 643–676; Axel Dreher et al., "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," *International Studies Quarterly*, Vol. 62, No. 1 (March 2018), pp. 182–194; Scott L. Kastner and Margaret M. Pearson, "Exploring the Parameters of China's Economic Influence," *Studies in Comparative International Development*, Vol. 56, No. 1 (2021), pp. 18–44; Mitchell Watkins, "Undermining Conditionality? The Effect of Chinese Development Assistance on Compliance with World Bank Project Agreements," *The Review of International Organizations*, Vol. 17, No. 4 (October 2022), pp. 667–690.

<sup>35</sup> Kardon, "China's Global Maritime Access"; Isaac B. Kardon and Wendy Leutert, "Pier Competitor: China's Power Position in Global Ports," *International Security*, Vol. 46, No. 4 (April 2022), pp. 9–47.

<sup>36</sup> Cooley, *Base Politics*; Yeo, *Activists, Alliances, and Anti-US Base Protests*; Lake, "Legitimizing Power: The Domestic Politics of US International Hierarchy"; Hikotani, Horiuchi, and Tago, "Revisiting Negative Externalities

governments might desire foreign forces to the extent that they are a signal of the sending state's commitment to protect them. This is more likely to be true in cases where the host and sending countries face a common, external threat—for example, when the host is a formal ally.<sup>37</sup> As we discuss below, this is less likely to be the case in the African context from which our empirical analysis is drawn, where threats facing host governments are internal, US presence tends to be quite small, and the United States does not provide security guarantees.

The final mechanism, the *informational* effect, operates when the bids from foreign competitors seeking bases informs the host about how much leverage it has by virtue of its desirable real estate. The value of a particular piece of territory or infrastructure is contingent upon the needs of the countries seeking to establish a base, and may not be a priori obvious to host countries.<sup>38</sup> Moreover, if there is only one potential “buyer,” hosts might underestimate the degree to which it desires a base on their territory specifically. But if the host receives overtures from multiple buyers, the value it can extract from leasing its territory becomes more apparent. Thus, foreign competition might drive up the price of access even if the host is willing and able to accommodate multiple countries' bases simply by removing their ability to strategically conceal their need for the host's territory.

Finally, it is important to note that our focus on host countries' outside options in this article is not to suggest that the *sender's* outside options are unimportant. When access seekers have alternatives, they are less susceptible to bargaining pressures and can credibly threaten to reject unfavorable terms. Thus we might expect the effects of competition to be more severe as sending states have fewer alternative hosts from which to choose. Instead, our focus on external competition stems in part from practical limitations. For one, it is difficult to know how many

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of US Military Bases”. Though as Schmidt and Yeo and Pettyjohn argue, the tension between sovereignty and hosting foreign forces has likely declined over time due to bases becoming more a function of voluntary agreements than conquest and colonialism. Schmidt, *Armed Guests*; Schmidt, “Imperial Relations?”; Yeo and Pettyjohn, “Bases of Empire?”

<sup>37</sup> Stacie L. Pettyjohn and Alan J. Vick, *The Posture Triangle: A New Framework for US Air Force Global Presence* (Washington, DC: RAND, 2013); Zachary Selden, “Balancing Against or Balancing With? The Spectrum of Alignment and the Endurance of American Hegemony,” *Security Studies*, Vol. 22, No. 2 (2013), pp. 330–364; Brian Blankenship and Erik Lin-Greenberg, “Trivial Tripwires?: Military Capabilities and Alliance Reassurance,” *Security Studies*, Vol. 31, No. 1 (2022), pp. 92–117.

<sup>38</sup> Faruk Gul and Hugo Sonnenschein, “On Delay in Bargaining with One-Sided Uncertainty,” *Econometrica*, Vol. 56, No. 3 (1988), pp. 601–611; In-Koo Cho, “Uncertainty and Delay in Bargaining,” *The Review of Economic Studies*, Vol. 57, No. 4 (October 1990), pp. 575–595; Yossi Feinberg and Andrzej Skrzypacz, “Uncertainty about Uncertainty and Delay in Bargaining,” *Econometrica*, Vol. 73, No. 1 (2005), pp. 69–91; Yongma Moon, Tao Yao, and Sungsoo Park, “Price Negotiation under Uncertainty,” *International Journal of Production Economics*, Robust Supply Chain Management, Vol. 134, No. 2 (December 2011), pp. 413–423.

viable base host options there were in any given case. Moreover, many potential measurements are imprecise, noisy, and likely proxy for other factors. For example, hosts that are politically stable and friendly to the United States might be more viable, all else being equal, but because the US presence in Africa was designed for counterterrorism and stabilization, the United States needed access close to hot spots. Finally, the sending state's outside options can change over time in ways that are endogenous to the basing relationship. Investments in infrastructure become sunk costs that make the location more valuable to the investor while reducing the attractiveness of alternatives.

Nevertheless, we note that the effects of competition may be conditioned by the sending state's own outside options. While these effects are difficult to explore in the context of the quantitative analysis, we give them close attention in the qualitative portion of this article.

## **Measuring Compensation and Bases**

### *Compensation*

Economic compensation for military bases has been both understudied and poorly modeled in existing literature, in part due to the lack of systematic data. Qualitative studies of basing politics include case-specific discussions of base rents and quid pro quo, but it is hard to generate cross-sectional data from these studies. Even if systematic data on base rents were available, they would provide a limited picture of compensation. The United States has a long-standing official position against paying "rent" for bases (a position honored in the breach in recent high-profile cases such as Kyrgyzstan and Djibouti). Instead, the United States has historically preferred three alternative forms of compensation for bases: foreign aid, arms transfers, and government procurement. The frequency of each form varies across time and space. In the analyses that follow, we combine spending, arms transfers, and foreign aid to produce a more robust, composite measure of compensation.<sup>39</sup>

The first form of compensation is US government overseas contract spending. Commercial contracts are dual-use vehicles to acquire the goods and services that the US military needs to operate overseas while also directing economic benefits to firms in host countries.<sup>40</sup> Preferential procurement, in which the US military bypasses open competition to

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<sup>39</sup> In robustness checks, we use alternative specifications that measure spending, aid, and arms separately.

<sup>40</sup> Cooley and Nexon, "The Empire Will Compensate You"; Allen et al., "Outside the Wire."

award contracts for goods and services to local firms, is an increasingly popular tool. In the 21 years covered by our analysis, the US government has legislated preferential procurement policies to help the US military secure overseas access three times: Central Asia, Djibouti, and all of Africa. Notably, the fiscal year 2017 National Defense Authorization Act (NDAA) granted the DoD authority to conduct limited-competition or preferential procurement with firms in any African country that “has signed a long-term agreement with the United States related to the basing or operational needs of the United States Armed Forces.”<sup>41</sup>

Government spending as a foreign policy tool has been overlooked in part because of the assumption that governments have a strong home bias in their procurement, thus missing its utility as a foreign policy tool.<sup>42</sup> In practice, contracts have served as a means of payment for access since the United States acquired its overseas basing network after World War II. An example is Thule Air Base in Greenland, where a Greenlandic company held the base support contract for 65 years under diplomatic terms negotiated with the United States in 1951.

Our contract data come from the Federal Procurement Data System-Next Generation (FPDS-NG) and capture all reported US government contracts with a place of performance in African countries between 2001 and 2020.<sup>43</sup> Altogether, these data represent \$38 billion in previously unmodeled spending within our period of analysis. Figure 1 shows the overall pattern of US government purchases in Africa.

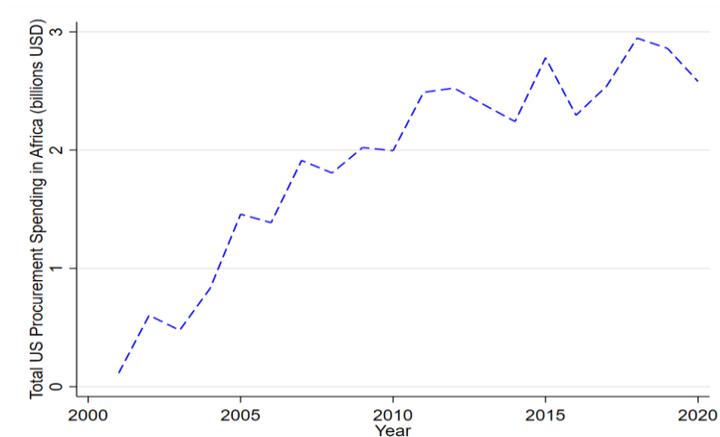
Figure 1: US procurement spending in Africa, 2001-2020

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<sup>41</sup> NDAA for Fiscal Year 2017, Title X, Subtitle H, Sec. 899A.

<sup>42</sup> Gernot J. Müller, “Understanding the Dynamic Effects of Government Spending on Foreign Trade,” *Journal of International Money and Finance*, Vol. 27, No. 3 (April 2008), pp. 345–371; Anirudh Shingal, “Econometric Analyses of Home Bias in Government Procurement,” *Review of International Economics*, Vol. 23, No. 1 (2015), pp. 188–219; Stephanie J. Rickard and Daniel Y. Kono, “Think Globally, Buy Locally: International Agreements and Government Procurement,” *The Review of International Organizations*, Vol. 9, No. 3 (September 2014), pp. 333–352.

<sup>43</sup> By law, unclassified federal procurement data must be publicly available; as of 2020, these data are housed at the SAM.gov Data Bank (<https://sam.gov/>). Federal government agencies are required to report data to FPDS-NG on all contracts worth \$3500 or more. “Contract Reporting,” Title 48, *Code of Federal Regulations (CFR)*, Pt. 4, Subpt. 4.6, 2018 ed. The DoD has a comparatively small classified budget for acquiring sensitive programs and weapons systems, i.e., spending that would not be used for host-nation compensation. If disclosure of its needs would harm national security, DoD can use a “national security exception” to limit full and open competition. Between 2007 and 2010 around \$13 billion out of \$1.5 trillion in DoD contract obligations fell under this category. See US Government Accountability Office, “Defense Contracting: Improved Policies and Tools Could Help Increase Competition on DOD’s National Security Exception Procurements,” GAO 12-263, Washington, D.C., 2012, p. 8.



The second form of compensation is foreign aid. Since the 1950s, the United States has explicitly offered economic and military aid to countries in exchange for basing rights. By one estimate, approximately 10 percent of US foreign assistance went to base-rights countries every year during the Cold War.<sup>44</sup> Despite the frequency with which aid has been used for “access-buying,” it too is surprisingly understudied as payment for access. The third form of compensation is arms transfers. Great powers have frequently offered arms—either through commercial sales or grants—in exchange for bases. During the 1970s, for example, the Soviet Union became Somalia’s principal arms supplier in exchange for naval access to Somali ports.<sup>45</sup> In the 1940 “destroyers-for-bases” deal that foreshadowed subsequent forms of arms for access, the United States gave Britain 50 WWI-era destroyers in exchange for 99-year leases on bases in the Western Hemisphere.

### *Bases*

Although military access can take more forms than bases, we focus on foreign bases for two reasons. First, bases are essential for sustained military operations. Second, bases typically entail a more enduring access relationship than transient access such as deployments for joint

<sup>44</sup> Duncan L. Clarke and Daniel O’Connor, “US Base-Rights Payments after the Cold War,” *Orbis*, Vol. 37, No. 3 (June 1993), p. 441.

<sup>45</sup> Richard Remnek, “The Soviet-Somali ‘Arms for Access’ Relationship,” *Post-Soviet Review*, Vol. 10, No. 1 (1983), pp. 59–81.

exercises or transit and overflight rights. Bases thus represent one of the most consequential, visible, and measurable forms of military access.

Prior attempts to identify the locations of US facilities—especially those established since 2001, as in Africa—have been plagued by a dearth of confirmed information on facility locations, resulting in incomplete lists that give little sense of start and end dates.<sup>46</sup> To provide a systematic and time-varying coding of facilities, following Blankenship and Joyce, we use US government procurement data, which include descriptions of each contract action.<sup>47</sup> Through an initial content analysis of two years (2014-2015), we identified 46 keywords and eight product or service codes associated with military facility-related contracts. We then coded all Defense Department contract actions in Africa as facility-related if they: (1) contained one or more keywords, and (2) fell under one of the product or service codes. Next, we created a country-year dummy variable which takes the value of 1 if the state hosted a US military facility and 0 otherwise. To be coded as 1, there need to be base-related contract actions in at least two out of three consecutive years, as well as at least five such actions during those same three years. Including only contract actions that happen consistently over at least two to three years helps to rule out false positives and ensures that our measure of military facilities is stable over time, rather than fluctuating from year to year in each country.<sup>48</sup>

Coding US military presence in this way allows us to create a time-varying measure of bases that does not rely on fragmented media sources or declassified government documents. For example, we capture US presence in Niger several years before news reports confirmed a US drone base there in 2017.<sup>49</sup> Similarly, our coding captures all but one of 12 countries (Libya) reported by *Military Times* in 2017 as having hosted US forces in Africa,<sup>50</sup> as well as all but two

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<sup>46</sup> David Vine, *Base Nation: How US Military Bases Abroad Harm America and the World* (New York: Metropolitan Books, 2015); Adam Moore and James Walker, “Tracing the US Military’s Presence in Africa,” *Geopolitics*, Vol. 21, No. 3 (July 2016), pp. 686–716.

<sup>47</sup> Blankenship and Joyce, “Purchasing Power.”

<sup>48</sup> See Appendix A for details on coding the facilities variable.

<sup>49</sup> Sudarsan Raghavan and Craig Whitlock, “A city in Niger worries a new US drone base will make it a ‘magnet’ for terrorists,” *Washington Post*, November 24, 2017, [https://www.washingtonpost.com/world/africa/a-city-in-niger-worries-a-new-us-drone-base-will-make-it-a-magnet-for-terrorists/2017/11/23/0b62fbf4-cef3-11e7-a87b-47f14b73162a\\_story.html](https://www.washingtonpost.com/world/africa/a-city-in-niger-worries-a-new-us-drone-base-will-make-it-a-magnet-for-terrorists/2017/11/23/0b62fbf4-cef3-11e7-a87b-47f14b73162a_story.html).

<sup>50</sup> Shawn Snow, “US troops lack support despite expanding mission in Africa,” *Military Times*, November 19, 2017, <https://www.militarytimes.com/flashpoints/2017/11/19/us-troops-lack-support-despite-expanding-mission-in-africa/>. Our coding also includes 10 countries not identified by either *Military Times* or by Vine: Benin; Cote d'Ivoire; The Gambia; Morocco; Rwanda; Sao Tome and Principe; Sierra Leone; South Africa; Tanzania; Togo. However, the results are robust to excluding them.

of 22 countries (Botswana and South Sudan) coded by David Vine as hosts of US forces at some point during the study period.<sup>51</sup> As a robustness check, we create an alternative measure of US presence using data on American troop presence from the Defense Manpower Data Center collected by Allen and coauthors, and the results are substantively similar.<sup>52</sup>

### Testing the Mechanisms

To explore the effects of competition on variation in the cost of bases, we focus on the context of Africa since 2001 for several reasons. The first reason is that Africa is one of the main regions in which the US footprint expanded dramatically in the post-Cold War period. Since 2001, the United States has sought bases in Africa to support counterterrorism operations in the Middle East, combat the spread of transnational threats across the Sahel, and foster deeper military partnerships with African states (notably since the creation of US Africa Command in 2007). The US military has sought small bases across the continent to combat the tyranny of distance across a massive and logistically austere continent. US bases in Spain, Italy, and Greece are too far to reach inland (e.g., for crisis response) without additional access points.<sup>53</sup> Reliance on drones and special operations forces to conduct missions across the continent has magnified the need for multiple local points of access. By 2018, the US military acknowledged 15 enduring and 31 contingency locations in Africa supporting over 7,000 personnel.<sup>54</sup>

Second, US basing relationships with Africa are almost exclusively transactional in nature.<sup>55</sup> Rather than offering incentives like alliances and protection, the United States offers economic forms of compensation like foreign aid, arms, and procurement spending. Moreover,

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<sup>51</sup> David Vine, "Lists of US Military Bases Abroad, 1776-2021," American University Digital Research Archive, 2021, <https://doi.org/10.17606/7cm4-hb13>. Vine's source for Botswana only indicates an access agreement, while no source for South Sudan is offered.

<sup>52</sup> Allen et al., "Outside the Wire." The average number of troops in countries not coded as hosting a base is 10, while that of countries coded as base hosts is 100. The disadvantage to using troop levels is that they can fluctuate from year to year, which is difficult in the African context given the generally low levels of US forces to begin with. Troops can also be present for reasons unrelated to a standing presence such as exercises or disaster relief.

<sup>53</sup> John Vandiver, "Staging sites enable AFRICOM to reach hot spots 'within 4 hours,' leader says," *Stars and Stripes*, May 8, 2015, <https://www.stripes.com/news/africa/staging-sites-enable-africom-to-reach-hot-spots-within-4-hours-leader-says-1.345120>.

<sup>54</sup> Shawn Snow, "US troops lack support despite expanding mission in Africa," *Military Times*, November 19, 2017, <https://www.militarytimes.com/flashpoints/2017/11/19/us-troops-lack-support-despite-expanding-mission-in-africa/>; US Senate Committee on Armed Services. United States Central Command and United States Africa Command. 115th Cong., 2nd sess., 13 March, 2018. Statement of Gen. Thomas Waldhauser, Commander, United States Africa Command.

<sup>55</sup> Pettyjohn, *US Global Defense Posture, 1783-2011*.

the incentives offered by competitors, particularly China, are largely economic as well, making it easier to identify and measure the effects of competition on US compensation.

Third, outside powers increasingly compete for access and influence in what some have dubbed a “new scramble for Africa.”<sup>56</sup> In particular, China’s economic and military presence in Africa has grown significantly in the past decade.<sup>57</sup> Like the United States, China seeks influence and, more recently, military bases in Africa. The evolution in China’s military thinking is apparent in its defense white papers, which in 2000 claimed that “China does not seek military expansion, nor does it station troops or set up military bases in any foreign country,” but by 2019 stated that “to address deficiencies in overseas operations and support, [the PLA] builds far seas forces, develops overseas logistical facilities, and enhances capabilities in accomplishing diversified military tasks.”<sup>58</sup> In 2017, China opened its first overseas military base in Djibouti and has negotiated with Equatorial Guinea to open a second base on Africa’s Atlantic coast.<sup>59</sup>

China pursues influence and access through extensive economic investment across the continent. Evidence suggests that Chinese aid is driven by both strategic and economic considerations, with resource-rich countries, poorer countries, and those which vote more often with China in the UN receiving more aid, and countries that recognize Taiwan receiving less.<sup>60</sup> Domestic political factors like regime type and corruption, meanwhile, have little impact. China’s infrastructure and economic investments, often at superficially attractive terms, provide potential hosts with an alternative means of meeting their needs without having to strike a bargain with the United States. Both US and Chinese relationships in Africa are primarily transactional; neither great power has formal security alliances with African states. Moreover, as

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<sup>56</sup> Padraig Carmody, *The New Scramble for Africa*, 2nd edition (Malden, MA: Polity, 2016).

<sup>57</sup> Although we focus on China, Russia has increasingly sought bases in Africa and Britain and France maintain bases in former colonies.

<sup>58</sup> *China’s National Defense in 2000* (Beijing: Information Office of the State Council, 2000), Sec. II, <https://www.fmprc.gov.cn/ce/cgvienna/eng/ljzg/zfbps/t127412.htm#3>; and *China’s National Defense in the New Era* (Beijing: Information Office of the State Council, 2019), Sec. III, [http://english.www.gov.cn/archive/whitepaper/201907/24/content\\_WS5d3941ddc6d08408f502283d.html](http://english.www.gov.cn/archive/whitepaper/201907/24/content_WS5d3941ddc6d08408f502283d.html).

<sup>59</sup> Michael M. Phillips, “China Seeks First Military Base on Africa’s Atlantic Coast, US Intelligence Finds,” *Wall Street Journal*, December 5, 2021, <https://www.wsj.com/articles/china-seeks-first-military-base-on-africas-atlantic-coast-u-s-intelligence-finds-11638726327>.

<sup>60</sup> John P. Tuman and Majid Shirali, “The Political Economy of Chinese Foreign Direct Investment in Developing Areas,” *Foreign Policy Analysis*, Vol. 13, No. 1 (January 2017), pp. 154–167; Dreher et al., “Apples and Dragon Fruits.”

the case of Djibouti illustrates, the two powers are reluctant to share the same space, and the US military explicitly sees China as its primary competitor in Africa.<sup>61</sup>

To test the three mechanisms outlined above, we rely on a combination of quantitative evidence and a case study of the US base at Camp Lemonnier in Djibouti. Because the bulk of foreign competition in Africa was economic rather than military in nature prior to the late 2010s, the quantitative analysis focuses on exploring the crowding out mechanism. Specifically, it does so by focusing on the Chinese economic footprint, as China’s rise as a source of development assistance represents a break from an earlier period defined by the dominance of the World Bank and the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) donors.<sup>62</sup> The Djibouti case study, in turn, allows us to test the denial and informational mechanisms by exploring how competition from other foreign powers seeking bases in Djibouti—including China—shaped US bargaining over basing access.

### **Quantitative Evidence from Africa, 2001-2018: The Crowding Out Mechanism**

#### *Data*

Our primary dependent variable is a composite measure of US foreign aid, arms, and government procurement in each country in a given year. As described above, our procurement data come from FPDS-NG. While we would like to know the precise distribution of benefits, the Federal Acquisition Regulations limit the government’s ability to stipulate how prime contractors subcontract for the goods or services they provide.<sup>63</sup> The government can request informally that prime contractors use local vendors, but subcontractor information is not captured in FPDS-NG.<sup>64</sup> Thus we use the contract place of performance as a proxy. Between 2001 and 2020, the United States spent more than \$38 billion in goods, services, and construction across Africa—an average of more than \$3 billion per year. Our data on US foreign aid include both economic and military assistance and come from the US Agency for International Development (USAID),

**Commented [MOU1]:** This now says 2018, but all of the data/figures below still say 2020. Do we need to change those too?

**Commented [BB2R1]:** The reason I changed it to 2018 is because that's the last year for which we have data on Chinese economic incentives, which I added a reference to below. I think we can still have the other references to 2020, though.

<sup>61</sup> US Senate Committee on Armed Services. United States Central Command and United States Africa Command. 117th Cong., 2nd sess., 15 March, 2022. Statement of Gen. Stephen J. Townsend, Commander, United States Africa Command.

<sup>62</sup> Woods, “Whose Aid?”; Watkins, “Undermining Conditionality?”

<sup>63</sup> “Postaward Orientation,” Title 48, *CFR*, Pt. 42, Subpt. 42.5 (2018).

<sup>64</sup> This means that the data could show a US firm as contract recipient when in reality the spending is going into the local economy.

while data on arms transfers come from the Security Assistance Monitor.<sup>65</sup> We sum the total value of US spending, aid, and arms sales (in constant 2012 US dollars) by country-year to create our composite measure of compensation.

Our main independent variable captures Chinese economic competition using data on Chinese loans from the China-Africa Research Initiative's Chinese Loans to Africa Database.<sup>66</sup> Specifically, we construct a three-year moving average of the total dollar amount of Chinese loans to each country in Africa (in constant 2012 US dollars). In turn, we interact this measure of Chinese loans with a binary indicator for whether a country hosted a US military facility in a given year, which is coded following the procedure described above. Figure 2 shows how the total number of countries coded as hosting the US military changed over time between 2001 and 2020.

Additionally, we include a number of control variables in our models to mitigate the potential for omitted variable bias. First, we include a few political and economic covariates: population, GDP per capita, and regime type. The first two of these account for market size and economic development, which could potentially affect both attractiveness for military access and outside powers' financial flows. We capture regime type using the composite Polity score, which varies between -10 (full autocracy) and 10 (full democracy) to create a binary measure of democracy defined as states scoring at least a 6.<sup>67</sup> Second, in some models we include several foreign policy-related covariates. One is the number of US military operations in each region of Africa.<sup>68</sup> We code this variable using annual information on named operations from US Africa Command posture statements.<sup>69</sup> The number of regional named operations ranges from 0 to 3. Another is the average number of terrorist incidents occurring in countries in the surrounding region, as the US military presence in Africa expanded as part of the United States' "War on Terror." Data are from the Global Terrorism Database.<sup>70</sup> Both of these variables are likely to shape where the United States obtains access. Additionally, we include a foreign policy affinity

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<sup>65</sup> USAID, ForeignAssistance.Gov, <https://foreignassistance.gov/data>; Security Assistance Monitor, <http://securityassistance.org/>.

<sup>66</sup> China-Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, <http://www.sais-cari.org/data> (accessed April 28, 2022). Data run through 2018.

<sup>67</sup> Monty G. Marshall and Keith Jagers, *Polity IV Project: Political Regime Characteristics and Transitions, 1800-2015*, <http://www.systemicpeace.org/polity/polity4.htm>.

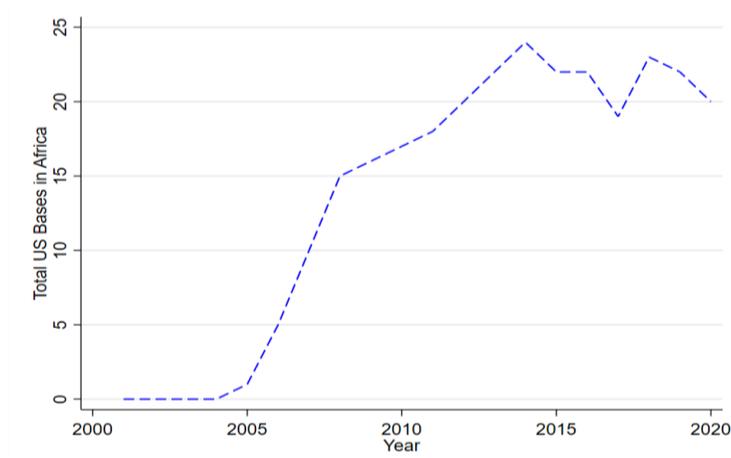
<sup>68</sup> We define region using US Africa Command's five-region categorization (North, Central, East, West, South).

<sup>69</sup> We include all operations that involve combat. See the appendix for the full list of coded operations.

<sup>70</sup> START (National Consortium for the Study of Terrorism and Responses to Terrorism), 2022. Global Terrorism Database 1970 – 2020. <https://www.start.umd.edu/gtd>

variable that measures the distance between the foreign policy ideal points of the United States and each country using UN voting.<sup>71</sup> Finally, we include country and year fixed effects to account for both time-invariant country heterogeneity (e.g., geography) and secular temporal trends that simultaneously influence our independent and dependent variables. Accounting for these trends is important as both US presence and the US and Chinese economic footprints in Africa have increased over time.

Figure 2: US bases in Africa by year, 2001-2020



### Results

Table 1 shows how Chinese economic competition shapes the amount of compensation that the United States provides to hosts. The positive sign and statistical significance of the *US Base \* Chinese Loans* interaction term indicates that, all told, base hosts that receive more Chinese loans also receive more US incentives, on average. Moreover, the statistically insignificant coefficients on the single *Chinese Loans* variable indicates that, in the absence of a US base, there is no such relationship between Chinese loans and US incentives.

To further illustrate the magnitude of these effects, Figure 3 plots the predicted level of US compensation across the values of Chinese loans. Hosts receiving no Chinese loans get an

<sup>71</sup> Michael A. Bailey, Anton Strezhnev, and Erik Voeten, “Estimating Dynamic State Preferences from United Nations Voting Data,” *Journal of Conflict Resolution*, Vol. 61, No. 2 (2017), pp. 430–456.

average of \$152.8 [95% CI: 101.2-204.5] million in US compensation, while hosts receiving \$2 billion in Chinese loans get nearly four times as much compensation (\$507.9 [286.3-729.5] million). On average, each additional \$100 in Chinese loans is associated with an additional \$20 in US incentives.

Table 1: Determinants of US economic compensation. All models estimated using ordinary least squares regression.

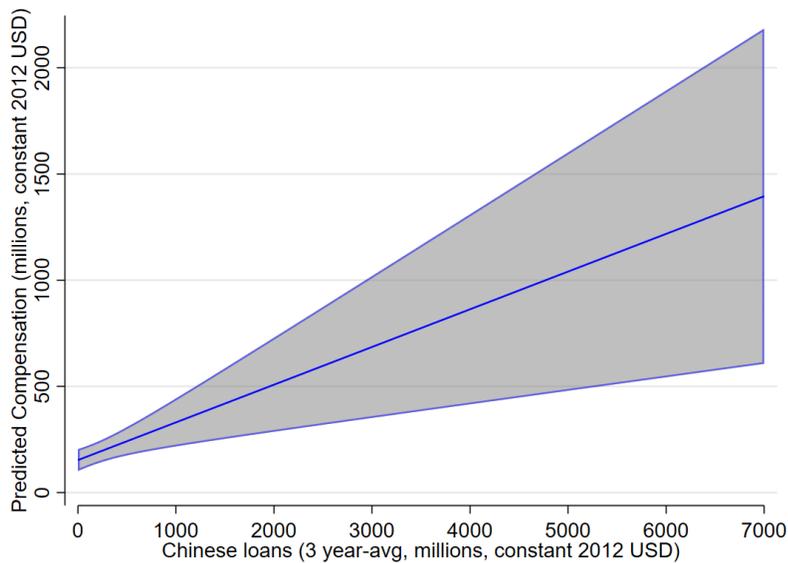
	(1)	(2)	(3)
	Compensation	Compensation	Compensation
US base	27.225 (29.619)	17.363 (31.057)	6.495 (33.380)
Chinese loans (3-yr avg)	-0.005 (0.015)	-0.016 (0.014)	-0.013 (0.017)
US base * Chinese loans	0.205** (0.063)	0.207** (0.062)	0.191** (0.058)
GDPpc (log)		53.404 (40.851)	42.877 (38.020)
Democracy		31.324 (29.284)	33.763 (31.103)
Population (log)		185.681 (157.803)	112.914 (164.034)
For pol ideal pt distance			19.481 (37.209)
US military operations			35.442 (22.275)
Regional terrorism			0.224 (0.616)
Constant	344.325*** (17.375)	-3264.469 (2781.544)	-2021.886 (2826.761)
Observations	944	881	870
R <sup>2</sup>	0.52	0.52	0.52

Standard errors clustered by country in parentheses.

All models include country and year fixed effects.

+ p < 0.10, \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001

Figure 3: Predicted levels of US compensation among base hosts, conditional on Chinese loans. Results are based on Model 3 in Table 1.



#### *Robustness Checks*

The results are robust to numerous additional tests, reported in Appendix B of the supplementary materials. First, we limit our analysis to a sample of country-years that only includes the 2005-2020 period. The Global Defense Posture Review that shifted US basing priorities away from large, permanent bases and toward a flexible basing approach focused on smaller contingency locations, and which preceded a massive expansion of US presence in Africa and the creation of US Africa Command, only occurred in 2004. Thus, we would expect our theory's market logic to most readily apply to this period. Second, we exclude Djibouti and Kenya from the sample, which are the hosts with the two largest US presence and in which the DoD owns real property as defined by its Base Structure Reports.

Third, we use more restrictive versions of our coding of US bases, excluding those procurement contracts that contain the words “school,” “hospital,” or “clinic,” which might indicate civilian rather than defense-related spending. Finally, we use alternative measures of US presence. The first restricts our coding to only include countries for which we have another source—either the *Military Times* or David Vine’s coding—while the second excludes contracts referencing “schools,” “hospitals,” or “clinics,” which might indicate civilian rather than defense-related spending. The third only includes countries hosting at least ten US troops, following Allen and coauthors.<sup>72</sup>

Fourth, we use alternative measures of the dependent variables. These include removing procurement spending from our composite measure of compensation, as it is endogenous to US military presence, as well as arms transfers, for which we only have data through 2018. In other models, we limit the dependent variable to economic aid, as it is the most fungible form of compensation. None of these alternative measures substantively change the results.

### **Qualitative Evidence from Djibouti, 2001–2017: The Denial and Informational Mechanisms**

We complement our quantitative results with a case study of US bargaining for military access in Djibouti between 2001 and 2017. A case study allows us to process-trace the theory’s causal mechanisms. We select Djibouti because of the high value of competition: Djibouti had many outside options in the market for access, while the United States had few. Cases with extreme values on the explanatory variables help to highlight causal mechanisms.<sup>73</sup>

Djibouti is a small country perched on the Horn of Africa. The country lacks natural resources and most of the population is impoverished. Civil and political liberties are sharply circumscribed under President Ismail Guelleh, the dictatorial leader who has held power since 1999, but Djibouti has remained stable relative to its neighbors. Moreover, Djibouti is endowed with a geostrategic location that offers easy access to North, East, and Central Africa as well as the Arabian Peninsula and Indian Ocean via the Bab el-Mandeb strait.

The terrorist attacks of September 11, 2001 transformed the Horn of Africa from an afterthought to an area of strategic need for the United States. US Central Command

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<sup>72</sup> Michael A. Allen, Michael E. Flynn, and Carla Martinez Machain, “US Global Military Deployments, 1950–2020,” *Conflict Management and Peace Science*, Vol. 39, No. 3 (2022), pp. 351–370.

<sup>73</sup> On selecting cases with “extreme” values on the independent variables, see Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005).

(CENTCOM), the military command with responsibility for operations in the region, perceived an urgent need for access in the Horn of Africa to project power into the Middle East and Africa.<sup>74</sup> US defense officials, led by then-Secretary of Defense Donald Rumsfeld, visited the region in 2002 to seek potential hosts. They found few good options. Ethiopia, implicated in human rights abuses, had just ended a war with Eritrea. Somalia was a failed state. CENTCOM was interested in Eritrea's Dahlak Islands, but the US-Eritrean relationship was under stress and diplomatic pressures precluded the Defense Department from pursuing a base there.<sup>75</sup> Only Djibouti—once dubbed the “eye of the cyclone” for its stability in a volatile region—emerged as a viable candidate.<sup>76</sup>

#### *Bargaining Without Host Outside Options*

The American military presence in Djibouti began with a small amount of access—a soccer field used to land helicopters. CENTCOM negotiated with the Djiboutian army for use of the field, paying the army a \$5 million “use fee.”<sup>77</sup> Guelleh quickly realized that he was sitting on valuable real estate, although he did not yet know how valuable. The only other outside power in Djibouti at the time was France, the former colonial power, which maintained around 1,400 troops there in exchange for a security guarantee to Djibouti. In the aftermath of the September 11 attacks, the French were eager to accommodate US operations in the region and offered to share access in Djibouti.

As CENTCOM's need for access increased, a second round of negotiations began in 2003. Guelleh pushed for more compensation, but in the absence of outside options, his information about the value he could extract from leasing his territory remained limited. This lack of information was reflected in the modest demands that he posed when negotiations began. In exchange for Camp Lemonnier, a former French military base located at Djibouti's Ambouli International Airport, Guelleh requested that the United States build Djibouti a new airport—a one-time investment that would yield permanent control of Lemonnier to the Americans. The

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<sup>74</sup> Author interview with former DoD official, June 27, 2017.

<sup>75</sup> Author interview with former DoD official, June 27, 2017; and author interview with DoD official, February 10, 2022.

<sup>76</sup> US Senate Committee on Foreign Relations. *The Horn of Africa: Changing Realities and US Response*. 102nd Cong., 2nd sess., 19 March, 1992, pp. 22-37. Statement of Peter J. Schraeder.

<sup>77</sup> Author interview with DoD official, February 10, 2022.

DoD declined the offer, landing on a five-year lease instead, which was signed in 2003.<sup>78</sup> In exchange, the United States offered \$15 million a year in base rents along with a large package of military and economic aid.<sup>79</sup> A new round of negotiations led to renewing the lease agreement in 2006 and expanding the base to nearly 500 acres. When the base expanded, the Djiboutians secured a new deal worth \$38 million a year.<sup>80</sup> By 2015, Camp Lemonnier would house around 4,500 US military personnel and serve as a central logistics hub for operations in East Africa and the Arabian Peninsula. Nearby, Chebelley Airfield would serve as a launch point for intelligence, reconnaissance, and surveillance missions.

### *Bargaining With Host Outside Options*

Other access-seekers soon followed the US military to Djibouti, leading it to be dubbed “the most valuable military real estate in the world” by 2018.<sup>81</sup> Japan opened its first overseas base since 1945, paying \$30 million a year in rents for its facility.<sup>82</sup> Germany, Spain, and Italy established a military presence there and Djibouti’s port served as an operational base for the European Union’s counter-piracy mission, EUNAVOR Atalanta.<sup>83</sup> Then Russia and China turned to Djibouti, seeking their own bases there. Importantly, evidence of the crowding out mechanism is muted in Djibouti: the regime had seized on foreign basing as its main way to generate revenue and was delighted to squeeze as much as possible out of each prospective sending state.

The United States first learned about Russia’s interest in acquiring a base in Djibouti in 2013.<sup>84</sup> Not only did Russia want a base in Djibouti, they wanted a base adjoining Camp Lemonnier. The United States was determined to deny Russia this military access. To do so, the United States opened up new basing negotiations with Djibouti. A key imperative for the new

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<sup>78</sup> Author interview with DoD official, February 10, 2022; author interview with State Department official, October 12, 2017.

<sup>79</sup> The aid package included \$13.5 million in military aid in 2003, a large amount in comparison to military aid over the previous four years, which averaged just \$545,000. Based on obligations data (in historical dollars) from USAID 2019. Information on base rents is from author interview with DoD official, February 10, 2022.

<sup>80</sup> Jennifer N. Brass, “Djibouti’s Unusual Resource Curse,” *The Journal of Modern African Studies*, Vol. 46, No. 4 (2008), p. 526.

<sup>81</sup> Bruno Maçães, “The most valuable military real estate in the world,” *Politico*, January 15, 2018, <https://www.politico.eu/blogs/the-coming-wars/2018/01/the-most-valuable-military-real-estate-in-the-world/>.

<sup>82</sup> David Styan, “Djibouti: Changing Influence in the Horn’s Strategic Hub” (London: The Royal Institute of International Affairs, 2013); Tom Kelly, “Good Things Come in Small Packages: The US-Djiboutian Security Partnership,” *American Ambassador’s Review*, No. Fall (2015), pp. 14–18.

<sup>83</sup> Styan, “Djibouti: Changing Influence in the Horn’s Strategic Hub.”

<sup>84</sup> “Russia’s Inroads in Africa,” *NPR Weekend Edition Saturday*, April 7, 2018, <https://www.npr.org/2018/04/07/600482806/russias-inroads-in-africa>.

basing deal was securing first right of refusal for any other foreign military base within a certain distance of Camp Lemonnier.<sup>85</sup> Guelleh ultimately agreed, but only after extracting a high price. Then-National Security Advisor Susan Rice went to Djibouti in person to finalize the 2014 Implementing Arrangement that extended the lease on Camp Lemonnier and created a buffer around the base to prevent other militaries from establishing a contiguous presence. In exchange for shutting out Russia's basing ambitions, the United States agreed to nearly double the annual rent to \$63 million, along with \$1 billion in facility upgrades.<sup>86</sup> By 2015, Camp Lemonnier had become the United States' most expensive overseas base.

In addition to the hefty base rents, the United States offered a series of economic and military aid packages. Between 2001 and 2015, the United States transferred \$61 million in military aid to Djibouti—a more than 400 percent increase over all prior military aid to Djibouti.<sup>87</sup> Finally, Guelleh pushed the United States to direct more money into the local economy. The United States agreed to pursue legislative authorities to allow the DoD to contract directly with Djiboutian firms for goods and services. Congress passed legislation in 2015 that granted the DoD authority to preferentially award Djiboutian firms base support contracts, bypassing open competition.<sup>88</sup> According to our data, the United States—the third largest employer in Djibouti—has spent an annual average of over \$220 million in contracts with a place of performance in Djibouti since 2008.<sup>89</sup>

Although the United States managed to deny access to Russia, it was subsequently blindsided by news about China. In November 2015, China announced its intention to open its first overseas naval base in Djibouti, roughly four miles from Camp Lemonnier.<sup>90</sup> Construction began in April 2016 and the base officially opened in August 2017, making Djibouti the first country in the world to host both US and Chinese military forces.<sup>91</sup>

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<sup>85</sup> Author interview with US official, December 13, 2021.

<sup>86</sup> Jacobs and Perlez, "US Wary of Its New Neighbor in Djibouti."

<sup>87</sup> Nearly half of this is driven by two major obligations in 2003 and 2014—the years that the basing agreements for Camp Lemonnier were negotiated.

<sup>88</sup> National Defense Authorization Act for Fiscal Year 2015, Title XII, Subtitle E, Sec. 1263, 296-297; Rachel E. Herald, "The Africa First Initiative and Local Procurement." Master's thesis, 2018, Air Force Institute of Technology.

<sup>89</sup> Kelly, "Good Things Come in Small Packages: The US-Djiboutian Security Partnership," 15.

<sup>90</sup> Jacobs and Perlez, "US Wary of Its New Neighbor in Djibouti."

<sup>91</sup> "Xi urges troops at China's first overseas base to help promote peace and boost country's image," *South China Morning Post*, November 4, 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2118400/xi-urges-troops-chinas-first-overseas-base-help-promote>.

The United States tried to deny access to China as well, but could not—or, more precisely, would not—pay enough. American “red lines” over the Chinese presence were issued and promptly transgressed by Guelleh, who saw the vista of new financial opportunities in hosting a Chinese base.<sup>92</sup> China had begun to flood Djibouti with economic benefits. Between 2010 and 2013, China directed \$111 million in “other official flows” of commercially directed aid.<sup>93</sup> China further invested in a natural gas project, a free-trade zone, a railway connecting Ethiopia to Djibouti’s port, and a water pipeline with Ethiopia, among other projects.<sup>94</sup> In addition, China transferred \$13 million in major weapons systems, including transport aircraft, to Djibouti between 2014 and 2016.<sup>95</sup>

Against the flood of Chinese economic inducements, the only real leverage that the United States had was the threat of leaving. But without viable outside options of its own, this threat lacked credibility. According to an official who observed negotiations for the 2014 basing agreement:

I told CENTCOM... The more [cement] we pour, the more we cement ourselves in. Pour cement somewhere else. The reason the price jumped so dramatically in 2014 was because we didn’t have an alternative plan.<sup>96</sup>

The lack of outside options weakened the US position and left it vulnerable to bargaining pressures. Ultimately, the United States opted to stay, paying a premium for its access and finding itself unable to shut China out.

The Djibouti case also provides suggestive evidence that an informational mechanism affected not only escalating US costs, but those of other access seekers as well, in particular France and China. France historically did not pay for access in Djibouti, but Guelleh used the negotiations with the United States to extract rents from France. He secured a deal in which France paid \$36 million a year to retain its other facilities and an additional \$36 million in

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<sup>92</sup> Author interview with former US official, November 18, 2021; Vertin, “Great Power Rivalry in the Red Sea.”

<sup>93</sup> According to data from AidData.

<sup>94</sup> Kinling Lo, “From rail and airports to its first overseas naval base, China zeroes in on tiny Djibouti,” *South China Morning Post*, November 21, 2017, <http://www.scmp.com/news/china/diplomacy-defence/article/2120713/rail-and-airports-its-first-overseas-naval-base-china>; Yun Sun, “Picking Up Steam: The Expansion of Chinese Railways in Africa,” *Africa in Focus* blog, Brookings Institution, September 26, 2014, <https://www.brookings.edu/blog/africa-in-focus/2014/09/26/picking-up-steam-the-expansion-of-chinese-railways-in-africa/>; and Congressional Research Service, “China’s Engagement in Djibouti.” In Focus, IF11304, 2019, <https://sgp.fas.org/crs/row/IF11304.pdf>.

<sup>95</sup> According to data from SIPRI Arms Transfer Database.

<sup>96</sup> Author interview with DoD official, February 10, 2022.

military spending and economic aid.<sup>97</sup> Eventually, the French presence in Djibouti began to shrink as they were “priced out” of the market.<sup>98</sup> Although the United States did not succeed in blocking the Chinese base in Djibouti, it is likely that US opposition provided a useful bargaining chip for the Djiboutians. Ultimately China also paid a high price, reportedly offering \$20 million a year in base rents, a large investment in Djibouti’s Doraleh port facilities, and nearly \$600 million in contracts to build the new airport that Guelleh had originally sought from the United States.<sup>99</sup>

Finally, there is little evidence in support of alternative arguments that stress domestic politics as a determinant of access.<sup>100</sup> The nature of the regime in Djibouti did not change, Guelleh remained firmly in power, and there was no public mobilization against the US military presence. If anything, basing appears to have played a stabilizing effect by providing economic benefits. By 2015, Guelleh had the best of both worlds: private base rents paid directly into the regime’s coffers and economic aid and jobs programs to satisfy an impoverished population.

## Conclusion

This article explores how the costs that countries pay for the privilege of stationing forces abroad can be shaped by the presence of foreign competition. We argue that conventional wisdom about the effects of competition on the price of bases is largely underspecified, as it does not explain how market-like competition can shape these costs given that bases are not automatically a scarce good where one actor’s base automatically precludes another from acquiring one in the same host country, and since foreign competitors are not always themselves seeking bases of their own. We point to three potential mechanisms by which foreign competition can shape the price of bases: when rival competitors seek to leverage their relationships with host countries to *deny* each other access; when competitors’ economic incentives *crowd out* the economic incentives of actors seeking bases; and when competitors’ attempts to secure access provide hosts

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<sup>97</sup> Amadee Bollee, “Djibouti: From French Outpost to US Base,” *Review of African Political Economy*, Vol. 30, No. 97 (2003), pp. 483–484.

<sup>98</sup> Author interview with DoD official, February 10, 2022.

<sup>99</sup> John Lee, “China Comes to Djibouti: Why Washington Should be Worried,” *Foreign Affairs*, April 23, 2015, <https://www.foreignaffairs.com/articles/east-africa/2015-04-23/china-comes-djibouti>; and Reuters, “Djibouti starts building two Chinese-funded airports,” January 20, 2015, <https://www.reuters.com/article/djibouti-airport-idAFL6N0UZ0PO20150120>.

<sup>100</sup> Kent E. Calder, *Embattled Garrisons: Comparative Base Politics and American Globalism* (Princeton, NJ: Princeton University Press, 2007); Cooley, *Base Politics*; Yeo, *Activists, Alliances, and Anti-US Base Protests*.

with *information* about the value of their real estate. We explore the first using a cross-national analysis on the relationship between Chinese economic assistance and US economic incentives to host countries on the African continent since 2001, and explore the latter two using qualitative evidence drawn from the US presence in Djibouti during this same period.

This study adds to the literature on power projection by treating military access as the product of bargaining under market-like conditions of competition. Although no peer competitor will likely be able to close the power gap between it and the United States in the near future, we find that competitors can impose costs on the United States by leveraging their economic relationships with US base hosts—whether by seeking bases of their own or simply by crowding out any economic incentives Washington offers itself. Djibouti is the first place where both the United States and China have sought military bases, but it will not be the last. As other great powers search for overseas bases, US costs will likely rise due to increased demand. Costs may also rise if other powers provide economic or military incentives to target states in a bid to deny US power projection capabilities. Additionally, we use a novel data set of government procurement. These data should be of interest not only to scholars studying military access, but also to those studying foreign aid and other forms of economic statecraft.

Future work could build on our findings by examining additional factors that shape bargains over bases. In particular, comparing hosts that enjoy security guarantees with those that do not may shed light on the relative effectiveness of alliances and material rewards for obtaining bases. Another direction for future research is to test our argument on other forms of access beside foreign bases.

Our argument also has important implications for policy. Since the Cold War, US military forces have operated frequently outside of theaters in Europe and northeast Asia where large garrisons accommodate forward-based troops. The evolving power projection demands of the Global War on Terror led the United States to pursue flexible basing options across the Middle East, Africa, and Central Asia. This flexible approach involved a light footprint and use of material compensation rather than security guarantees. Among the purported benefits of this approach, which persists today, is increased leverage vis-à-vis sellers, but our findings suggest that this benefit may not materialize in practice.<sup>101</sup> Short-term access creates conditions for frequent renegotiation and encourages sellers to keep their own options open. Transactional

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<sup>101</sup> Pettyjohn, *US Global Defense Posture, 1783-2011*, 87–93.

approaches are particularly susceptible to ratcheting effects under conditions of competition. Finally, this article points to the need to calculate the full costs of power projection, including the indirect costs of compensating hosts, and provides new methods and evidence to do so.