Bang for the Buck: Foreign Aid and Investment in the Horn of Africa through the Lens of Great Power Competition

A Monograph

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Structured, focused comparison of two cases in the Horn of Africa allowed investigation of the relationships between donor and recipient nations. The first case was the United States as a donor nation from 1972 to 1982; the second was China as a donor nation from 2008 to 2018. The cross-case analysis used a quantitative examination of correlational and regression analysis between bilateral cooperation variables and aid and investment.

For the United States during the Cold War, bilateral cooperation explained foreign assistance in more instances than foreign direct investment. For China from 2008 to 2018, the opposite held true. Those findings highlighted the danger of mirror imaging American experience with great power competition in the past to today's competition with China. It also showed that China's singular focus on economic cooperation, in some instances to the detriment of diplomatic cooperation, offers an opportunity for US engagement in the region.

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Abstract

Bang for the Buck: Foreign Aid and Investment in the Horn of Africa through the Lens of Great Power Competition, by MAJ Steven R. Chase, 85 pages.

This study addressed a gap in the existing literature on bilateral cooperation's relationship with foreign assistance and foreign direct investment. Specifically, how donor foreign assistance and foreign direct investment flows changed based on bilateral cooperation with recipient nations across diplomatic, economic, and military domains. Structured, focused comparison of two cases in the Horn of Africa allowed investigation of the relationships between donor and recipient nations. The first case was the United States as a donor nation from 1972 to 1982; the second was China as a donor nation from 2008 to 2018. The cross-case analysis used a quantitative examination of correlational and regression analysis between bilateral cooperation variables and aid and investment. For the United States during the Cold War, bilateral cooperation explained foreign assistance in more instances than foreign direct investment. For China from 2008 to 2018, the opposite held true. Those findings highlighted the danger of mirror imaging American experience with great power competition in the past to today's competition with China. It also showed that China's singular focus on economic cooperation, in some instances to the detriment of diplomatic cooperation, offers an opportunity for US engagement in the region.

Contents

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Abbreviations

AIPD	Absolute Ideal Point Distance
BRI	Belt and Road Initiative
FA	Foreign Assistance
FDI	Foreign Direct Investment
OA	Official Assistance
ODA	Official Development Assistance
UNGA	United Nations General Assembly
UNSC	United Nations Security Council

Figures

Tables

Introduction

Background of the Study

> I think in a globalized world, there are many belts and many roads, and no one nation should put itself into a position of dictating "One Belt, One Road."
>
> —US Secretary of Defense James Mattis to Congress

Secretary Mattis' apprehension broadly represents most US policymakers' feelings on China's Belt and Road Initiative. It is one manifestation of China's influence in Africa, which has become increasingly Sino-centric since the 1990s. How can the United States understand this phenomenon relative to foreign policy? Is it a threat to US interests, and if so, how is it countered? Comparing the United States' experience with competition in the Cold War to 21st-century competition with China offers insights regarding those questions.

The Horn of Africa stands astride the Gulf of Aden, and allows access from the Indian Ocean to the Red Sea and Suez Canal. It is a nexus for global trade, passing 7% of the world's trade and 30% of Europe's oil.[1] During the Cold War, it was one of many friction points for competition between the United States and the Soviet Union. Present-day activities demonstrate China's drive for economic and diplomatic influence against waning American interests in the region. The Horn's proximity to maritime trade routes and access to natural resources in Africa's interior set the stage for continued great power competition.

The United States and the Soviet Union's competition focused on access to the Red Sea and the Indian Ocean, and the broader struggle for and against containment. Though ideologies and economic models differed, both the United States and the Soviet Union disbursed aid to

[1] "FACTBOX: Somali Pirates Risk Choking Key World Trade Route," *Reuters*, April 15, 2009, accessed September 18, 2020, https://www.reuters.com/article/us-somalia-piracy-shipping-factbox-idUSTRE53E2JR20090415.

African leaders who allied with either donor nation, brokering political alignment.[2] In some instances, recipient states traded donors, such as Ethiopia and Somalia in the late 1970s.[3] At the end of the Cold War, waning American interests and the collapse of the Soviet Union resulted in shifting aid priorities, and fewer bilateral economic programs in the Horn of Africa. While academics argue the repercussions of less American engagement in the Horn, it did create a power vacuum for other state and non-state actors.[4]

The reduced role of traditional patron states coincided with Chinese efforts to offset international isolation after the Tiananmen incident in 1989. Those efforts included significant increases in Chinese aid and investment programs in Africa.[5] China's programs evolved over the last thirty years, and many now fall under a conglomeration of projects known as the *Belt and Road Initiative* (BRI). The Horn of Africa's role in BRI is as a key node and choke point along the "Maritime Silk Road," a route that passes from the Indian Ocean through the Suez Canal to Europe.[6] While China's BRI activities in the region appear primarily economic and diplomatic, their breadth and scale are reminiscent of Cold War competition. The US Department of Defense echoed that concern, assessing that BRI also sought to shape partner nation interests and deter confrontation and criticism of China's activities.[7]

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[2] Ian Taylor and Paul Williams, *Africa in International Politics* (London: Routledge, 2004), 6-7.

[3] Elizabeth Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror* (New York, NY: Cambridge University Press, 2013), 143–144.

[4] Ibid., 30,32, 193–196.

[5] Robert Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War* (Plymouth, UK: Rowman & Littlefield Publishers, 2012), 295–311.

[6] Peter J. Rimmer, "China's Belt and Road Initiative: Underlying Economic and International Relations Dimensions," *Asian-Pacific Economic Literature* 32, no. 2 (November 2018): 6–16.

[7] "Assessment on U.S. Defense Implications of China's Expanding Global Access" (U.S. Department of Defense, December 20, 2018), Executive Summary.

In both the Cold War and the present-day, there was a recurring theme among theorists that aid and investment reflected donor nations' political and strategic objectives.[8] That theme assumed aid and investment were transactional instruments of economic power, that there was a positive correlation between bilateral cooperation with recipient nations and foreign assistance from donor nations. This study examined the phenomenon with a structured comparison of two case studies in the Horn of Africa. First, understanding American perceptions required a look at US foreign aid and investment activities in that region at the height of bipolar competition – the Cold War. Then, investigating China's present-day activities in the Horn provided a baseline for comparison. Finally, comparing both cases offered insights into why the United States views China's modern activities with apprehension and provided unique perspectives on moving forward.

Statement of the Problem

There was a gap in the existing literature on bilateral cooperation's relationship with foreign assistance and foreign direct investment: specifically, how donor foreign assistance and foreign direct investment flows changed based on bilateral cooperation with recipient states. Considering the importance of bilateral cooperation in foreign policy and the prevalence of foreign assistance and investment as a tool of influence, did they have an empirical relationship? Research on the motivations behind foreign aid and investment in Africa reflected an assumption that bilateral cooperation and foreign assistance have a positive correlational relationship. There was general agreement among scholars that US aid was a public good traded for political

[8] Hans Morgenthau, "A Political Theory of Foreign Aid," *The American Political Science Review* 56, no. 2 (June 1962): 301–309; Peter Schraeder, Steven Hook, and Bruce Taylor, "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows," *World Politics* 50, no. 2 (January 1998): 303–319; Denghua Zhang, *A Cautious New Approach: China's Growing Trilateral Aid Cooperation* (Acton, Australia: ANU Press, 2020), 27–32; Stephen Walt, *The Origins of Alliances* (Ithaca: Cornell University Press, 1987), 218–219.

alignment, regional access, and rhetorical support during the Cold War in Africa.[9] However, there was some disagreement on which of those variables depended on the other.[10] That assumption was further supported by the decline in foreign aid from the US following the Cold War, reflecting changing foreign policy and less strategic importance attached to Africa.[11] Nevertheless, there was limited quantitative evidence on how cooperation across economic, diplomatic, and military domains in the Cold War affected US foreign assistance and foreign direct investment. Several US government and think-tank publications categorized China's modern aid and investment programs in Africa similarly to US Cold War activities.[12] However, those studies and reports still included the underlying assumption that bilateral cooperation positively correlated with China's foreign assistance and investment trends.[13]

The purpose of this study was to reduce the gap in the existing literature on the relationship between bilateral cooperation with foreign assistance and foreign direct investment. Understanding the relationship between bilateral cooperation with aid and investment in the Horn of Africa is vital to quantifying the US and China's competitive dynamics. First, the Horn of Africa's strategic importance merits a better understanding of great power donor motivations in the region. A focus on security concerns may affect the flow of resources or military cooperation in the event of conflict escalation. Likewise, economic foci may reflect donor nation domestic

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[9] Taylor and Williams, *Africa in International Politics*, 6–8; Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2007), 94.

[10] Walt, *The Origins of Alliances*, 218–225.

[11] Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 23, 56; Taylor and Williams, *Africa in International Politics*, 7.

[12] Lauren Ploch Blanchard and Sarah R Collins, *China's Engagement in Djibouti* (Washington, DC: Congressional Research Service, September 4, 2019), 2; US Department of Defense, *Assessment on U.S. Defense Implications of China's Expanding Global Access*, Executive Summary; Zach Vertin, *Great Power Rivalry in the Red Sea: China's Experiment in Djibouti and Implications for the United States*, Global China: Assessing China's Growing Role in the World (Washington, DC: Brookings Institution, June 2020), 1–2; US President, *National Security Strategy of the United States of America* (Washington, DC, 2017), 2–3.

[13] Ian Taylor, "The 'All-Weather Friend'? Sino-African Interaction in the Twenty-First Century," in *Africa in International Politics: External Involvement on the Continent* (New York, NY: Routledge, 2004), 97–99.

shortfalls in essential commodities or markets. Second, mirror-imaging US motivations for disbursing foreign assistance could misrepresent China's strategic objectives in the region. If China's ambitions do not mirror those of the US, applying a fresh take on "containment" is unlikely to succeed in countering China's influence. These considerations impact the calculus behind complex strategic decisions and affect the potential escalation criteria for great powers in a multipolar international system.

Definition of Terms

Several common terms used in this study required definition as their interpretation varied in the existing literature.

Belt and Road Initiative

China's Belt and Road Initiative is a broadly defined program with ambitions to develop new land and maritime "silk roads."[14] In this study, the term "Belt and Road Initiative" referred to China's infrastructure and development projects conducted overseas. While the program does include domestic development projects, this study focused on its application in the Horn of Africa.

Foreign Aid and Investment

This study binned aid and investment into two categories to capture the breadth of influence from both the Cold War and present-day BRI programs. Foreign assistance was the first category, in the form of loans and grants ("economic assistance" for the United States, a wider variety of loans for China) and military assistance. Foreign direct investment (FDI) was the second category. While FDI is not typically associated with aid, China's development assistance methodologies include project packages financed, built, and operated by state-owned or affiliated

[14] Rimmer, "China's Belt and Road Initiative," 6–9.

companies.[15] This study included an analysis of FDI data to remain inclusive when considering donor responses to bilateral cooperation.

Horn of Africa

The Horn of Africa is a region in Eastern-most Africa that borders the Red Sea, Gulf of Aden, and the Indian Ocean. Definitions of what countries constitute the Horn differ, but this study included Eritrea, Ethiopia, Djibouti, Kenya, Somalia, South Sudan, and Sudan. These nations allowed analysis of China's key nodes in their Belt and Road Initiative, and notable partners for the US and Soviet Union during the Cold War.

Bilateral Cooperation

This study defined bilateral cooperation in three independent variables. Those variables represented the exercise of influence across diplomatic, military, and economic means in national power.[16] The three variables were UN voting agreement (diplomatic means), military cooperation (military means), and trade balance (economic means).

Theoretical Framework

This study examined the relationship between aid, investment, and bilateral cooperation through the lens of alliance theory—specifically, a neorealist perspective on alliance management and hegemonic stability. Hegemonic alliances (both formal and informal) generally described the cooperative relationships between the Horn of Africa nations and the United States during the Cold War. It also appeared to describe the relationships between those nations with China from 2008 to 2018. While those relationships were not always formal alliances, this theory had utility in measuring the impact of cooperation on aid and investment from donor nations. In this theoretical model, smaller states subordinated themselves to hegemonic leadership if the hegemon

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[15] Rimmer, "China's Belt and Road Initiative," 15.

[16] David Baldwin, "Power and International Relations," in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth Simmons (London: Sage Publications Ltd, 2013), 275.

provided a public good the smaller states could not produce themselves.[17] The neorealist perspective of hegemonic alliances asserted that hegemons provided a public good to a smaller power so long as there was a political advantage for the hegemon. From that perspective, hegemons were interested in relative gains.[18] This theory posited that bilateral cooperation, as a good, was transactional with foreign assistance and investment, another good.

A 2018 US Department of Defense assessment on China's global military and non-military activities appeared to mirror perceptions of bipolar competition from the Cold War, describing military power projection, economic opportunity, and political influence as areas for BRI's implications.[19] This study tested those phenomena against the realist perspective of alliance management so that empirical observations could inform future policy decisions.

Hypotheses

This study tested three hypotheses regarding the relationship between bilateral cooperation with foreign assistance and foreign direct investment:

1. The higher the UN voting agreement between the recipient country and the donor country, the greater foreign aid and investment from a donor or patron country.
2. The higher the trade surplus in favor of the donor country, the greater foreign aid and investment from a donor or patron country.
3. The more instances of military-to-military cooperation in the recipient country, the greater the foreign aid and investment from a donor or patron country.

Research Questions

The primary research question focused on bilateral cooperation relative to aid and investment. Was there a relationship between bilateral cooperation and foreign assistance and foreign direct investment when comparing great power competition in the Horn of Africa during the Cold War and today? The research compared the US and the Horn of Africa from 1972-1982,

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[17] Carlos Masala, "Alliances," in *The Routledge Handbook of Security Studies* (New York, NY: Routledge, 2010), 386.

[18] Ibid., 16, 386.

[19] US Department of Defense, *Assessment on U.S. Defense Implications of China's Expanding Global Access*, 12–19.

and China and the Horn of Africa from 2008-2018. There were three secondary research questions, each applied against the two cases:

1. What was the relationship between UN voting and foreign aid and investment?
2. What was the relationship between trade balance and foreign aid and investment?
3. What was the relationship between military cooperation and foreign aid and investment?

Limitations

Studies of foreign aid tended to focus on the definition provided by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) regarding official development assistance (ODA) or official assistance (OA) funds.[20] However, while the US is a DAC member and followed ODA and OA guidelines, China did not.[21] In conjunction with opaque reporting and poor delineation between private and government lending, a study of China's foreign aid required a comprehensive assessment of aid and investment. This study included loans that typically exceeded DAC's definition of ODA to capture all BRI-associated assistance. That limitation precluded direct comparison of aid amounts between the United States and China, but it did capture foreign assistance from a Chinese perspective.[22]

China did not report military troop deployments in the same fashion as archived US military deployment records. Additionally, China only recently changed its law to allow overseas

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[20] Riddell, *Does Foreign Aid Really Work?*, 18–19.

[21] "China's Foreign Aid," *The State Council, The People's Republic of China*, last modified April 2011, accessed March 15, 2020, http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm.

[22] Deborah Bräutigam, "Aid 'With Chinese Characteristics': Chinese Foreign Aid and Development Finance Meet the OECD-DAC Aid Regime," *Journal of International Development* 23, no. 5 (July 2011): 1–4.

deployments of ground troops in 2015.[23] As a result, the military cooperation variable was a combination of several sub-variables that complemented limited reporting of troop numbers.

Delimitations

The selection of countries in the Horn of Africa focused on a region with strategic importance during case study timeframes. It also allowed a detailed analysis of each country's relationship. The selected timeframes captured instances of change in each case. For the first case study, it was Ethiopia and Somalia's alliance transitions with the US and USSR during the Cold War in addition to Djibouti's independence. The second case study period captured the development of a Chinese military base in Djibouti in addition to their shifting economic relationship with Sudan and South Sudan.

Organization of the Study

This study is presented in five sections. Section I includes the study's background, statement of the problem, the study's purpose, the study's significance, the definition of terms, theoretical framework, hypotheses, research questions, limitations, and delimitations. Section II is the literature review, which describes foreign aid concepts, theories on foreign aid effects, and how foreign aid relates to bilateral cooperation. Section III describes the study's methodology, including qualitative and quantitative data collection, correlation and regression analysis procedures, and cross-case analysis procedures. Section IV describes the study's analysis and findings for each research question, effects on corresponding hypotheses, and comparison of the US and China cases. Finally, Section V summarizes the study and its implications for US foreign policy.

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[23] "New Law Allows PLA to Undertake Counterterror Missions Overseas," *China Military*, last modified December 27, 2015, accessed September 17, 2020, http://english.chinamil.com.cn/news-channels/china-military-news/2015-12/27/content_6832887.htm.

Review of the Literature

Foreign Aid and Donor Nation Motivations

Hans Morgenthau's "A Political Theory of Foreign Aid" provides one of the early theories describing foreign aid in the service of policy.[24] His article focuses on developing a theory of action for foreign assistance that aligns aid distribution with political objectives and necessary preconditions in the recipient state.[25] Considering economic aid as a thinly veiled bribe, he develops an argument that aid is a servant of policy rather than a purely altruistic attempt to foster development.[26] John Montgomery's *Foreign Aid in International Politics* addresses the "compensatory," or bribe-like, nature of foreign aid in a similar fashion as Morgenthau's article. However, he argues that supporting developing nations is more than just bribery; reducing poverty can help advance American strategic objectives.[27] Those early arguments formed the foundation of future aid studies and included strategic and political motivations as probable determinants of aid disbursement.

Stephen Walt's, *The Origins of Alliances,* investigates the political tradition of foreign aid motivation.[28] He examines recipient nations' political alignment against foreign aid from the United States and the Soviet Union during the Cold War.[29] While he found an association between aid and political alignment, he concluded that aid was usually a "manifestation of political alignment" instead of causing alignment.[30] Walt's study shows that foreign aid

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[24] Morgenthau, "A Political Theory of Foreign Aid," 301–309.

[25] Ibid.

[26] Ibid.

[27] John Montgomery, *Foreign Aid in International Politics* (New Jersey: Prentice-Hall, 1967), 15–19.

[28] Walt, *The Origins of Alliances*, 218.

[29] Ibid., 218–219.

[30] Ibid., 224.

potentially reinforces political alignment rather than outright determining it.[31] However, it measured political alignment as a single dichotomous variable, and he did not measure cooperation across different means of national power. Still, his study offers insights into which variables are dependent and independent, bearing on this study's design.

Schraeder, Hook, and Taylor move beyond just political motivations in "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows."[32] Their study examines both political and altruistic motivations across various domains. Overall, they find that Cold War strategic and ideological interests drove US foreign aid, although other donor nations had differing motivations.[33] Schraeder, Hook, and Taylor's study provides sound empirical evidence of strategic and ideological influences on US aid distribution. It highlights the need for a case-study approach that considers differing motivations of donor nation aid programs. Still, they do not examine China's aid programs.

Denghua Zhang conducts a modern examination of China's foreign aid motivations in *A Cautious New Approach*.[34] He addresses three primary motivations for China's bilateral aid: political objectives, economic aims to assure access to resources and markets, and an attempt to expand soft power.[35] While Zhang's study only addresses bilateral aid tangentially (his main focus is trilateral projects), it highlights the need to consider multiple domains of cooperation relative to foreign assistance disbursement.[36]

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31 Walt, *The Origins of Alliances*, 221.

32 Schraeder et al., "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows," 303–311.

33 Ibid., 303–311, 319.

34 Zhang, *A Cautious New Approach: China's Growing Trilateral Aid Cooperation*, 27–32.

35 Ibid.

36 Ibid., 253–255.

The existing literature acknowledges that in many cases, foreign aid distribution followed strategic aims. Those aims differ between donor nations, but they often depend on a set of political conditions specific to the donor nation's interests.

Foreign Investment and International Cooperation

Previous sections addressed the relationship between political aims and foreign aid, but there is evidence that foreign direct investment also serves those objectives. Richard McGregor's *The Party: The Secret World of China's Communist Rulers* provides qualitative evidence that the Chinese Communist Party influences or controls large commercial and financial entities in China.[37] However, he does not investigate China's foreign investment abroad relative to cooperation with the recipient states.[38] In *Chinese Economic Statecraft*, William Norris acknowledges China's economic statecraft, or "state manipulation of international economic activities for strategic purposes," as an instrument of national power.[39] It also provides insight on variation in the relationship between foreign investment and bilateral cooperation, in that Chinese commercial entities do not always work solely to advance state interests. Much like Norris, Arthur Kroeber writes on China's state-owned enterprises (SOEs) and national political objectives in *China's Economy: What Everyone Needs to Know*.[40] He concludes that SOEs have commercial objectives that may or may not align with state objectives. Both Kroeber and Norris cast doubt on the notion of absolute state control of foreign direct investment (FDI). However,

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[37] Richard McGregor, *The Party: The Secret World of China's Communist Rulers* (New York: Harper Perennial, 2012), 42–69.

[38] Ibid.

[39] William Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control* (New York: Cornell University Press, 2016), 2–6, 65.

[40] Arthur Kroeber, *China's Economy: What Everyone Needs to Know* (New York: Oxford University Press, 2016), 103–104.

they still acknowledge McGregor's observation that widespread CCP influence is a significant factor in investment decisions abroad.[41]

Alberto Alesina and David Dollar in “Who Gives Foreign Aid to Whom and Why?” briefly address the relationship between investment and aid in their study.[42] Of note, they discover there was no mutual dependence between FDI and aid variables, meaning investment flows responded “…to the rule of law and good economic policy…” more than aid allocations.[43] Foreign direct investment was indifferent to democratic or strategic interests, measured in UN General Assembly (UNGA) voting.[44] However, Alesina and Dollar’s study primarily focuses on Western donors and ignores China. It also constrains the examination of alliances to UNGA voting, missing insights from cooperation in other domains.[45]

Chenlu Tao, Sitong Liu, Yuan Tian, Xuesong Gu, and Baodong Cheng provide a detailed examination of China's outward foreign direct investment (OFDI) in “Effects of China’s OFDI on Exports: A Context Analysis with the ‘21st-Century Maritime Silk Road.’”[46] They examine the relationship between Chinese OFDI and Chinese exports to the recipient nation, finding that OFDI and exports follow a parabolic, non-linear relationship over time. While their study offers a unique insight into China’s OFDI relative to trade, it does not examine the Horn of Africa nations.[47] Still, their findings support trade balance as a measure of bilateral cooperation in this study and a possible explanatory variable for foreign direct investment.

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[41] Kroeber, *China’s Economy: What Everyone Needs to Know*, 103–104.

[42] Alberto Alesina and David Dollar, “Who Gives Foreign Aid to Whom and Why?,” *Journal of Economic Growth* 5, no. 1 (March 2000): 56.

[43] Ibid.

[44] Ibid.

[45] Ibid., 46.

[46] Cheng Tao et al., “Effects of China’s OFDI on Exports: A Context Analysis with the ‘21st-Century Maritime Silk Road’ Regions,” *Journal of Coastal Research*, no. Special Issue 94 (2019): 905–907.

[47] Ibid., 905.

Those studies offer perspectives on foreign direct investment and its relationship to political influence. However, each fails to fully address the effects of diplomatic, economic, and military cooperation on foreign direct investment.

Relationships between Aid, Investment, and Bilateral Cooperation

The existing literature touches on a wide array of recipient nation attributes when examining donor nation foreign assistance. This study focused on bilateral cooperation between donor and recipient nations, measured through three variables: UNGA voting trends, trade balance, and military cooperation. This section reviews the literature related to each of those variables relative to foreign aid and investment.

UNGA Voting and Foreign Aid

This study examined the relationship between donor and recipient agreement in UN General Assembly (UNGA) voting with foreign aid and investment. There is significant work on this topic in various forms, but there is still a lack of consensus on the relationship between UNGA voting and foreign aid. Some studies focus on the recipient nation's foreign aid shares while on the UN Security Council (UNSC). Others consider UNGA voting and the issue of vote-buying with foreign aid, but with large-n studies that fail to identify a specific region's nuances. Overall, the issue with existing literature on this topic is not a gap in the investigation foci but a lack of consensus in the results.

Several studies focus on foreign aid flows to non-permanent members of the UN Security Council (UNSC). Ilyana Kuziemko and Erik Werker's "How Much is a Seat on the Security Council Worth," examines the relationship between foreign aid and seats on the UN Security Council, finding a positive correlation between the two.[48] Hong Ma and Yue Teng's "How Political Incentives Affect Chinese Outward Foreign Direct Investment" discovers a similar

[48] Ilyana Kuziemko and Eric Werker, "How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations," *Journal of Political Economy* 114, no. 5 (October 2006): 905.

finding regarding China's OFDI to non-permanent members on the UNSC.[49] However, both studies focus on the UNSC and do not consider UNGA voting. Due to the rotating presence of non-permanent members on the Security Council, measuring UNSC voting's agreement against foreign aid or investment flows does not capture political trends among the Horn of Africa nations.

Paul Mosley investigates aid and its relationship with UNGA voting in *Foreign Aid: Its Defense and Reform*.[50] He finds that the argument that aid is an instrument of influence to purchase support in the UN has a poor track record.[51] In several instances, foreign aid increases followed increased UNGA support, implying a similar finding to Stephen Walt, where aid reinforces or rewards rather than causes UNGA voting agreement.[52] Mosley concludes that it is unclear whether changes in foreign aid caused changes in recipient nation UNGA voting or whether "…both were the consequence of…political change within the recipient country."[53] Mosely's results informed the identification of UNGA voting agreement as an independent variable in this study. However, his analysis did not include many Horn of Africa nations and did not consider China's recent activities.

Alesina and Dollar build on previous work in "Who Gives Foreign Aid to Whom and Why," and examine the relationship between attributes of the recipient nation (variables such as trade openness, democracy, civil liberties, colonial status, FDI, initial income, and population) and aid.[54] They also examine the relationship between UNGA voting and aid, using UNGA

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[49] Hong Ma and Yue Teng, "How Political Incentives Affect Chinese Outward Foreign Direct Investment: A UN Security Council Membership Perspective," *The World Economy* 41 (2018): 3417.

[50] Paul Mosley, *Foreign Aid: Its Defense and Reform* (Lexington, KY: The University Press of Kentucky, 1987), 31–38.

[51] Ibid.

[52] Ibid., 34.

[53] Ibid., 31–38.

[54] Alesina and Dollar, "Who Gives Foreign Aid to Whom and Why?," 33–34.

voting to describe strategic interests.[55] They found that a donor nation's UNGA voting far outweighed the significance of any other variable. They generally interpret those results like Walt's study, showing that donor nations usually favor their "friends" in aid distribution.[56] However, their study does not include other domains of cooperation.

Dreher and Fuchs examine China's aid programs through the Cold War to 2006 in "Rogue aid?".[57] Their examination includes analysis of the relationship between foreign aid and UNGA voting, finding that countries voting in line with China receive a larger share of foreign aid.[58] However, their findings also show this relationship does not hold for the most recent period in their study, 1996-2005.[59] While their study contributes to the methodology used in this study, it fails to capture more recent Chinese activities.

Charles Vetter's monograph "Assessing the Political Effects of China's Belt and Road Initiative: Africa in the Spotlight" also addresses the relationship between aid and UNGA voting. Vetter finds that when examining the UN voting behavior of BRI recipient states in Africa versus non-BRI states in Africa, there is no correlation between BRI participation and voting coincidence with China.[60] However, the breadth of recipient nations considered, along with the sole focus on UNGA voting, ignores potential cooperation in economic or military domains.

Foreign Aid and Trade Balance

Existing literature on the relationship between foreign aid and trade tends to examine the rationale for attaching trade conditions to foreign aid or how aid flows affect the trade balance.

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[55] Alesina and Dollar, "Who Gives Foreign Aid to Whom and Why?," 33, 36, 40, 46, 55–56.

[56] Ibid.

[57] Axel Dreher and Andreas Fuchs, "Rogue Aid? An Empirical Analysis of China's Aid Allocation," *The Canadian Journal of Economics* 48, no. 3 (August 2015): 1011.

[58] Ibid.

[59] Ibid.

[60] Charles Vetter, "Assessing the Political Effects of China's Belt and Road Initiative: Africa in the Spotlight" (Masters Monograph, School of Advanced Military Studies, US Army Command and General Staff College, 2020), 25.

While the latter topic informs this study's methodology, few previous works address the cases used in this study.

When examining trade balance and foreign aid, some works demonstrate potential causes for a donor nation to seek a surplus trade balance with a recipient nation but fail to address aid flows relative to trade flows. John Montgomery's *Foreign Aid in International Politics* addresses the concerns of "neo-colonialism" in foreign aid, where donor nations (in this instance, the United States) tied conditions to the aid that required the purchase of donor nation goods.[61] Montgomery does not relate those concerns to overall trade and aid relationships. However, his empirical investigation of mercantilist tendencies offers insight into why a donor nation's trade surplus may increase foreign aid to the recipient nation.

Tim Lloyd, Mark McGillivray, Oliver Morrissey, and Robert Osei's "Investigating the Relationship Between Aid and Trade Flows" examines aid and trade flows from European donor nations to African recipient nations.[62] While their foci did not include the same case criteria as this study, their use of Granger-causality and lagging of aid flows informed its methodology.[63]

Schraeder, Hook, and Taylor directly examine the relationship between trade and aid in "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows."[64] They discover a positive relationship between US aid levels and trade with recipient countries.[65] Meernik, Krueger, and Poe continue to examine this relationship in "Testing

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[61] Montgomery, *Foreign Aid in International Politics*, 19–23.

[62] Tim Lloyd et al., *Investigating the Relationship Between Aid and Trade Flows* (Nottingham, UK: Centre for Research in Economic Development and International Trade, University of Nottingham, 1998), 1–2.

[63] Ibid., 3–4.

[64] Schraeder et al., "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows," 304.

[65] Ibid., 311.

Models of US Foreign Policy: Foreign Aid during and after the Cold War."[66] They model US foreign policy, comparing aid to independent variables in security, economic, and ideological categories. They found that higher imports from the recipient state decreased their chance of receiving assistance or increased aid.[67] Dreher and Fuchs "Rogue aid?" conducts another investigation of this variable. They examined China's aid programs from the Cold War to 2006. Their study includes an analysis of the relationship between foreign aid and a recipient country's exports to China, with mixed findings across the study period.[68] While each study sheds some light on this relationship, none consider a comparison between the US and China, and none consider the role of foreign direct investment in that relationship.

Foreign Aid and Military Cooperation

Many studies on military cooperation tend to focus on this variable as a standalone objective or additional "bribe" for political alignment. However, very few studies address how military cooperation affects foreign aid and investment.

Elizabeth Schmidt's *Foreign Intervention in Africa* describes the nature of American and Soviet aid in Africa during the Cold War. Schmidt argues that American and Soviet foreign aid helped secure the use of military facilities in the Horn of Africa during and after the Cold War.[69] She describes aid as payment for critical ports, communications facilities, and security cooperation through training for recipient nation military personnel and donor nation weapons sales.[70] While Schmidt's work provides compelling qualitative evidence on the relationship between foreign aid and military cooperation, it does not examine that relationship quantitatively.

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[66] James Meernik, Eric Krueger, and Steven Poe, "Testing Models of U.S. Foreign Policy: Foreign Aid during and after the Cold War," *The Journal of Politics* 60, no. 1 (February 1998).

[67] Ibid., 78.

[68] Dreher and Fuchs, "Rogue Aid? An Empirical Analysis of China's Aid Allocation," 1011.

[69] Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 143–155.

[70] Ibid.

Additionally, it includes only a limited investigation of China's post-Cold War activities in the Horn of Africa.

Meernik, Krueger, and Poe's work does examine how security cooperation affects aid flows.[71] They find that military presence has a negative relationship with aid, but it was statistically insignificant.[72] While their study does consider a similar relationship between these variables, it measures military presence as a dichotomous variable (a nation either hosted at least 100 US troops or it did not). It also does not measure other types of security cooperation; instead, it focuses on donor nation security concerns like recipient nation proximity to a Communist state.[73]

Andrew Boutton's "US foreign aid, interstate rivalry, and incentives for counterterrorism cooperation" considers the relationship between foreign aid and recipient nation cooperation in counterterrorism activities.[74] While his study demonstrates that foreign aid can be successful as an incentive for counterterrorism cooperation, its application is too limited for this study's comparison of US and Chinese foreign aid and investment activities.[75]

Existing literature on military cooperation and its relationship with foreign aid offers insights into the variables but is too limited or qualitative to satisfy the research questions in this study. Many studies acknowledge the underlying assumption that foreign aid and investment are related to the donor nation's strategic and political interests. However, most fail to address the combined effects of diplomatic, economic, and military cooperation on donor nation aid or investment flows. There is also a lack of consensus in the existing literature on the relationship

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[71] Meernik et al., "Testing Models of U.S. Foreign Policy: Foreign Aid during and after the Cold War," 77.

[72] Ibid.

[73] Ibid., 69–70.

[74] Andrew Boutton, "US Foreign Aid, Interstate Rivalry, and Incentives for Counterterrorism Cooperation," *Journal of Peace Research* 51 (2014): 741.

[75] Ibid., 748–752.

between foreign aid and investment and UNGA voting. While studies on trade balance and foreign aid have some consensus that a relationship exists, they do not address the cases used in this study. Finally, there is a gap in existing literature when quantitively examining how military cooperation, outside of strictly examining troop levels, affects foreign aid and investment. The following section describes the methodology used in this study.

Methodology

This study’s primary goal was to examine bilateral cooperation’s relationship with foreign aid and foreign direct investment. It used a mixed-methods approach that combined a structured, focused comparison of cases with each research question's quantitative analysis. This section includes an introduction, a description of case selection, instrumentation, data collection, and data analysis plan.

Case Selection

Recipient Nations in the Horn of Africa

The Horn of Africa nations selected for this study were Eritrea, Ethiopia, Djibouti, Kenya, Somalia, South Sudan, and Sudan. This study included those countries because they represented the coastal areas from the northern to southern boundaries of the Horn and captured the significant land-locked member Ethiopia. Those countries also comprised a significant component of China's "maritime silk road" in the Horn of Africa, shown in Figure 1.[76]

[76] “Mapping the Belt and Road Initiative: This Is Where We Stand,” *Merics: Mercator Institute for China Studies*, last modified June 7, 2018, accessed February 13, 2021, https://merics.org/en/analysis/mapping-belt-and-road-initiative-where-we-stand.

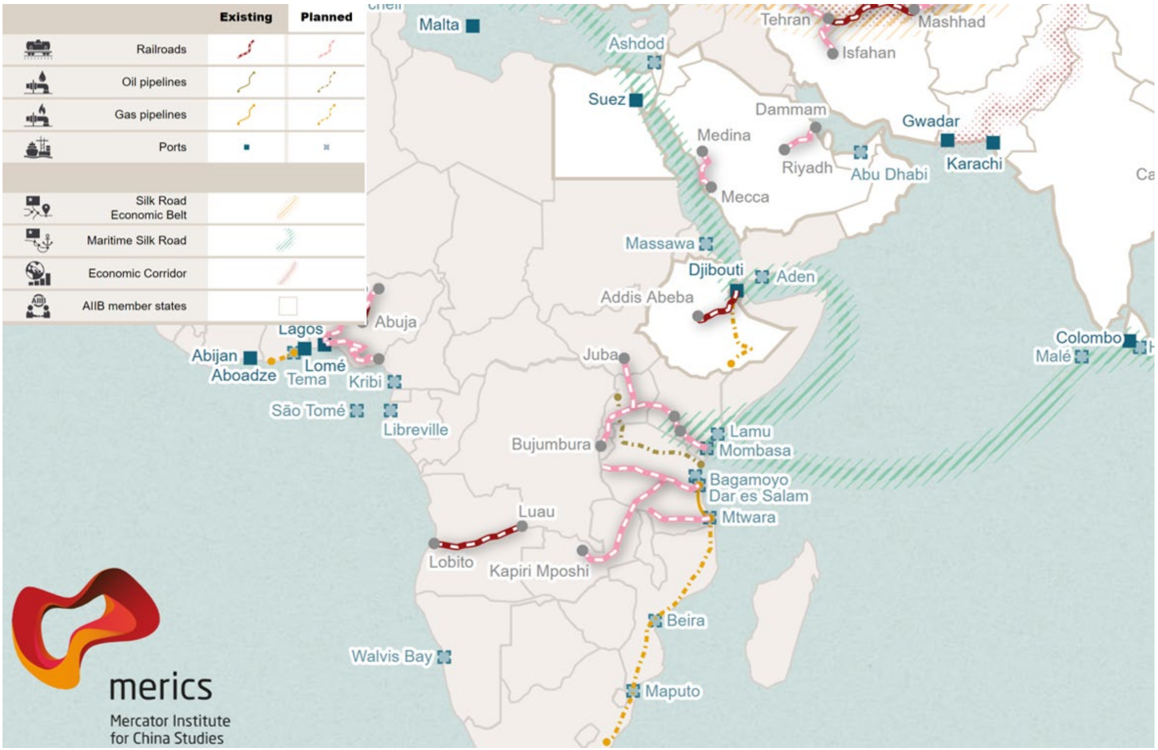

Figure 1. Belt and Road Initiative Map, Focused on the Horn of Africa. *Source*: Adapted by author from "Mapping the Belt and Road Initiative: This Is Where We Stand," Merics: Mercator Institute for China Studies, last modified June 7, 2018, accessed February 13, 2021, https://merics.org/en/analysis/mapping-belt-and-road-initiative-where-we-stand.

The United States as a Donor Nation during the Cold War

The United States was a significant aid donor during the Cold War, aligning with pro-Western governments in the Horn of Africa.[77] Among scholars studying the period, most agree that US aid primarily served the overall containment strategy against the Soviet Union. That perception mirrored many present-day notions on China's activities in the Horn of Africa.

The period of study, 1972 to 1982, had several characteristics of interest. The first characteristic was a change in political alignment. Ethiopia and Somalia were recipients of aid from the United States and the Soviet Union, respectively, in the early 1970s.[78] However, they

[77] Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 23.

[78] Ibid., 143.

switched allegiances by 1978.[79] The second characteristic is a similarity with modern Chinese practices. Like China's public assertions of non-interference in recipient state domestic affairs, US policymakers in this period ignored the nature of governance in the recipient state. US support to dictatorships, like Ethiopia's Emperor Selassie and the socialist-military regime of Barre in Somalia, were two demonstrative examples.[80]

China as a Donor Nation from 2008 to 2018

China's aid and investment activities in the Horn of Africa today offered a modern perspective on hegemonic alliance management. Similarities to US Cold War activities provided an opportunity to observe both cases and provide insights for future US foreign policy decisions. The 2008 to 2018 period allowed for two outputs in this study. The first was relevance, as it considered recent Chinese activity and trends. The second was the evolution of Chinese activity in the region. The investigation period's start in 2008 allowed for an examination of aid and investment trends before and during the advent of China's Belt and Road Initiative.[81] It also included new maritime activities in the region that began in 2008 with China's anti-piracy mission in the Gulf of Aden.[82]

Case selection for the study allowed the examination of hegemonic activities in alliance management. It provided relevant material to test the neorealist perspective on alliance theory, which pervades current diagnoses of Chinese intentions with the Belt and Road Initiative in the Horn of Africa.

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[79] Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror,* 143.

[80] Ibid., 145, 154–156.

[81] Peter J. Rimmer, "China's Belt and Road Initiative: Underlying Economic and International Relations Dimensions," *Asian-Pacific Economic Literature* 32, no. 2 (November 2018): 6–7.

[82] Jeffrey Becker et al., *China's Presence in the Middle East and Western Indian Ocean: Beyond Belt and Road* (Arlington, VA: Center for Naval Analyses, February 2019), iii.

Instrumentation

This study utilized a mixed-methods approach combining George and Bennet's structured, focused comparison of two cases with quantitatively focused research questions for each case.[83] The structured, focused comparison allowed the study of historical experience to explain each case relative to a broader theory. The use of standardized research questions for each case created the "structured" characteristic.[84] Limiting case examination to only aspects associated with the research questions created the "focused" characteristic.[85] Incorporating both characteristics allowed a systematic comparison between the cases despite historical differences.[86]

This study employed quantitative analysis to develop empirical evidence for each hypothesis. However, the study's scope was limited to examining relationships rather than attempting to prove causality.[87] The researcher used Stata, version 16, to examine bivariate relationships between variables for each research question. Following the quantitative analysis, this study compared the results of each research question using cross-case analysis.

Data Collection

This study used various datasets for the dependent and independent variables. Appendix 1 shows the descriptive statistics for each variable. Foreign aid and investment values were the dependent variables. The researcher measured aid and investment as millions of U.S. dollars per year for each Horn of Africa recipient nation, and kept foreign direct investment and foreign assistance separate throughout the analysis. The US Agency for International Development

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[83] Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005), 67.

[84] Ibid., 67–72.

[85] Ibid.

[86] Ibid., 67.

[87] Paul Kellstedt and Guy Whitten, *The Fundamentals of Political Science Research* (New York: Cambridge University Press, 2013), 82–83.

(USAID) database, or "Greenbook," was the source for US foreign aid data.[88] US foreign direct investment data came from historical reports maintained by the Bureau of Economic Analysis, US Department of Commerce.[89] This study used the China Africa Research Initiative loan database for China's economic assistance data, developed and maintained by the Johns Hopkins School of Advanced International Studies.[90] That organization also compiled a dataset for China's FDI used in this study.[91] The UN Office for the Coordination of Humanitarian Affairs Financial Tracking Service provided Chinese humanitarian assistance data.[92] The William & Mary AidData Global Chinese Official Finance Dataset provided Chinese grant data for 2008 to 2014.[93] Various media sites provided remaining grant data from 2015 to 2018.[94] All monetary values were converted to constant 2018 dollars using the US Bureau of Labor Statistics CPI Inflation Calculator to remove inflation as a contributor to quantitative trends.[95] Foreign assistance and foreign direct investment values were also lagged one year behind. This method

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[88] U.S. Agency for International Development (USAID), "Foreign Aid Explorer: The Official Record of U.S. Foreign Aid," last modified 2018, accessed September 2, 2020, https://explorer.usaid.gov/.

[89] "U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Data," *U.S. Bureau of Economic Analysis (BEA)*, accessed September 16, 2020, https://www.bea.gov/international/di1usdbal.

[90] Deborah Brautigam et al., "Chinese Loans to Africa Database" (Washington, DC: China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, 2020).

[91] "Chinese FDI Stock in African Countries" (Washington, DC: China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, 2020), accessed September 16, 2020, http://www.sais-cari.org/chinese-investment-in-africa.

[92] "China, Government of | Financial Tracking Service," *UN OCHA Services*, accessed September 16, 2020, https://fts.unocha.org/donors/2976/summary/2016.

[93] Axel Dreher et al., *Aid, China, and Growth: Evidence from a New Global Development Finance Dataset*, AidData Working Paper #46 (Williamsburg, VA: AidData, 2017), accessed January 1, 2021, http://aiddata.org/data/chinese-global-official-finance-dataset.

[94] "China Gives Sh15bn in Loans and Grants to Kenyan Ministries," *Nation*, last modified July 2, 2020, accessed February 13, 2021, https://nation.africa/kenya/business/china-gives-sh15bn-in-loans-and-grants-to-kenyan-ministries--1154404; Vani Venugopal, "China Grants US$60mn to Support Sudanese Agriculture," *African Farming*, accessed February 13, 2021, http://www.africanfarming.net/crops/agriculture/china-grants-us-60mn-to-support-sudanese-agriculture; "China Offers Multi-Million USD Grant to Kenya," *CHINADAILY.COM.CN*, last modified July 23, 2015, accessed February 13, 2021, https://www.chinadaily.com.cn/world/2015-07/23/content_21384915.htm.

[95] "CPI Inflation Calculator," *U.S. Bureau of Labor Statistics, United States Department of Labor*, accessed February 13, 2021, https://www.bls.gov/data/inflation_calculator.htm.

accounted for observation of bilateral cooperation in year *t*, with aid and investment disbursement occurring in year *t* + 1.[96] It also accounted for a delayed reaction from the donor nation in response to bilateral cooperation with the recipient nation.

United Nations General Assembly (UNGA) voting data for both cases came from the dataset compiled by Erik Voeten, Anton Strezhnev, and Michael Bailey and maintained at Harvard Dataverse.[97] Their dynamic ordinal spatial model was used to code the independent variable UNGA voting.[98] Their absolute ideal point distance (AIPD) model, and dataset, produced spatial values that "…reflected state positions towards the U.S. led liberal world order."[99] The absolute distance between compared states' ideal points allowed for better representation of foreign policy shifts in each state.[100]

The next independent variable was trade balance. The International Monetary Fund's Direction of Trade database provided trade balance data for both the United States and China cases.[101] The researcher measured this variable using the difference between recipient imports from the donor nation and donor imports from the recipient nation. The resultant value was the trade balance, measured in millions of US dollars (constant 2018 dollars) and considered from the donor nation's perspective.

The third independent variable was military cooperation. This study combined five military cooperation sub-variables into the overall independent variable. The sub-variables were: troop deployments in the number of soldiers, arms trade between donor and recipient nation in

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96 Lloyd et al., *Investigating the Relationship Between Aid and Trade Flows*, 3–4.

97 Erik Voeten, Anton Strezhnev, and Michael Bailey, "United Nations General Assembly Voting Data," last modified April 29, 2020, accessed September 2, 2020, https://doi.org/10.7910/DVN/LEJUQZ.

98 Michael A Bailey, Anton Strezhnev, and Erik Voeten, "Estimating Dynamic State Preferences from United Nations Voting Data," *Journal of Conflict Resolution* 61, no. 2 (2017): 1.

99 Ibid., 1.

100 Ibid.

101 "Table: Exports and Imports by Areas and Countries," *Direction of Trade Statistics (DOTS), International Monetary Fund*, accessed September 14, 2020, https://data.imf.org/regular.aspx?key=61013712.

SIPRI TIV, senior defense official visits in the number of instances, basing in the number of facilities, and exercises in the number of instances. The sub-variables were combined into a composite independent variable using the geometric mean method to account for differences in the order of magnitude and highly skewed values between sub-variables.[102] Additionally, because military cooperation had many true zero instances, one was added to data before calculation, then one was subtracted after calculation.[103]

US military cooperation data came from various sources. Tim Kane's "Global U.S. Troop Deployment, 1950-2003" dataset provided US troop numbers.[104] SIPRI's arms transfer database provided arms trade data.[105] Senior defense official visit data came from US State Department archives and archived media reports.[106] US military basing data came from Lutfuilah Mangi's

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102 Mike Thelwall and Kayvan Kousha, "Goodreads: A Social Network Site for Book Readers," *Journal of the Association for Information Science and Technology* 68, no. 4 (April 2017): 7.

103 Ibid.

104 Tim Kane, *Global U.S. Troop Deployment, 1950-2003* (Washington, DC: The Heritage Foundation, October 27, 2004), accessed September 2, 2020, https://www.heritage.org/defense/report/global-us-troop-deployment-1950-2003.

105 "World Military Expenditures and Arms Transfers," *United States Department of State*, n.d., accessed October 10, 2020, https://www.state.gov/world-military-expenditures-and-arms-transfers/.

106 "Visits by Foreign Leaders in 1982," *Office of the Historian, Foreign Service Institute, United States Department of State*, accessed February 13, 2021, https://history.state.gov/departmenthistory/visits/1982; Peter Samson and Laurie Van Hook, eds., "Memorandum of Conversation," in *Foreign Relations of the United States, 1969-1976*, vol. E-6, Documents on Africa, 1973-1976 (Washington, DC: United States Government Publishing Office, 2006), accessed February 13, 2021, https://history.state.gov/historicaldocuments/frus1969-76ve06/d88; Peter Samson and Laurie Van Hook, eds., "Memorandum of Conversation," in *Foreign Relations of the United States, 1969-1976*, vol. E-6, Documents on Africa, 1973-1976 (Washington, DC: United States Government Publishing Office, 2006), accessed February 13, 2021, https://history.state.gov/historicaldocuments/frus1969-76ve06/d146; Peter Samson and Laurie Van Hook, eds., "Information Memorandum From the Assistant Secretary of Defense for International Security Affairs (Amos) to Secretary of Defense Rumsfeld," in *Foreign Relations of the United States, 1969-1976*, vol. E-6, Documents on Africa, 1973-1976 (Washington, DC: United States Government Publishing Office, 2006), accessed February 13, 2021, https://history.state.gov/historicaldocuments/frus1969-76ve06/d51; Louise P. Woodroofe, ed., "Memorandum of Conversation," in *Foreign Relations of the United States, 1977-1980*, vol. XVII, Part 2, Sub-Saharan Africa (Washington, DC: United States Government Publishing Office, 2018), accessed February 13, 2021, https://history.state.gov/historicaldocuments/frus1977-80v17p2/d115; Louise P. Woodroofe, ed., "Memorandum of Conversation," in *Foreign Relations of the United States, 1977-1980*, vol. XVII, Part 2, Sub-Saharan Africa (Washington, DC: United States Government Publishing Office, 2018), accessed February 13, 2021, https://history.state.gov/historicaldocuments/frus1977-80v17p2/d173; Marjorie Hunter, "SENATOR REPORTS ON SOMALIA VISIT," *The New York Times*, July 7, 1975, sec. Archives, accessed February 13, 2021,

article on US military bases in Africa along with several media reports.[107] Finally, US military exercise data came from media reports and Liang Gencheng's article "US Policy Toward The Horn of Africa."[108]

There were various sources for Chinese military cooperation data. Chinese troop deployment data came from The International Peace Initiative's Providing for Peacekeeping database.[109] Data for Djibouti's troop numbers came from a Congressional Research Survey article, although those numbers are estimates.[110] Like the US case, arms transfer data came from the SIPRI database. China only maintains one base in the region, in Djibouti, and media reports

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https://www.nytimes.com/1975/07/07/archives/senator-reports-on-somalia-visit-soviet-has-missile-facility-there.html; Michael T. Kaufman, "Tempers Flare as the First Soviet Advisers Start Leaving Somalia," *The New York Times*, November 17, 1977, sec. Archives, accessed February 13, 2021, https://www.nytimes.com/1977/11/17/archives/tempers-flare-as-the-first-soviet-advisers-start-leaving-somalia.html; Liang Gencheng, "U.S. Policy Toward The Horn Of Africa," *Northeast African Studies* 6, no. 1/2 (1984): 54; John Darnton, "U.S. MISSION TO SEEK BETTER ETHIOPIA TIES," *The New York Times*, last modified February 17, 1978, accessed February 13, 2021, https://www.nytimes.com/1978/02/17/archives/us-mission-to-seek-better-ethiopia-ties-group-due-in-addis-ababa-to.html; "World News Briefs," *The New York Times*, August 8, 1977, sec. Archives, accessed February 13, 2021, https://www.nytimes.com/1977/08/08/archives/world-news-briefs-black-nationalists-helping-rhodesian-police-in.html.

[107] Lutfullah Mangi, "US Military Bases In Africa," *Pakistan Horizon* 40, no. 2 (1987): 9; Andre Sobocinski, "R&D Chronicles: Remembering NAMRU-5, the Navy's Medical Laboratory in Ethiopia, 1965-1977," *Naval Medical Research and Development*, last modified July 5, 2017, accessed February 13, 2021, https://www.med.navy.mil/sites/nmrc/sitepages/NewsStory.aspx?StoryID=244; Matthew Minsoo Kim, "COVID-19, Haile Selassie, and the Korean War: 69 Years of Ethiopian-South Korean Relations | Africa Up Close," *AfricaUPclose, a Blog of the Africa Program at the Wilson Center*, last modified April 21, 2020, accessed February 13, 2021, https://africaupclose.wilsoncenter.org/covid-19-haile-selassie-and-the-korean-war-69-years-of-ethiopian-south-korean-relations/; Samir Deshpande, "WRAIR Celebrates 50 Years of Research Partnership in Kenya," *Defense Visual Information Distribution Service*, last modified September 12, 2019, accessed February 13, 2021, https://www.dvidshub.net/news/340022/wrair-celebrates-50-years-research-partnership-kenya.

[108] Liang Gencheng, "U.S. Policy Toward The Horn Of Africa," *Northeast African Studies* 6, no. 1/2 (1984): 54; William E. Farrell, "800 U.S. PARATROOPERS OPEN WAR GAMES IN EGYPT," *The New York Times*, November 15, 1981, accessed February 13, 2021, https://www.nytimes.com/1981/11/15/world/800-us-paratroopers-open-war-games-in-egypt.html; Michael T. Kaufman, "U.S. NAVAL BUILDUP IS CHALLENGING SOVIET ADVANCES IN ASIA AND AFRICA SUPREMACY AT SEA," *The New York Times*, April 19, 1981, accessed February 13, 2021, https://www.nytimes.com/1981/04/19/world/us-naval-buildup-challenging-soviet-advances-asia-africa-supremacy-sea.html.

[109] Chris Perry and Adam Smith, "Providing for Peacekeeping Dataset," *International Peace Institute*, last modified 2020, accessed December 13, 2020, https://www.ipinst.org/providing-for-peacekeeping-database/ppp-dataset.

[110] Blanchard and Collins, *China's Engagement in Djibouti*, 2.

provided that data.[111] Various media sources and studies provided China's military exercise data.[112] Similar sources provided data on senior Chinese defense official visits, in addition to the Institute for National Strategic Studies' dataset on Chinese Military Diplomacy from 2003 to 2016 and China Vitae's archives for "VIP Appearances and Travel."[113]

Data Analysis Plan

The researcher started each case study with a review of prominent historical events in each Horn of Africa nation, focusing on those that directly related to the donor nation during that period. Then, the researcher used correlation and regression analysis to examine the relationships between the donor and recipient nations for each case study. The researcher used Stata 16 to determine correlation coefficients (R) and statistical significance (ρ-value) in bivariate relationships. For this study, a ρ-value < 0.05 was the standard for a statistically significant relationship.[114] A pairwise correlation of variables provided comprehensive correlational analysis in the absence of data for some variables.

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[111] Tyler Headley, "China's Djibouti Base: A One Year Update," *The Diplomat*, last modified December 4, 2018, accessed December 13, 2020, https://thediplomat.com/2018/12/chinas-djibouti-base-a-one-year-update/.

[112] "China in Bid to Extend Africa Trade Success into Military Sphere," *Nation*, last modified June 28, 2020, accessed February 13, 2021, https://nation.africa/kenya/news/china-in-bid-to-extend-africa-trade-success-into-military-sphere-132186; Peter A Dutton, Isaac B Kardon, and Conor M Kennedy, *China Maritime Report No. 6: Djibouti: China's First Overseas Strategic Strongpoint*, CMSI China Maritime Reports (Newport, Rhode Island: China Maritime Studies Institute, U.S. Naval War College, April 2020), 40; "Chinese Hard Power Supports Its Growing Strategic Interests in Africa," *Africa Center for Strategic Studies*, n.d., accessed February 13, 2021, https://africacenter.org/spotlight/chinese-hard-power-supports-its-growing-strategic-interests-in-africa/; "PLA Base in Djibouti Conducts Live-Fire Exercises," *China News Service Website - ECNS.Cn*, last modified November 26, 2017, accessed February 28, 2021, http://www.ecns.cn/visual/hd/2017/11-26/147463.shtml.

[113] Dutton, Kardon, and Kennedy, *China Maritime Report No. 6: Djibouti: China's First Overseas Strategic Strongpoint*, 28; "VIP Appearances and Travel," *China Vitae*, accessed February 13, 2021, https://www.chinavitae.com/vip/index.php?mode=show&id=26162; Kenneth Allen, Phillip Saunders, and John Chen, *Chinese Military Diplomacy, 2003–2016: Trends and Implications*, China Strategic Perspectives 11 (Washington, DC: Institute for National Strategic Studies, National Defense University, July 17, 2017), accessed February 13, 2021, https://inss.ndu.edu/Media/News/Article/1249897/chinese-military-diplomacy-20032016-trends-and-implications/.

[114] Kellstedt and Whitten, *The Fundamentals of Political Science Research*, 149.

Following correlation analysis, the researcher centered independent variables by subtracting each variable by the mean of the range (ranges delineated by country). Centering the predictor variables reduced structural multicollinearity in the model.[115] Then, Ordinary Least Squares regression modeled the relationship between independent variables and each dependent variable to determine each independent variable's unique contributions.[116] Models were tested for multicollinearity and heteroskedasticity. Desired results were a mean variance inflation factor (VIF) value below ten and an insignificant Breusch-Pagan null hypothesis test for heteroskedasticity. Robust standard errors were used in models that displayed heteroskedasticity.[117]

This study examined each case using the same three structured, focused comparison research questions. The first research question examined UNGA voting's relationship with foreign aid and investment. Since the AIPD methodology measured UNGA voting alignment, decreasing AIPD values would signal closer alignment in UNGA voting trends between nations. A negative correlation would demonstrate a positive relationship between this variable and the dependent variables since less distance between two nations' ideal points showed closer political alignment. For the first research question, a negative correlation would support the first hypothesis.

The second research question examined trade balance's relationship with foreign aid and investment. The second hypothesis expected correlation analysis to show a positive relationship between trade balance and the dependent variables. A positive correlation would show that increasing trade surplus for the donor nation corresponded with increasing aid and investment

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[115] "12.6 - Reducing Structural Multicollinearity | STAT 501," *PennState: Statistics Online Courses*, accessed February 13, 2021, https://online.stat.psu.edu/stat501/lesson/12/12.6.

[116] Kellstedt and Whitten, *The Fundamentals of Political Science Research*, 171–178.

[117] Andrew F. Hayes and Li Cai, "Using Heteroskedasticity-Consistent Standard Error Estimators in OLS Regression: An Introduction and Software Implementation," *Behavior Research Methods* 39, no. 4 (November 2007): 711–713.

from the donor nation. The third research question examined military cooperation’s relationship with foreign aid and investment. Like trade balance, a positive correlation would support the hypothesis and show that increasing military cooperation values corresponded with increasing aid and investment from the donor nation.

Regression analysis examined each independent variable's impact on the dependent variables while controlling for the other variables in the model. The researcher expected dominant military cooperation influence to signal the security focus of the 1972 to 1982 case study, and trade balance dominance to signal economic focus of the 2008 to 2018 case study.

The following section applied that data analysis plan to both case studies. The combination of quantitative and qualitative analysis provided insights into the impact of bilateral cooperation on the United States and China’s foreign aid and investment in the Horn of Africa.

Analysis and Findings

Case 1: The United States and the Horn of Africa 1972-1982

Historical Background

During the Cold War, the US was concerned with great power competition against Russia, with China and Cuba's roles varying in influence.[118] That competition influenced many decisions made in Africa. Both the US and Russia viewed the Horn of Africa as a strategic maritime chokepoint, with the Bab el-Mandeb Strait providing the most direct sea lane from the Pacific to Europe.[119] The two superpowers viewed recipient nations in the Horn as clients, gaining a geostrategic advantage in the Cold War through client-state political alignment.[120] At the same time, Horn of Africa nations followed a tradition of inviting foreign intervention on their behalf to maintain security advantages against their neighbors.[121]

Ethiopia was one of the key actors in the region and an object of competition between the US and Russia.[122] After World War Two, the US supported Ethiopia's bid to federate, and then annex Eritrea, ensuring access to the Red Sea.[123] That support also set conditions for the operation of the strategic communications node at Kagnew Station, critical for the United States before developing satellite communications.[124] Through the early 1970s, Emperor Haile Selassie's mismanagement of a series of agricultural and economic crises led to his overthrow in a

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118 Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 25–26, 29.

119 Richard B. Remnek, "The Strategic Importance of the Bab El-Mandeb and the Horn of Africa," *Naval War College Review* 43, no. 4 (Autumn 1990): 7–8.

120 Taylor et al., *Africa in International Politics*, 6–7.

121 Jeffrey Lefebvre, *Arms for the Horn: U.S. Security Policy in Ethiopia and Somalia 1953-1991* (Pittsburgh, PA: University of Pittsburgh Press, 1991), 41.

122 Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 143.

123 Ibid., 145.

124 Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror,* 145.

Marxist coup in 1974.[125] Although the United States attempted to maintain political alignment, the new Ethiopian government shifted allegiance to the Soviet Union in 1977.[126] The United States discontinued military aid and significantly decreased economic aid following Kagnew Station's closure in the same year.[127]

Somalia was the regional rival to Ethiopia in the Cold War.[128] A counter to Ethiopia, the Soviet Union brokered Red Sea access through Berbera and Mogadishu, signing a Friendship and Cooperation Treaty in 1974.[129] When Somalia invaded Ogaden in 1977, the Soviets cut support to Somalia and sided with the newly communist Ethiopia.[130] After Siad Barre withdrew his forces from the unsuccessful Ogaden invasion, the US began serious attempts at cooperation with Somalia.[131] Regional events in the Middle East in 1979, such as the abdication of the Shah of Iran and increased Soviet activity in Ethiopia and Yemen, necessitated urgent action from the US in the Horn of Africa.[132] Those events prompted increased foreign assistance to Somalia, and a base access agreement in 1980 allowing the United States to use port and airfield facilities at Berbera and Mogadishu.[133]

Djibouti was a French territory until 1977, when a referendum vote established their independence.[134] Despite that change in relationship, France maintained a military base in

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[125] Schmidt, *Foreign Intervention in Africa: From the Cold War to the War on Terror*, 146–147.

[126] Ibid.

[127] Ibid., 147.

[128] Ibid., 143.

[129] Ibid., 149.

[130] Lefebvre, *Arms for the Horn: U.S. Security Policy in Ethiopia and Somalia 1953-1991*, 178–181.

[131] Ibid., 197.

[132] Ibid., 198–199.

[133] Ibid., 200–201.

[134] Peter Woodward, *Crisis in the Horn of Africa: Politics, Piracy, and the Threat of Terror* (New York, NY: I.B. Tauris & Co, 2013), 155.

Djibouti and continued to play a large part in domestic affairs.[135] Through the period before and after Djibouti's independence, US naval vessels continued to frequent Djibouti's port as a fueling station for operations in the Red Sea and the Gulf of Aden.[136] However, unlike other nations in the Horn at the time, the United States limited exchanges of aid to Djibouti as a "quid-pro-quo" for the use of naval facilities.[137] A US National Security Council meeting in 1979 emphasized a desire to keep "…the French out front…" in Djibouti, an instance where the United States was not the primary patron for security concerns.[138]

While Ethiopia experienced a rise in communism, Sudan saw the opposite. In 1971, a failed communist coup against President Jafar Numeiri triggered a dramatic swing in political alignment from the Soviet Union to the West, and the near eradication of the communist party in Sudan.[139] Numeiri resumed diplomatic relations with the US in 1972, and despite tumultuous domestic politics, Sudan maintained relatively stable ties with the United States from 1972 to 1982.[140] Other events in the region advanced this trend, specifically the 1973 Yom Kippur War. When King Faisal of Saudi Arabia imposed an oil embargo against the West for their support of Israel, it decreased confidence in the Organization of Petroleum Exporting Countries (OPEC),

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[135] Woodward, *Crisis in the Horn of Africa: Politics, Piracy, and the Threat of Terror,* 155.

[136] Charles w. Koburger Jr., *Naval Strategy East of Suez: The Role of Djibouti* (New York, NY: Praeger Publishers, 1992), 73–90.

[137] Louise P. Woodroofe, ed., "Memorandum From Paul B. Henze of the National Security Council Staff to the President's Assistant for National Security Affairs (Brzezinski)," in *Foreign Relations, 1977-1980*, vol. XVII, Horn of Africa, Part 1 (Washington, DC: United States Government Publishing Office, 2016), 260–261, accessed February 27, 2021, https://history.state.gov/historicaldocuments/frus1977-80v17p1/d94.

[138] "Foreign Relations, 1977–1980, Volume XVII, Horn of Africa, Part 1 - Office of the Historian," 260–261, accessed December 5, 2020, https://history.state.gov/historicaldocuments/frus1977-80v17p1/d94.

[139] Richard Cockett, *Sudan: Darfur and the Failure of an African State* (London: Yale University Press, 2010), 63.

[140] Ibid., 76–77.

driving major oil companies to explore other petroleum sources.[141] One such source was Sudan. With the cessation of rebellion in the South in 1972, the country was stable enough for consistent foreign investment, led by American firm Chevron over the next decade.[142]

In contrast to regional trends, Kenya remained relatively stable from 1972 to 1982, although it still witnessed an unsuccessful coup attempt in 1982.[143] Kenya generally maintained cooperative ties with Ethiopia, but maintained chilly relations with Somalia until 1981.[144] While US cooperation with Kenya was initially economic and diplomatic, military cooperation increased after 1976 at the onset of increased Soviet military aid to Kenya's neighbors.[145] That cooperation continued with a facilities agreement in 1980 that allowed the US to use three Kenyan airfields and port facilities at Mombasa.[146]

Correlation and Regression Analysis

The three independent variables assessed in this case study were UN voting, trade balance, and military cooperation. The dependent variables were US foreign assistance and foreign direct investment in each Horn of Africa nation. Table 1 shows the intercorrelations between the independent variables and dependent variables. Green highlights show the correlations that met statistical significance criteria of $\rho < 0.05$. Table 2 shows the regression results for multiple linear regression models that met the significance criteria of $\rho < 0.05$. Those models with no significant independent variable regression results have the variable with the

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[141] Luke Anthony Patey, "State Rules: Oil Companies and Armed Conflict in Sudan," *Third World Quarterly* 28, no. 5 (July 2007): 1002.

[142] Ibid.

[143] H. D. Nelson, *Area Handbook Series Kenya, A Country Study* (Fort Belvoir, VA: Defense Technical Information Center, June 1, 1983), 183, 213, http://www.dtic.mil/docs/citations/ADA147503.

[144] Ibid., 224.

[145] Ibid., 226–227.

[146] Ibid., 227.

highest η^2, or effect size, highlighted in orange. Appendix 2, Tables A2.1 and A2.2 show detailed regression analysis results for this case.

Table 1. Pairwise Correlation of Horn of Africa Bilateral Cooperation with US Foreign Assistance and Foreign Direct Investment, 1972-1982+.

Recipient Nation	Foreign Assistance and Foreign Direct Investment Correlation Coefficients	Foreign Assistance and Independent Variables Correlation Coefficients			Foreign Direct Investment and Independent Variables Correlation Coefficients		
		UN Voting	Trade Balance	Military Coop.	UN Voting	Trade Balance	Military Coop.
Ethiopia	.902**	-.755**	-.516	.571	-.865**	-.163	.916***
Somalia	-.446	-.628*	.869***	.381	.642	-.466	-.460
Djibouti++	.359	.245	.799	-	-.625	.562	-
Sudan	.914***	-.408	.428	.598	-.349	.633*	.614*
Kenya	.779**	.492	-.145	.176	.126	-.338	-.242

* $\rho < .05$, ** $\rho < .01$, *** $\rho < .001$
+ Foreign assistance and foreign direct investment values were lagged one year.
++ No observed instances of military cooperation during the period of study.

Source: Created by author.

Table 2. Significant Multiple Linear Regression Model Results of Horn of Africa Bilateral Cooperation with US Foreign Assistance and Foreign Direct Investment, 1972-1982+.

Dependent Variable	Recipient Nation Model Results	Independent Variables	Regression Results				
			Coefficient	Standard Error	t	ρ	η^2
Foreign Assistance	Ethiopia $R^2 = .699$ $\rho = .031$	UN Voting	-87.69	43.42	-2.02	.083	.37
		Trade Balance	-0.25	0.16	-1.63	.147	.28
		Military Coop.	4.91	7.48	0.66	.533	.06
	Somalia $R^2 = .865$ $\rho = .002$	UN Voting	-133.33	56.31	-2.37	.050	.45
		Trade Balance	1.05	0.22	4.68	.002	.76
		Military Coop.	-0.57	7.96	-0.07	.945	.00
Foreign Direct Investment	Ethiopia $R^2 = .873$ $\rho = .029$	UN Voting	-21.78	33.84	-0.64	.555	.09
		Trade Balance	-0.05	0.08	-0.56	.602	.07
		Military Coop.	14.09	7.11	1.98	.119	.50

+ Foreign assistance and foreign direct investment values were lagged one year.

Source: Created by author.

Secondary Research Question 1: What was the relationship between UN voting and foreign aid and investment?

UN voting and foreign assistance intercorrelations were significant in two countries, Ethiopia and Somalia. Correlation with foreign direct investment relationship was only significant in Ethiopia. The correlation coefficients were negative in each instance. Absolute Ideal Point Distance (AIPD) decreases in value as compared nations become more aligned in UNGA voting. The UN voting variable used that AIPD methodology as a measure. The negative correlation finding suggested that as voting trends between the United States, Ethiopia, and Somalia grew closer, the dependent variables grew larger. Regression analysis in Table 2 showed that while UN voting was not a significant determinant in the Ethiopian foreign assistance model, it did have the most impact among the three independent variables. In each model, the negative coefficient mirrored findings in the correlation analysis.

Figure 2 shows US foreign assistance to Ethiopia and Somalia compared to the UN voting trends for each. The graph demonstrates how Ethiopia's deteriorating relations after the coup in 1974 affected UN voting and US foreign assistance through 1982, with foreign assistance decreasing as AIPD increased. It also shows the opposite trend with Somalia. Increasing UNGA voting alignment coincided with increased US foreign assistance as relations improved. Foreign direct investment trends mirrored foreign assistance in Ethiopia, declining after adopting communism and alignment with the Soviet Union.

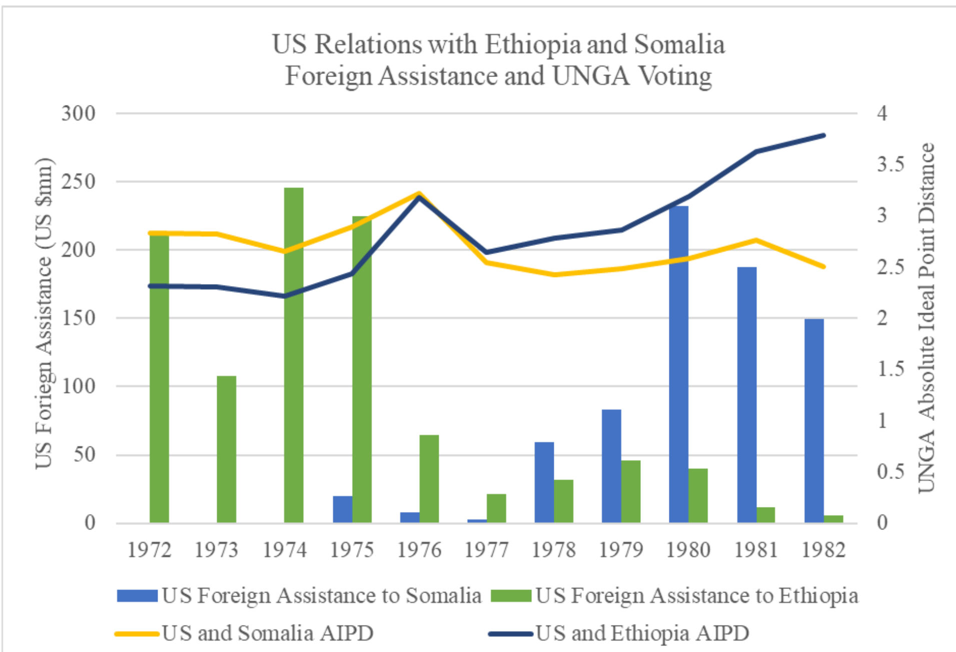

Figure 2. US Foreign Assistance to Ethiopia and Somalia Compared to UNGA Voting Trends. Screenshots taken from Microsoft Excel. Created by author.

Those findings show that the relationships in Ethiopia and Somalia supported the first hypothesis. Increased UNGA voting alignment in those countries corresponded with increased foreign assistance from the United States. Additionally, increased alignment in UNGA voting corresponded with increased US foreign direct investment in Ethiopia.

Secondary Research Question 2: What was the relationship between trade balance and foreign aid and investment?

Table 1 showed that Somalia's relationship with the United States demonstrated the strongest correlation values for trade balance and foreign assistance. Table 2 regression analysis echoed that finding with the most significant contributor to Somalia's foreign assistance model. In Somalia, the United States' overt political objectives focused on access to the Red Sea via Berbera and Mogadishu while countering Soviet influence in neighboring Ethiopia. Considering that the United States did not attempt to improve relations with Somalia until after 1977, the trade balance relationship's strength implied that immediate bilateral cooperation responses encouraged increased foreign aid from the United States. Sudan's foreign direct investment relationship demonstrated a similar trend. With relatively stable relations and the United States' search for petroleum alternatives outside OPEC, investment followed trade balance increases. The second hypothesis posited that a donor nation's foreign assistance to a recipient nation increased as trade surplus to the recipient nation increased. Somalia's relationships supported that hypothesis.

Considering the debate in existing literature regarding the altruistic versus strategic nature of foreign assistance, was there a regional spending trend versus net gains via a trade surplus? Figure 3 shows trade balance trends from 1972 to 1982, with an inflection point in 1973 where the United States maintained a positive trade to aid and investment ratio after that. While a net-positive ratio did not negate altruistic objectives, it did imply that strategic position in the region was not the only public good received by the United States.

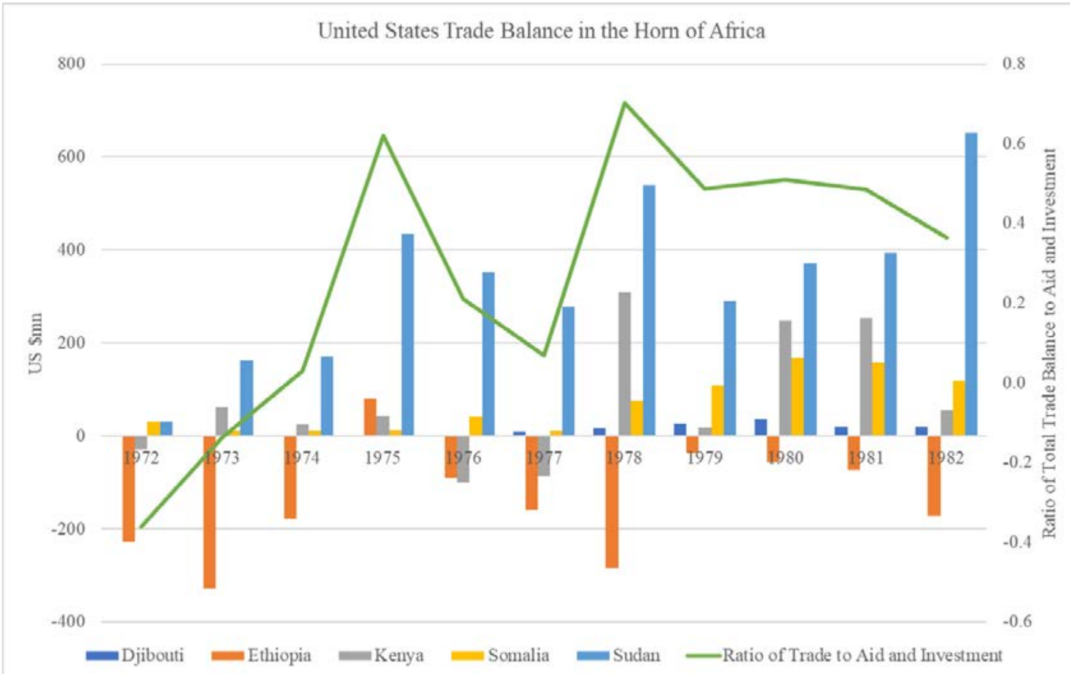

Figure 3. US Trade Balance compared to Foreign Assistance and Foreign Direct Investment from 1972 to 1982. Screenshots taken from Microsoft Excel. Created by author.

Secondary Research Question 3: What was the relationship between military cooperation and foreign aid and investment?

The absence of significant correlational relationships for military cooperation in Ethiopia, Somalia, and Kenya was surprising, considering the prevalence of US security concerns during the Cold War. Regression analysis of foreign assistance mirrored that finding. Figure 4 compares military cooperation values in each country with their respective foreign assistance from the United States. In each instance, military cooperation appeared to follow, rather than lead, US foreign assistance. That finding implied that military cooperation was dependent on foreign assistance in those countries.

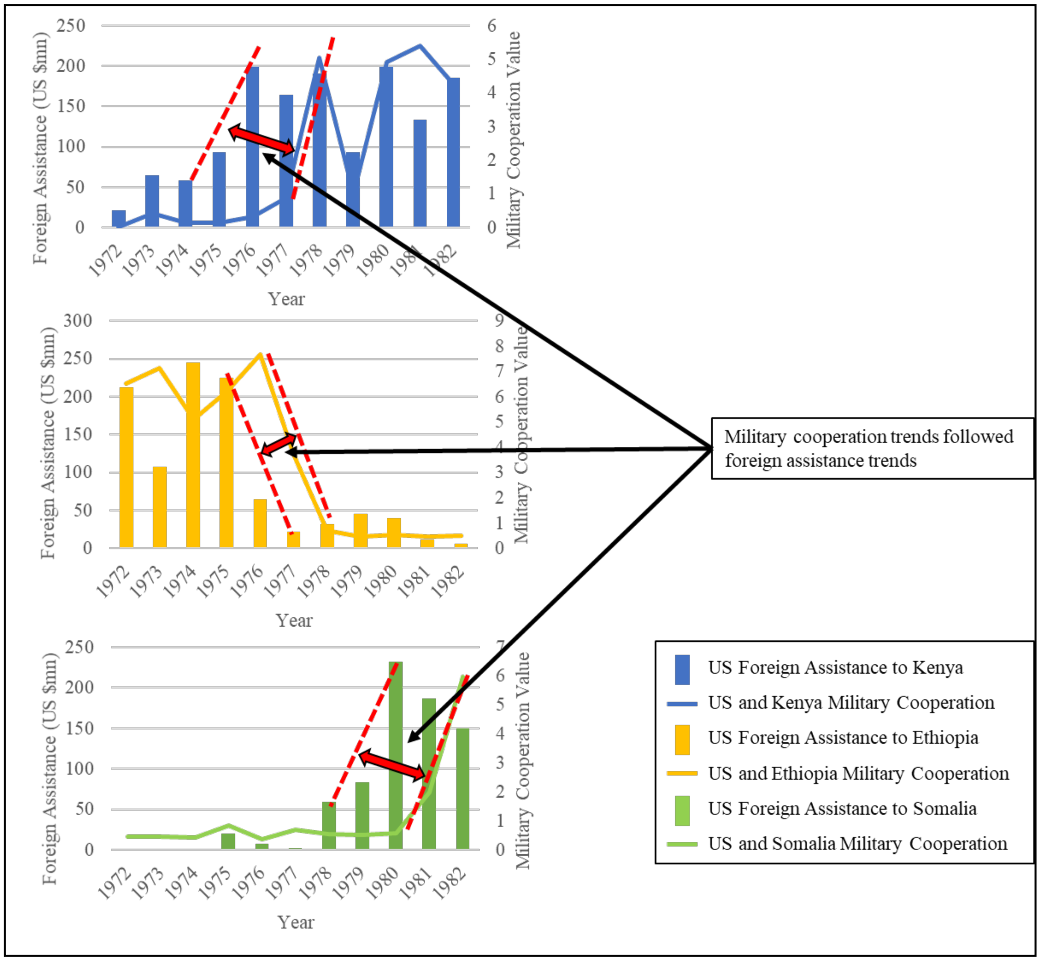

Figure 4. Comparison of Foreign Assistance and Military Cooperation Relationships for Sudan, Kenya, Ethiopia, and Somalia. Screenshots taken from Microsoft Excel. Created by author.

There were two significant relationships between foreign direct investment and military cooperation: Ethiopia and Sudan. While there was a contradiction in the findings with foreign assistance, foreign direct investment's dependence on military cooperation supported the hypothesis for this study's third secondary research question. In each case, the positive correlation implied that US foreign direct investment was explained to some degree by military cooperation in those countries. Military cooperation also had the most impact on foreign direct investment in the Ethiopia regression model.

Primary Research Question: What was the relationship between bilateral cooperation and foreign aid and investment?

The three independent variables of bilateral cooperation adequately explained foreign assistance in two countries: Ethiopia and Somalia. Bilateral cooperation also showed a significant probability for determining foreign direct investment in Ethiopia. However, there was no clear trend in which independent variable had more significant effects on foreign assistance or foreign direct investment values.

There was a lower probability that bilateral cooperation determined foreign assistance and investment in Djibouti, Sudan, and Kenya. Considering France's role in Djibouti's affairs and US preference to keep France in the front seat, there is little surprise in the reduced probability that bilateral cooperation determined foreign aid or investment flows. In Kenya's case, the lower probability could have stemmed from US cooperation with Somalia, Kenya's regional adversary. Sudan's relatively moderate-strength correlation coefficients could have limited a regression model's probability, despite increasing cooperation in the late 1970s. Those findings demonstrated limits to the bilateral cooperation model of foreign assistance and foreign direct investment. It also implied that this study's design did not observe all the potential explanatory variables for foreign assistance flows.

Only bilateral cooperation with Ethiopia showed a significant probability for modeling foreign direct investment. Several phenomena potentially explain the non-determinate models. First, Somalia's economy did not attract foreign investment. Socialism and centralized control of the economy, rising debt, and the collapse of its small industrial sector through the late 1970s all worked to discourage foreign investors.[147] Second, US foreign direct investment in Kenya remained relatively steady from 1972 to 1982, in contrast to military cooperation with Kenya that showed steep increases in the late 1970s. Those two examples highlight how other unmeasured

[147] Federal Research Division, Library of Congress, *Somalia: A Country Study*, ed. Helen Chapin Metz, Area Handbook Series (Washington, DC: Government Printing Office, 1993), 130–132.

factors, such as commercial interests or less obvious political indicators, could affect foreign direct investment values. Similarly, qualitative evidence showed strong commercial interest in Sudan, but its intercorrelations were moderate in strength and did not support a quantitative foreign direct investment model.

Case Summary

In this case, the overarching trend was that bilateral cooperation was more likely to determine foreign assistance than foreign direct investment. Regression analysis showed those relationships were only significant in Ethiopia and Somalia. That finding supported the study's primary hypothesis and understanding of the period, that United States' foreign aid flows generally followed transactional and realist alliance management expectations. However, the absence of significant regression models in Djibouti, Kenya, and Sudan suggested other, unmeasured, explanatory variables for those nations' relationships. It demonstrated the potential shortfalls for this modeling framework and limited generalizability.

Bilateral cooperation between the United States and the Horn of Africa also showed significant correlations in all domains, without a clear focus in any one area. Regression analysis mirrored that finding, with each independent variable demonstrating the highest effect size in one of the regression models. However, military cooperation in the Horn of Africa showed it was more likely to follow foreign assistance trends than lead them, suggesting that military cooperation was potentially dependent on foreign aid. That finding contradicted the third hypothesis of this study and merits further investigation in future studies.

Case 2: China and the Horn of Africa 2008-2018

Historical Background

China's interest in Africa developed significantly since the Cold War. Since the early 2000s, economic engagement continually increased, with China surpassing the United States as

Africa's largest trading partner in 2009.[148] China's diplomatic engagement increased in kind as Cold War powers decreased aid and investment in the region after 1991.[149] The Horn of Africa attracted significant Chinese attention through the period of this study, from oil imports out of Sudan, anti-piracy mission support in the Gulf of Aden, UN peacekeeping missions, and exports of manufactured goods and construction efforts to the region.[150]

There were some differences in the composition of the Horn of Africa compared to the Cold War. Eritrea gained independence from Ethiopia in 1991, and South Sudan gained independence from Sudan in 2011. Those countries' inclusion captured significant geopolitical influences, such as Eritrea's Red Sea access and South Sudan's oil fields, that bore on the study.

Ethiopia's government experienced several events that potentially affected bilateral cooperation with China. Ethiopia’s parliament was dominated by a single party, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF).[151] The EPRDF’s repressive laws were challenged by protests in 2016 and 2017, leading to the first contested election for a prime minister since 2005.[152] In addition to domestic issues, Somalia's instability was a long-running security concern for Ethiopia, which deployed troops there in 2006 and joined the UN mission in 2014.[153] Ethiopia also launched limited cross-border military attacks in 2012 against Eritrea, but there was no large-scale conflict.[154] The EPRDF’s efforts to improve Ethiopia's economy included large-scale infrastructure projects and other industrialization initiatives. While they did

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[148] Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 319.

[149] Ibid., 312.

[150] Ibid., 315–319.

[151] Lauren Ploch Blanchard, *Ethiopia*, In Focus (Washington, DC: Congressional Research Service, August 3, 2020), 1.

[152] Blanchard, *Ethiopia*, 1.

[153] Ibid., 2.

[154] “Ethiopia,” *Jane’s Sentinel Security Assessment - North Africa* (October 26, 2020): 2, 51.

result in some economic growth, they also increased their debt to China.[155] Ethiopia was not officially a signatory of China's BRI program. However, China's policy banks were the most significant lenders to Ethiopia's infrastructure development, and China classified Ethiopia as a "comprehensive strategic partner."[156]

Eritrea demonstrated markedly less stability than its neighbors. There were occasional border skirmishes with both Ethiopia and Djibouti, simultaneous with UN peacekeeping troops' withdrawal in 2008.[157] Cross-border attacks between Ethiopia and Eritrea in 2011 compelled the UN Security Council to renew and deepen existing sanctions.[158] Sporadic cross-border tensions with Ethiopia, and a "no peace, no war" position between the two countries, continued as a friction point through 2018.[159] During this period, China remained active in Eritrea. China was Eritrea's largest trading partner, and Chinese companies were active in mining, agriculture, and construction. Additionally, Eritrea's imports of Chinese manufactured goods were increasingly prevalent.[160] China also emerged as a counter to Western powers' recommendations for sanctions against Eritrea via the UN.[161]

Somalia remained a site of instability and fractional governance from 2008 to 2018. Since Siad Barre's departure in 1991, Somalia's government struggled to maintain control, and by 2018, could only secure the capital, Mogadishu.[162] In addition to semi-autonomous states within its borders, Somalia famously served as a launching point for piracy against commercial shipping in

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155 Blanchard, *Ethiopia*, 2.

156 "Ethiopia," 2, 38.

157 "Eritrea," *Jane's Sentinel Security Assessment - North Africa* (October 13, 2020): 25.

158 Ibid., 26.

159 Ibid., 2, 26.

160 "Eritrea," *Jane's Sentinel Security Assessment - North Africa* (October 13, 2020): 33.

161 Ibid., 34.

162 "Somalia," *Jane's Sentinel Security Assessment - North Africa* (November 16, 2020): 1, 35–38; Woodward, *Crisis in the Horn of Africa: Politics, Piracy, and the Threat of Terror*, 74–76.

the Gulf of Aden.[163] The rise of piracy spurred a first in modern history for the Chinese navy, missions outside their territorial waters.[164] In December 2008, the first Chinese vessels were deployed to the Gulf of Aden, although they remained independent of NATO and EU coalitions.[165] The marked instability in Somalia dominated the region through the period of study.

Djibouti enjoyed a strategic location on the Bab el-Mandeb Strait, and its fiscal base was dependent on revenues from port logistics.[166] The presence of military forces from the US, France, Germany, Italy, Spain, Japan, and China highlighted Djibouti's strategic importance and openness to hosting foreign forces.[167] While China only recently established its naval base in 2017, the People's Liberation Army Navy (PLAN) anti-piracy escort task forces regularly utilized Djibouti's ports for resupply and overhaul visits since 2010.[168] Border concerns and skirmishes with Eritrea remained a security concern for Djibouti through the period of study.[169] Although governance was relatively stable through the period, challenges from opposition parties and protests against the regime in 2011, 2014, and 2015 demonstrated some domestic concerns.[170]

Sudan experienced bouts of rebellion and dissident forces from 1988 until Khartoum accepted South Sudan's secession in 2011.[171] Even with South Sudan's recognition, fighting in

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163 "Somalia," 97–104.

164 Alison Kaufman, *China's Participation in Anti-Piracy Operations off the Horn of Africa: Drivers and Implications*, Conference Report (Arlington, VA: China Studies, Center for Naval Analyses, July 2009), 1.

165 Ibid., 3.

166 "Djibouti," *Jane's Sentinel Security Assessment - North Africa* (October 15, 2020): 2.

167 Degang Sun and Yahia H. Zoubir, "The Eagle's Nest in the Horn of Africa: US Military Strategic Deployment in Djibouti," *Africa Spectrum* 51, no. 1 (April 2016): 111.

168 Dutton, Kardon, and Kennedy, *China Maritime Report No. 6: Djibouti: China's First Overseas Strategic Strongpoint*, 41.

169 "Djibouti," 22–23.

170 Ibid., 19–23.

171 "Sudan," *Jane's Sentinel Security Assessment - North Africa* (November 16, 2020): 36–38.

Darfur and other localized inter-ethnic conflict continued through 2018.[172] China's relationship with Sudan centered around petroleum exports, with China supporting oil field development and associated utility projects as early as 1996 and continuing through South Sudan's secession in 2011.[173] China contributed forces to the UN peacekeeping mission in Sudan through the entire period of this study.[174]

South Sudan experienced both external and internal conflict from 2011 to 2018. Their secession from Sudan in 2011 did not end hostilities between the two countries, and disputes continued over the petroleum industry that dominated Sudan's economy.[175] Even though most of the oil export infrastructure was in Sudan, three-quarters of production was in South Sudan. Despite China's efforts to mediate between the two nations, South Sudan closed production in 2012, which impacted both African nations and China's oil profits for 15 months.[176] Following the border dispute with Sudan, civil war broke out in South Sudan, with conflict continuing through 2018.[177] During this period, the UN provided peacekeeping troops there, and China remained a significant contributor to that mission.[178]

Kenya saw limited violence following disputed elections in 2008.[179] Tensions internal to Kenya's government continued through 2010, but otherwise, Kenya remained a relatively stable

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[172] Ibid.

[173] Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 320–321.

[174] "Troop and Police Contributors," *United Nations Peacekeeping*, accessed December 10, 2020, https://peacekeeping.un.org/en/troop-and-police-contributors.

[175] Luke Patey, "Learning in Africa: China's Overseas Oil Investments in Sudan and South Sudan," *Journal of Contemporary China* 26, no. 107 (2017): 762–763.

[176] Ibid.

[177] "South Sudan Profile - Timeline," *BBC News*, last modified August 6, 2018, accessed December 10, 2020, https://www.bbc.com/news/world-africa-14019202.

[178] "Troop and Police Contributors," *United Nations Peacekeeping*, accessed December 10, 2020, https://peacekeeping.un.org/en/troop-and-police-contributors.

[179] "Kenya," *Jane's Sentinel Security Assessment - North Africa* (November 6, 2020): 27.

nation in the Horn of Africa.[180] Through 2018, China was Kenya's principal bilateral lender and largest trading partner.[181]

Correlation and Regression Analysis

The three independent variables assessed were UN voting, trade balance, and military cooperation. China's foreign assistance and foreign direct investment were the dependent variables. Table 3 shows the intercorrelations between independent and dependent variables. Green highlights show correlations that met statistical significance criteria of $\rho < 0.05$. Table 4 shows the regression results for multiple linear regression models that met the significance criteria of $\rho < 0.05$. Ethiopia's regression model was included because of its marginally significant ρ-value of 0.052. Appendix 2 shows detailed regression results for this case.

Table 3. Pairwise Correlation of Horn of Africa Bilateral Cooperation with China's Foreign Assistance and Foreign Direct Investment, 2008-2018+.

Recipient Nation	Foreign Assistance and Foreign Direct Investment Correlation Coefficients	Foreign Assistance and Independent Variables Correlation Coefficients			Foreign Direct Investment and Independent Variables Correlation Coefficients		
		UN Voting	Trade Balance	Military Coop.	UN Voting	Trade Balance	Military Coop.
Ethiopia	-.195	.605	-.203	.215	-.270	.834**	-.090
Eritrea++	-.189	.145	.178	-	.877***	-.396	-
Somalia+++	-	-.322	.307	.157	-	-	-
Djibouti	-.033	-.201	.106	-.250	.354	.949***	.611
South Sudan	-.111	.218	-.052	-.190	-.086	-.388	.586
Sudan	-.543	.176	-.341	.227	-.440	.258	.086
Kenya	.026	-.584	.098	-.156	.626	.909***	.136

* $\rho < .05$, ** $\rho < .01$, *** $\rho < .001$
+Foreign assistance and foreign direct investment values were lagged one year.
++No military cooperation observations during period of study.
+++Missing data for foreign direct investment in Somalia during period of study.

Source: Created by author.

[180] "Kenya," *Jane's Sentinel Security Assessment - North Africa* (November 6, 2020): 26–28.

[181] Ibid., 34.

Table 4. Significant Multiple Linear Regression Model Results of Horn of Africa Bilateral Cooperation with China's Foreign Assistance and Foreign Direct Investment, 2008-2018+.

Dependent Variable	Recipient Nation Model Results	Independent Variables	Regression Results				
			Coefficient	Standard Error	t	ρ	η^2
Foreign Direct Investment	Ethiopia $R^2 = .700$ ρ = .052	UN Voting	-620.61	2061.19	-0.30	.774	.02
		Trade Balance	0.73	0.21	3.42	.014	.66
		Military Coop.	-106.79	536.50	-0.20	.849	.01
	Djibouti $R^2 = .902$ ρ = .002	UN Voting	24.36	86.18	0.28	.787	.01
		Trade Balance	.09	.02	4.99	.002	.81
		Military Coop.	2.85	12.54	0.23	.828	.01
	Kenya $R^2 = .887$ ρ = .003	UN Voting	1034.57	764.30	1.35	.225	.23
		Trade Balance	0.26	0.05	4.92	.003	.80
		Military Coop.	-358.00	220.43	-1.62	.155	.31

+Foreign direct investment values were lagged one year.

Source: Created by author.

Secondary Research Question 1: What was the relationship between UN voting and foreign aid and investment?

Foreign assistance displayed no statistically significant relationships between UNGA voting and foreign assistance. Considering this study categorized China's high-profile Belt and Road Initiative loans under foreign assistance, it challenged notions that BRI served as a vehicle to reinforce China-led voting trends in the UN General Assembly.

In contrast, there was one significant correlational relationship between UNGA voting and foreign direct investment in Eritrea. However, unlike the US case, that correlation coefficient was positive. Since the measure of UNGA voting alignment used the AIPD methodology, a positive correlation showed that as UNGA voting became less aligned with China, foreign direct investment from China increased. That finding implied that China's foreign direct investment increased despite worsening UNGA alignment with Eritrea. The foreign direct investment regression models for Kenya and Djibouti showed similar trends, with positive coefficients for UNGA voting that demonstrated worsening voting alignment despite positive trade balance relationships. Each finding suggested that China's relationships did not support the UNGA voting hypothesis. Considering those negative trends, it was possible that China prioritized bilateral cooperation in other domains, and ignored UNGA voting trends relative to foreign direct investment. Since regional UNGA voting trends already aligned more closely with China than the United States, shown in Figure 5, that variable could have had less impact on foreign aid and investment in the Horn of Africa. Those findings did not support the first hypothesis, that there was a positive relationship between UNGA voting and foreign aid or investment.

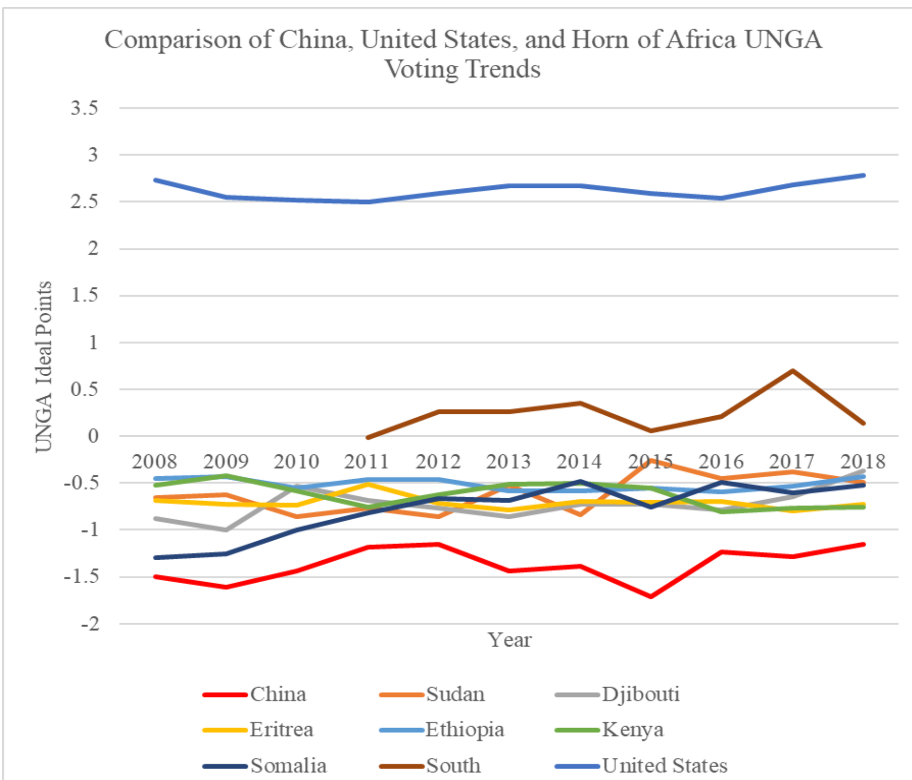

Figure 5. Comparison of UNGA Voting Trends in China, the United States, and the Horn of Africa from 2008 to 2018. Screenshots taken from Microsoft Excel. Created by author.

Secondary Research Question 2: What was the relationship between trade balance and foreign aid and investment?

There were no significant relationships between trade balance and foreign assistance. However, China's trade balance positively correlated with foreign direct investment in Ethiopia, Djibouti, and Kenya. Trade balance also demonstrated the largest effect size in foreign direct investment regression modeling for those same nations. Ethiopia, Djibouti, and Kenya were critical nodes in China's "Maritime Silk Road," with regression results reinforcing those nations' economic value to China's trade in the region.[182] Some theorists have posited that a trade surplus from China's perspective served to offset large-scale imports of African commodities.[183] Figure 6 shows trade balance trends from 2008 to 2018, with the ratio of total trade balance over foreign aid and investment in the Horn of Africa. In Kenya, Ethiopia, and Djibouti, trade surpluses offset significant deficits from petroleum imports out of Sudan and South Sudan. An inflection point in 2012 showed how an increased trade surplus offset China's outflows in foreign assistance and investment. That finding implied mercantilist theories of Chinese development might have more credibility than China's public claims of altruistic development.[184] The positive relationships between China's trade balance and foreign direct investment also supported the second hypothesis's expectations.

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[182] "Mapping the Belt and Road Initiative: This Is Where We Stand," *Merics: Mercator Institute for China Studies*, last modified June 7, 2018, accessed February 13, 2021, https://merics.org/en/analysis/mapping-belt-and-road-initiative-where-we-stand.

[183] Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 315–319; Denghua Zhang, *A Cautious New Approach: China's Growing Trilateral Aid Cooperation*, 1st ed. (ANU Press, 2020), 29–30, accessed September 23, 2020, https://press.anu.edu.au/publications/series/pacific-affairs/cautious-new-approach; Taylor and Williams, *Africa in International Politics*, 97–99.

[184] Taylor, "The 'All-Weather Friend'? Sino-African Interaction in the Twenty-First Century," 91–99.

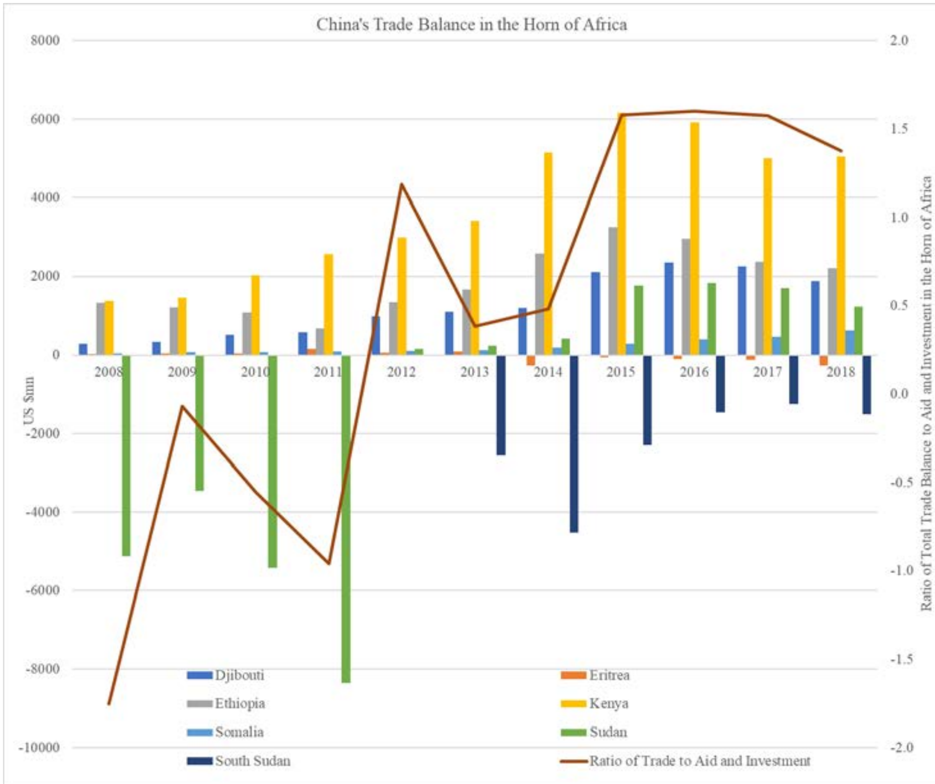

Figure 6. Comparison of China's Trade Balance with Horn of Africa Nations. Screenshots taken from Microsoft Excel. Created by author.

Secondary Research Question 3: What was the relationship between military cooperation and foreign aid and investment?

There were no significant intercorrelations between military cooperation and either foreign assistance or foreign direct investment. While China did not legalize overseas deployments of troops outside of UN missions until 2015, they did practice other forms of military cooperation like senior defense official visits and arms transfers.[185] Figure 7 shows how those trends remained relatively stable over time, except for increasing military cooperation in Djibouti. Of note, Sudan and South Sudan showed a higher value for steady-state military cooperation with China than other Horn of Africa nations. Those values primarily resulted from UN peacekeeping forces with Chinese troops and arms trade to Sudan. Those findings did not

[185] Paul Nantulya, "Chinese Hard Power Supports Its Growing Strategic Interests in Africa," *Africa Center for Strategic Studies*, last modified January 17, 2019, accessed September 15, 2020, https://africacenter.org/spotlight/chinese-hard-power-supports-its-growing-strategic-interests-in-africa/.

support the third hypothesis, which posited a positive relationship between military cooperation and foreign aid or investment.

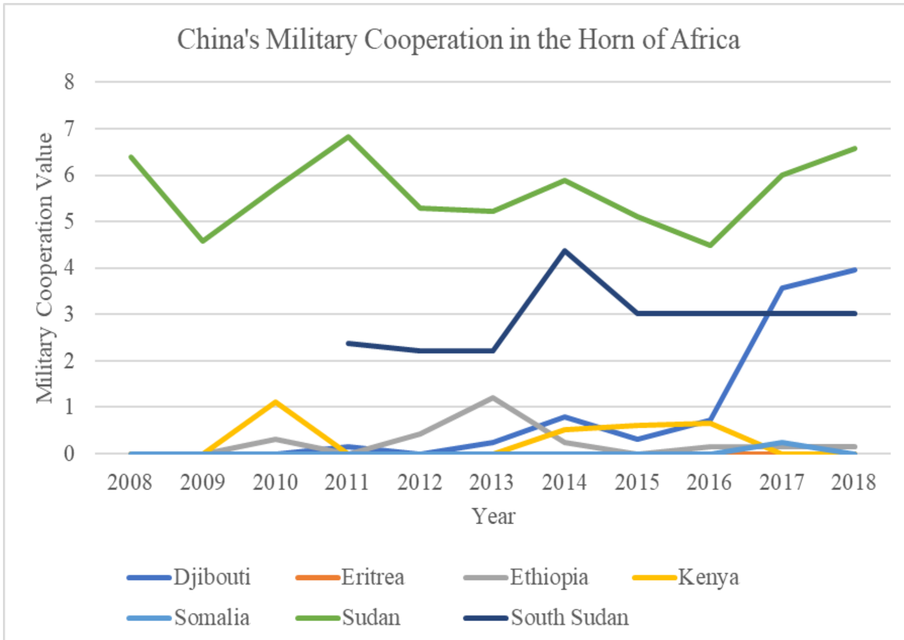

Figure 7. Comparison of China's Military Cooperation with Horn of Africa Nations. Screenshots taken from Microsoft Excel. Created by author.

Primary Research Question: What was the relationship between bilateral cooperation and foreign aid and investment?

No bilateral cooperation models for foreign assistance met statistical significance. In contrast, two models for foreign direct investment met significance criteria. Foreign assistance from China to the Horn of Africa consisted primarily of loans, with several high-profile Belt and Road Initiative loans creating spikes in foreign assistance trends, shown in Figure 8. While those large deviations could have contributed to a lack of correlations, removing the four highest outliers and running another correlation analysis still yielded zero significant intercorrelations. That finding suggested that China's bilateral cooperation with Horn of Africa nations, as measured in this study, was an improbable determinant of its foreign assistance flows. Regression analysis of those relationships echoed that finding.

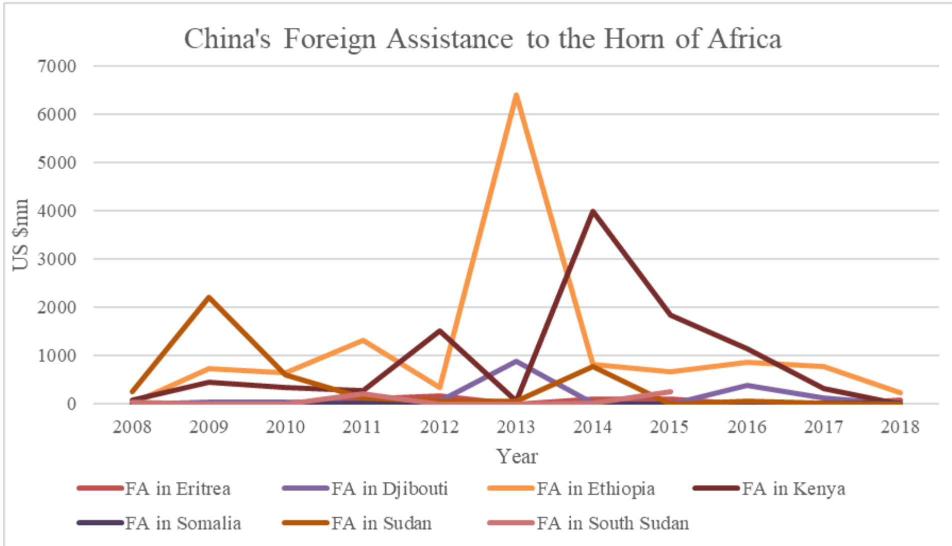

Figure 8. China's Foreign Assistance in the Horn of Africa. Screenshots taken from Microsoft Excel. Created by author.

Unlike foreign assistance, bilateral cooperation and foreign direct investment displayed two statistically significant models for Djibouti and Kenya. Of note, Ethiopia's model was marginally significant with a ρ-value of 0.052. Correlation and regression analysis findings demonstrated a transactional relationship, primarily between trade balance and investment. Both Kenya and Djibouti's foreign direct investment regression models showed worsening UNGA voting trends against improving trade balance. That implied a focus on trade balance and supported claims of China's economically focused foreign policies.[186] While China's public image cultivated a perception of altruistic "South-South" solidarity, the findings suggested a mercantilist approach to development.[187]

Case Summary

Regression analysis demonstrated how bilateral cooperation adequately explained foreign direct investment in two of three nations serving as Belt and Road Initiative nodes in the Horn of Africa. The third nation, Ethiopia, had a marginally significant model. That finding suggested that

186 Taylor, "The 'All-Weather Friend'? Sino-African Interaction in the Twenty-First Century," 91–95.

187 Ibid., 93–97.

bilateral cooperation impacted investment more than aid flows but still reaffirmed BRI's strategic focus in the Horn of Africa. Additionally, negative relationships between UNGA voting alignment in Eritrea, Kenya, and Djibouti with China's foreign direct investment trends suggested that economic concerns overrode political concerns in some instances. The dominance of trade balance in the intercorrelations and regression analysis of bilateral cooperation and foreign direct investment reinforced that finding.

While bilateral cooperation did not accurately explain foreign assistance trends, that finding did not suggest that China's loan trends are entirely altruistic. A ratio of trade surplus to foreign aid and investment showed a net positive trend starting in 2012 and continuing through 2018. Considering the bundled nature of China's development loans, where aid eventually finds its way back into the Chinese economy, domestic concerns may influence foreign assistance more than bilateral cooperation with a recipient nation.[188]

Cross-Case Analysis

Comparing the two case studies revealed several similarities and differences, each bearing on US foreign policy toward China in the Horn of Africa. The first similarity between cases was that bilateral cooperation did not adequately model foreign assistance or foreign direct investment in all examined relationships. In some instances, like Sudan and Kenya during the Cold War, the lack of significant models defied expectations. The second similarity was that no bilateral relationship demonstrated a significant correlation among all three independent variables and a dependent variable. Dominant domains of cooperation differed by country but usually displayed only one or two significant correlative relationships. Both donor nations met some expectations under realist alliance management theory with some of the countries in this study. Still, each case demonstrated that the study's definition of independent variables was not generalizable beyond the countries that showed statistically significant models.

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[188] Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 318–319.

The most notable difference between the cases was that each displayed a different dependent variable with more statistically significant models. Bilateral cooperation was more likely to explain US foreign assistance than foreign direct investment in the Cold War case. Additionally, intercorrelations showed that American foreign assistance responded to each of the cooperation domains, although those domains differed by country. In contrast, regression modeling of China's foreign direct investment showed more significant instances than foreign assistance. Considering that this study characterized Belt and Road Initiatives under foreign assistance, that finding suggested that bilateral cooperation, as currently measured, did not impact China's BRI loans' disbursement. Another notable difference was that Eritrea, Kenya, and Djibouti displayed negative UN voting trends as China's foreign direct investment increased. That finding supported theories regarding China's prioritizing economic gains in bilateral cooperation with Horn of Africa nations.

The case study perspective highlighted the differing nature of present-day and Cold War competition. The United States' security-focused strategic objectives meant bilateral cooperation in various domains added up to dichotomous political alignment between donor and recipient nations. That political alignment usually countered Soviet Union efforts in adjacent recipient nations. In contrast, the present-day competition was not dichotomous. Nations in the Horn of Africa hosted activities from both the United States and China without the significant shift in aid that characterized Ethiopia and Somalia's change of donors in the Cold War. Still, China's focus on economic cooperation over other domains demonstrated a new dynamic to competition in the Horn of Africa. While China's activities focused on the economic realm, evidence suggested it was not solely for altruistic development goals. Keeping their trade-to-aid balance book positive in the region implied that economic goals were more mercantilist than altruistic.

Conclusion

This study's findings in each research question highlighted several key differences between the United States and China's foreign aid and investment programs. The findings also highlighted two areas of concern for US policy regarding China and the Belt and Road Initiative. First, advocates for a modernized version of Cold War containment against China's influence risk mirror-imaging models from the Cold War that do not fit modern Chinese competitive activities.[189] Second, China's economic focus in the Horn of Africa provides US policymakers options to garner support and provide sustainable alternatives to China's investment activities.

UN General Assembly voting trends showed stark differences between the case studies. The United States case study displayed several significant intercorrelations between UNGA voting and both dependent variables, and in each instance, those correlations suggested a positive relationship. The only significant intercorrelation in the China case study suggested a negative relationship, reinforced with negative regression analysis trends for Kenya and Djibouti. Those findings suggested that as UNGA voting alignment increased, US foreign assistance flows increased. In contrast, China's foreign direct investment increased despite worsening UNGA voting trends in Eritrea, Kenya, and Djibouti.

There were more positive intercorrelations between foreign direct investment and trade balance in the China case study than the US case study. Regression analysis suggested that trade balance was the dominant factor in explaining China's investment in the Horn of Africa. That finding, coupled with a net positive of trade surplus versus aid and investment in the region from 2012 to 2018, supported theories that China's development goals appeared more domestically oriented than altruistic.

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[189] Francis P. Sempa, "The Case for Containing China," *The Diplomat*, last modified June 29, 2019, accessed January 13, 2021, https://thediplomat.com/2019/06/the-case-for-containing-china/.

The US case study suggested that military cooperation depended on foreign assistance, rather than determining it as initially hypothesized. Additionally, there were no significant intercorrelations between military cooperation and either dependent variable in the China case study. Each finding suggested that military cooperation was a poor explanatory variable for foreign aid. Further research is needed to examine the dependence of military cooperation on aid or investment.

The final significant finding in this study was that bilateral cooperation explained US foreign assistance in more instances than foreign direct investment. The China case study showed the opposite result. Each finding suggested that American perceptions of aid did not align with China's.

Referencing America's Cold War experience with great power competition includes the risk of mirror-imaging US foreign assistance concepts that do not align with Chinese foreign assistance methods. Quantitative and qualitative evidence from the Cold War suggested that bilateral cooperation in one or more domains was exchanged for foreign assistance from the United States. While American diplomats publicly downplayed or denied those expectations, it was a vital component of the Horn of Africa's political game.[190] Without access to any Chinese Communist Party communique on the subject, it is difficult to know their present-day assumptions about foreign assistance and foreign direct investment. However, this study's findings discovered significant differences between the programs. China's foreign assistance did not respond to bilateral cooperation, defying modeling using the same specifications as the United States. It showed that China's foreign direct investment better reflected their strategic goals relative to bilateral cooperation in the Horn of Africa. It also showed that US policymakers should focus on the long-term effects of Chinese investment in the region rather than the highly publicized BRI loans that dominate strategy discussions. That finding demonstrated how

[190] Taylor and Williams, *Africa in International Politics*, 7.

competition with China in the Horn of Africa must take a fundamentally different approach than the Cold War's security-focused practices.

The nature of Chinese investment and development in the Horn of Africa provides options for productive US engagement. China's focus on economic advancement in the Horn of Africa has already displayed the potential to benefit Chinese firms using Chinese labor rather than local inhabitants.[191] Additionally, increasing Chinese imports and cheap manufactured goods in those nations can displace local manufactures, further propagating a perception of Chinese "invaders."[192] There are no serious competitors to China for large-scale infrastructure projects and a growing gap in global infrastructure needs.[193] Formerly, 70% of World Bank financing went to economic infrastructure; in 2020 that share is approximately 30%.[194] Coupled with China's "non-interference policy," BRI is an alluring source of infrastructure funding without a capable Western competitor. Reform in Western financial institutions and the creation of viable competitors to China's infrastructure firms are both options to compete with China without the large-scale country-for-country competition that defined the Cold War.

While US foreign assistance changes generally accompanied a diplomatic or military shift from a particular Horn of Africa nation, China's foreign assistance and foreign direct investment tendencies did not follow a similar path. Comparisons to Cold War activities in modern studies should remain mindful of that key difference in foreign assistance disbursement. Additionally, China's highly publicized high dollar loans associated with BRI and foreign assistance rarely correlate with measurable bilateral cooperation changes. While those loans

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[191] Joanne Wagner, "Going Out: Is China's Skillful Use of Soft Power in Sub-Saharan Africa a Threat to U.S. Interests?," *Joint Force Quarterly* 1st Quarter 2012, no. 64 (2012): 101–104.

[192] Ibid., 102–104.

[193] OECD, *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape*, OECD Business and Finance Outlook 2018 (Paris: OECD Publishing, n.d.), 5, https://doi.org/10.1787/bus_fin_out-2018-6-en.

[194] David Dollar, "Seven Years into China's Belt and Road," Order From Chaos, Brookings Institution, last modified October 1, 2020, accessed December 10, 2020, https://www.brookings.edu/blog/order-from-chaos/2020/10/01/seven-years-into-chinas-belt-and-road/.

certainly generate some degree of soft power with a nation's ruling regime, the case of Ethiopia and the US from the Cold War demonstrates the danger in relying on regime cooperation while ignoring fundamental governance issues.[195] Finally, China's investment activities can alienate the local populace rather than garner popular support for development. There are opportunities for the US to provide sustainable funding and development options in the Horn of Africa that focus less on dichotomous political alignment and more on reinforcing the utility of Western-led international institutions.

This study highlighted several areas for further study. The designation of military cooperation as an independent variable in this study did not accurately capture its relationship with foreign aid, which merits further study. The second area for further study is China's foreign assistance in the Horn of Africa. This study's bilateral cooperation variables were poor determinants for China's foreign assistance values, and more explanatory factors require investigation. The final area for additional study was a deeper investigation of foreign direct investment in other Belt and Road Initiative countries. The prevalence of those relationships, and their dependence on trade balance, suggested that China's mercantilist tendencies in BRI nations deserved more study.

[195] Wagner, "Going Out: Is China's Skillful Use of Soft Power in Sub-Saharan Africa a Threat to U.S. Interests?," 101–104.

Appendix 1: Descriptive Statistics of Variable Data

Table A1. 1. Legend for Summary Statistics Tables.

Variable	Description
FDI_L	Foreign Direct Investment, 2018 constant US dollars (millions), lagged one year
FA_L	Foreign Assistance, 2018 constant US dollars (millions), lagged one year
UN Voting	UN Voting alignment measured with Absolute Ideal Point Distance
Trade Balance	Trade balance from donor nation perspective, 2018 constant US dollars (millions)
Military Coop.	Military cooperation, measured as a unitless value.

Source: Created by author.

Table A1. 2. Summary Statistics of United States Case Study Data, 1972 to 1982.

Recipient	Variable	Observations	Mean	Std. Dev.	Min	Max
Djibouti	FDI_L	4	-3.58	7.20	-13.54	3.01
	FA_L	6	7.05	3.43	3.29	12.85
	UN Voting	6	2.64	0.16	2.45	2.91
	Trade Balance	6	20.88	9.00	8.85	34.82
	Military Coop.	6	0	0	0	0
Ethiopia	FDI_L	8	68.06	56.75	5.01	134.70
	FA_L	11	73.24	85.44	5.62	245.53
	UN Voting	11	2.85	0.54	2.22	3.79
	Trade Balance	11	-139.62	118.19	-329.51	78.60
	Military Coop.	11	3.55	3.06	0.48	7.66
Kenya	FDI_L	11	343.50	38.95	268.08	407.58
	FA_L	11	143.91	57.11	58.18	201.02
	UN Voting	11	2.48	0.29	1.95	2.89
	Trade Balance	11	72.22	138.54	-100.80	309.76
	Military Coop.	11	2.05	2.30	0	5.39
Somalia	FDI_L	5	33.92	16.50	20.05	61.36
	FA_L	11	82.33	86.19	0	232.03
	UN Voting	11	2.70	0.23	2.43	3.22
	Trade Balance	11	67.40	61.08	9.78	166.19
	Military Coop.	11	1.18	1.66	0.38	5.99
Sudan	FDI_L	11	258.62	217.51	39.09	609.16
	FA_L	11	173.49	185.29	6.42	542.63
	UN Voting	11	2.77	0.20	2.54	3.23
	Trade Balance	11	333.74	176.74	29.98	651.85
	Military Coop.	11	1.28	1.72	0	4.27

Source: Created by author.

Table A1. 3. Summary Statistics of China Case Study Data, 2008 to 2018.

Recipient	Variable	Observations	Mean	Std. Dev.	Min	Max
Djibouti	FDI_L	10	74.98	80.02	8.22	238.16
	FA_L	10	156.09	277.81	0	877.58
	UN Voting	11	0.25	0.13	0.08	0.47
	Trade Balance	11	1233.73	787.22	283.65	2351.56
	Military Coop.	11	0.89	1.46	0	3.96
Eritrea	FDI_L	10	134.85	119.68	11.22	395.71
	FA_L	10	59.09	65.25	0	177.81
	UN Voting	11	0.22	0.13	0.03	0.45
	Trade Balance	11	-35.16	142.95	-274.53	163.89
	Military Coop.	11	0	0	0	0
Ethiopia	FDI_L	10	1157.49	794.51	331.30	2568.16
	FA_L	10	1280.09	1822.08	241.31	6396.44
	UN Voting	11	0.22	0.11	0.06	0.40
	Trade Balance	11	1877.65	841.24	673.42	3251.53
	Military Coop.	11	0.24	0.35	0	1.20
Kenya	FDI_L	10	842.41	563.09	140.68	1755.88
	FA_L	10	995.71	1225.81	0	3990.55
	UN Voting	11	0.23	0.13	0.01	0.39
	Trade Balance	11	3736.23	1784.06	1363.71	6173.60
	Military Coop.	11	0.26	0.39	0	1.11
Somalia	FDI_L	10	0	0	0	0
	FA_L	10	4.66	6.36	0	17.80
	UN Voting	11	0.27	0.23	0.03	0.64
	Trade Balance	11	228.87	193.53	46.09	623.97
	Military Coop.	11	0.02	0.07	0	0.25
Sudan	FDI_L	10	1352.03	436.57	659.11	1919.57
	FA_L	10	390.10	698.08	0	2217.26
	UN Voting	11	0.76	0.32	0.30	1.46
	Trade Balance	11	-1368.89	3579.36	-8359.04	1825.46
	Military Coop.	11	5.65	0.78	4.48	6.82
South Sudan	FDI_L	7	31.74	12.44	11.89	48.77
	FA_L	7	69.38	110.77	0	256.00
	UN Voting	8	0.82	0.30	0.32	1.19
	Trade Balance	8	-1697.58	1474.01	-4520.44	18.65
	Military Coop.	8	2.91	0.70	2.22	4.38

Source: Created by author.

Appendix 2: Detailed Regression Analysis Tables

This section shows detailed multiple linear regression analysis results. Models that displayed statistical significance of $\rho < 0.05$ are highlighted in green in the left-most column, independent variables that displayed $\rho < 0.05$ are highlighted in green along their row. Those models with no significant independent variable regression results have the variable with the highest η^2, or effect size, highlighted in orange.

Table A2. 1. Linear Regression of Horn of Africa Bilateral Cooperation with US Foreign Direct Investment, 1972-1982+.

Recipient Nation Model Results	Independent Variables	Regression Results				
		Coefficient	Standard Error	t	ρ	η^2
Ethiopia R^2 = .873 ρ = .029	UN Voting	-21.78	33.84	-0.64	.555	.09
	Trade Balance	-0.05	0.08	-0.56	.602	.07
	Military Coop.	14.09	7.11	1.98	.119	.50
Somalia R^2 = .870 ρ = .449	UN Voting	348.83	161.21	2.16	.276	.82
	Trade Balance	-0.05	0.11	-0.39	.761	.14
	Military Coop.	19.47	10.43	1.87	.313	.78
Djibouti+++ R^2 = .487 ρ = .716	UN Voting	-53.16	92.04	-0.58	.667	.25
	Trade Balance	0.22	0.51	0.43	.739	.16
	Military Coop.	0	-	-	-	-
Sudan R^2 = .468 ρ = .195	UN Voting	-185.37	317.43	-0.58	.578	.05
	Trade Balance	0.50	0.53	0.94	.377	.11
	Military Coop.	31.54	55.48	0.57	.587	.04
Kenya R^2 = .133 ρ = .786	UN Voting	26.13	85.99	0.30	.770	.01
	Trade Balance	-0.06	0.30	-0.20	.847	.01
	Military Coop.	-2.50	20.41	-0.12	.906	.00

+Foreign direct investment values were lagged one year.
+++Military cooperation omitted for collinearity.

Source: Created by author.

Table A2. 2. Linear Regression of Horn of Africa Bilateral Cooperation with US Foreign Assistance, 1972-1982⁺.

Recipient Nation Model Results	Independent Variables	Regression Results				
		Coefficient	Standard Error	t	ρ	η^2
Ethiopia $R^2 = .699$ ρ = .031	UN Voting	-87.69	43.45	-2.02	.083	.37
	Trade Balance	-0.25	0.16	-1.63	.147	.28
	Military Coop.	4.91	7.48	0.66	.533	.06
Somalia $R^2 = .865$ ρ = .002	UN Voting	-133.33	56.31	-2.37	.050	.45
	Trade Balance	1.05	0.22	4.68	.002	.76
	Military Coop.	-0.57	7.96	-0.07	.945	.00
Djibouti⁺⁺⁺ $R^2 = .857$ ρ = .054	UN Voting	10.39	4.84	2.15	.121	.61
	Trade Balance	0.35	0.09	4.09	.026	.85
	Military Coop.	0	-	-	-	-
Sudan $R^2 = .408$ ρ = .272	UN Voting	-216.18	285.32	-0.76	.473	.07
	Trade Balance	-0.06	0.47	-0.12	.904	.00
	Military Coop.	60.47	49.87	1.21	.265	.17
Kenya $R^2 = .340$ ρ = .378	UN Voting	15.31	110.03	0.14	.893	.00
	Trade Balance	-0.39	0.39	-1.00	.349	.13
	Military Coop.	23.32	26.12	0.89	.401	.10

⁺Foreign assistance values were lagged one year.
⁺⁺⁺Military cooperation omitted for collinearity.

Source: Created by author.

Table A2. 3. Linear Regression of Horn of Africa Bilateral Cooperation with China's Foreign Direct Investment, 2008-2018[+].

Recipient Nation Model Results	Independent Variables	Regression Results				
		Coefficient	Standard Error	t	ρ	η^2
Ethiopia R^2 = .700 ρ = .052	UN Voting	-620.61	2061.19	-0.30	.774	.02
	Trade Balance	0.73	0.21	3.42	.014	.66
	Military Coop.	-106.79	536.49	-0.20	.849	.01
Eritrea[+++] R^2 = .821 ρ = .056	UN Voting	730.14	256.57[++]	2.85	.025	.79
	Trade Balance	-0.22	0.12[++]	-1.81	.113	.23
	Military Coop.	0	-	-	-	-
Somalia[++++]	UN Voting	-	-	-	-	-
	Trade Balance	-	-	-	-	-
	Military Coop.	-	-	-	-	-
Djibouti R^2 = .902 ρ = .002	UN Voting	24.36	86.18	0.28	.787	.01
	Trade Balance	.09	.02	4.99	.002	.81
	Military Coop.	2.85	12.54	0.23	.828	.01
South Sudan R^2 = .431 ρ = .588	UN Voting	-11.64	18.48	-0.63	.573	.12
	Trade Balance	0.00	0.01	0.38	.731	.05
	Military Coop.	14.32	12.10	1.18	.322	.32
Sudan R^2 = .437 ρ = .295	UN Voting	-779.36	446.17	-1.75	.131	.34
	Trade Balance	0.07	0.05	1.58	.164	.30
	Military Coop.	122.87	222.50	0.55	.601	.05
Kenya R^2 = .887 ρ = .003	UN Voting	1034.57	764.30	1.35	.225	.23
	Trade Balance	0.26	0.05	4.92	.003	.80
	Military Coop.	-358.00	220.43	-1.62	.155	.31

[+]Foreign direct investment values were lagged one year.
[++] Model run with robust HC3 Standard Error due to heteroskedasticity.
[+++]Military cooperation omitted for collinearity.
[++++]No observed FDI to Somalia.

Source: Created by author.

Table A2. 4. Linear Regression of Horn of Africa Bilateral Cooperation with China's Foreign Assistance, 2008-2018[+].

Recipient Nation Model Results	Independent Variables	Regression Results				
		Coefficient	Standard Error	t	ρ	η^2
Ethiopia $R^2 = .598$ ρ = .732	UN Voting	15209.20	14388.51[++]	1.06	.331	.56
	Trade Balance	0.12	0.64[++]	0.18	.861	.01
	Military Coop.	2637.01	4016.27[++]	0.66	.536	.36
Eritrea[+++] $R^2 = .065$ ρ = .789	UN Voting	89.43	178.47	0.50	.632	.04
	Trade Balance	0.11	0.19	0.58	.582	.05
	Military Coop.	0	-	-	-	-
Somalia $R^2 = .156$ ρ = .778	UN Voting	-7.16	11.16	-0.64	.545	.06
	Trade Balance	0.01	0.02	0.52	.624	.04
	Military Coop.	-4.04	41.27	-0.10	.925	.00
Djibouti $R^2 = .322$ ρ = .772	UN Voting	-891.87	1442.97[++]	-0.62	.559	.18
	Trade Balance	0.23	0.38[++]	0.61	.562	.25
	Military Coop.	-168.92	1004.55[++]	-0.17	.872	.27
Sudan $R^2 = .261$ ρ = .792	UN Voting	131.82	187.48	0.70	.533	.14
	Trade Balance	-0.04	0.06	-0.78	.494	.17
	Military Coop.	-114.07	122.74	-0.93	.421	.22
South Sudan $R^2 = .240$ ρ = .581	UN Voting	813.67	1161.76[++]	0.70	.510	.14
	Trade Balance	-0.08	0.09[++]	-0.92	.393	.12
	Military Coop.	127.01	420.97[++]	0.30	.773	.02
Kenya $R^2 = .669$ ρ = .069	UN Voting	-9563.61	2854.22	-3.35	.015	.65
	Trade Balance	0.46	0.20	2.34	.058	.48
	Military Coop.	474.58	823.18	0.58	.585	.05

[+]Foreign assistance values were lagged one year.
[++] Model run with robust HC3 Standard Error due to heteroskedasticity.
[+++]Military cooperation omitted for collinearity.

Source: Created by author.

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