

# Chinese Private Military Security Companies in Contemporary Africa

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## Security privatization as a means of policy privatization

### Abstract:

Under the banner of the Chinese Belt Road Initiative, operations of Chinese companies in Africa have been significantly expanded in recent years. Due to African instability these companies are in need of additional security. The Chinese military is responsible for delivering this security, but is barred from acting directly in African countries. It is believed that the emerging Chinese private security sector is China's solution to this problem. However, this has raised the question to which extent the Chinese private security sector is an extension of the Chinese state. By testing the neoliberal 'policy privatization model', this thesis has found that Chinese private security companies align with state policy and can be organizationally and/or socio-hierarchically controlled by the state. Although this puts Chinese private security companies in Africa in another perspective, the consequences for China's non-intervention policy are limited, as no convincing evidence could be found that the Chinese military has direct control over Chinese security companies. These findings also have theoretical implications, as they show that the public-private dichotomy as presented in western countries does not apply to China. In addition, these findings reconfirm the central role of the state in security provision and by doing so counteract neoliberal claims of a declining Weberian state.

**Key Words:** Peoples Republic of China, Africa, Private Security, Privatization, Private Military Security Companies

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## I. Abbreviations

AIF	Asia Investment Finance Group
BRI	Belt Road Initiative (formerly known as One Belt One Road or OBOR)
BRF	Belt Road Forum; May 24 <sup>th</sup> & 25 <sup>th</sup> 2017, Beijing
CPC	Communist Party of China
C-PMSC	Chinese Private Military and Security Company
CSI	Zhongguo Anbao China Security Industry
Dewei	Beijing Dewei Security Service
EXIM-Bank	Export Import Bank of the People's Republic of China
FDI	Foreign Direct Investment
FSG	Frontier Service Group
Huawei	Shandong Huawei Security Group
MOFA	Ministry of Foreign Affairs of the People's Republic of China
MOFCOM	Ministry of Commerce of the People's Republic of China
OECD	Organisation for Economic Co-operation and Development
PLA	People's Liberation Army (PRC)
PMC	Private Military Company
PMSC	Private Military and Security Company
PRC	People's Republic of China
PSC	Private Security Company
RASGS	Regulation on the Administration of Security and Guarding Services
SOE	State-Operated Enterprise
UN	United Nations

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## 1. Introduction

Since 1999, the economic interests of the People's Republic of China (PRC; China) in Africa have risen significantly as the China's 'Going Out'-policy focused on 'political and economic stability' with 'non-intervention' as central factor (Alden 2007: 102). By use of this strategy China was successful in making allies, gaining access to the African market and securing African resources (Alden 2007: 102; Chatham House 2018). President Xi's Belt Road Initiative (BRI) that was launched in 2013 has added to the already increasing Chinese economic interests in Africa.

Due to African instability Chinese investment needs additional security beyond what African states can provide. Reasons are both interstate and intrastate conflicts as well as transnational security risks (e.g. terrorism, piracy) between 1999 and present. China has played a role in providing additional security through multilateral, bilateral and unilateral interaction with Africa. Until 1999 security cooperation had primarily been bilateral with the bulk of interaction being weapons transactions (Duchâtel et al. 2016). From 2000 onwards, contribution extended to multilateral channels. The PRC started contributing to United Nations (UN) Peacekeeping Operations and by 2017 had 2.030 troops in UN service with a peak of 2.893 troops in 2015 (UN 2018). Of these troops the vast majority was stationed in Africa (UN 2018). An additional 7.000 troops were pledged to the UN and registered in 2018 (Chan 2017), as the UN is unable to create a stable security situation (Singer 2008). Finally, China cooperates on security issues through the

Forum on China-Africa Cooperation and the African Union, but this cooperation has been primarily policy-based (Taylor 2011).

Unilateral action started in 2008 as the People's Liberation Army (PLA) got involved in the anti-piracy actions in the Gulf of Aden under UN Resolution S/RES/1816. Also, on August 1<sup>st</sup> 2017 the PLA opened a naval base in Djibouti. These more recent unilateral military developments line up with the PRC's White Paper on China's Military Strategy that was published in 2015 (White Paper on China's Military Strategy 2015). This White Paper states that the PLA its tasks now include "safeguard[ing] the security of the PRC's overseas interests" (White Paper on China's Military Strategy 2015). However, the PLA's current presence in Africa is insufficient to fulfil this task and in addition clashes with China its non-intervention policy. This raises the questions of how the PLA is going to safeguard Chinese interest on the African continent.

It has been argued that the concept of the Private Military and Security Companies (PMSCs) might be the answer to this question (Leng et al. 2017). The PRC has called upon Chinese Private Military and Security Companies (C-PMSCs) to go abroad and secure Chinese companies and State-Operated Enterprises (SOEs) (Leng et al. 2017). In addition, claims have been made that C-PMSCs and the PLA are "two sides of the same coin" (Clover 2017). Such a claim is in line with the responsibility shift to the PLA as presented in the White Paper on Military Strategy.

This legitimizes the question: **"To what extent can Chinese private military and security companies in Sub-Sahara Africa be considered state-**

**controlled companies since the shift in responsibilities of safeguarding interests to the PLA in 2015?”** An affirming result would be of political significance as it would be a breach of non-intervention policy with a significant impact on world politics. In addition, it would have theoretical significance as it would identify an empirical case for which current theory concerning private military security cannot account, and it will add to the debate whether the rise of the private security sector has commenced the decline of the traditional Weberian state and what the concept of the state encompasses.

In an effort to answer this question 1) the literature review will first look into the history of private security, address privatization and the public-private dichotomy, define PMSCs and look for a theoretical answer to the question in different theoretical models; 2) the theoretical framework will present an alternative theoretical model that will be used to engage with the research question; 3) the operationalization will connect the presented theory to empirical research; 4) the empirical section will present the research results; 5) the result section will discuss and analyze the results, link back to the theory and summarize the conducted work in the conclusion.

## **2. Literature Review**

### **2.1. The History of Private Security**

Private security is no new phenomenon. Although the term Private Military and Security Company (PMSC) is one of more recent times, the idea of ‘private security’ and ‘private force’ already existed before the modern state. In feudal times force was not yet centralized in the state and its ruler, and the nobility had to ‘fend for themselves’ (De Cavalho 2016: ch.1). After the rise of the modern state, private security and private force continued to exist in the shape of private enterprises such as the Dutch VOC and British EIC, but dissolved in the early 19<sup>th</sup> century (De Cavalho 2016: ch.4; Singer 2008: ch.2). The disappearance of these private enterprises and their legal right to use force, together with the establishment of the concept of sovereignty (Oisander 2002) heralded the heydays of the traditional ‘Weberian state’ as linked to the ‘monopoly of the legitimate use of force’ by the state (Singer 2001: 31).

In the wake of the third wave of decolonization (Huntington 1991) mercenaries became active in the chaos of Africa (Singer 2008), followed by modern PMSCs from 1965 onward (Cromwell et al. 2011). However, the private security sector did not significantly grow until the end of the Cold War when the presence of PMSCs in Africa significantly grew (Abrahamsen and Williams 2011: 19; Singer 2008: 12). In the late ‘00s large and controversial PMSCs such as Blackwater finally put significant academic focus on the subject of private security.

In more recent years the western private security sector has been especially active in the ‘War on Terror’ as it supported US, UK and other NATO forces in



Middle Eastern countries such as Afghanistan and Iraq (Merle 2006). In addition, the Russian and Chinese private security sectors have started to become active in this region. Where Russians became engaged in Syria, the Chinese private security sector appeared in Pakistan as Sino-Pakistan interaction grew in light of BRI-projects (Bruneau and Straub 2018; Watts 2018). As these engagements add to the overall growth of the private security it is widely argued that “[t]he traditional Weberian definition of the state [...] is increasingly out of sync with reality” (Abrahamsen and Leander 2016).

## **2.2. Privatization, Private Security and the Public-Private Distinction**

The central concept in the discussion on the decline of the Weberian State and contemporary literature on private security is privatization. Privatization has been defined as “the passage of goods and services from a government and/or a public administration to private businesses and enterprises that operate for private profit” (Juergensmeyer and Anheier 2012, Chapter P, Privatization). Privatization lays at the center of the public-private distinction that encompasses not only a political debate on what the extent of privatization and the role of the government should be, but also the typological debate on the continuity of the public-private distinction and when and why agencies should be defined as public, private or both. This debate has been described as one of the “grand dichotomies of western political thought” (Brooks and Solomon 2000). In the political dichotomy ‘laissez-faire’, promoting a larger private sector, opposes ‘state-interventionist’ policy that favors a larger public sector (Kruck 2014: 7). Although the divide is in constant flux, (De Cavalho 2016: 18; Haldén 2013: 218) this debate had not ventured near

privatization of public force since the military profession was monopolized by the state in the early 19<sup>th</sup> century (Huntington 1957: 37). As the provision of security has long been recognized as the most important function of government (Singer 2008: 17), the privatization of security in PMSCs has had a significant impact on security theory.

### **2.3. PMSCs Defined**

There has been debate on what constitutes to a PMSCs as there is still no widely accepted definition. Within the literature on private security a differentiation is made between private military and private security companies (Foaleng 2007; Gudmedze 2007; Singer 2003; Small 2006), but it is recognized that these concepts are often interlinked (Diphorn 2008). Therefore, this thesis will define PMSCs widely as private “entities that sell services [related to] force” (Juergensmeyer and Anheier 2012, Chapter P: Private Security Firms). In addition, PMSC are seen as previously organized in a corporate structure, motivated by business profit, operating legally in the open market, offer a wider range of services, recruit specialized persons on the open market, and have links to corporate holdings and financial markets (Singer 2008; 47). Therefore, PMSCs should be seen as commercial enterprises first and foremost (Singer 2008: 45).

### **2.4. Theory on Security Privatization**

Multiple theoretical models have been presented on why the state privatizes security, of which three leading theories will be presented in the next section. These are the functionalist, the political-instrumentalist, and the ideationist model.

### **Functionalist Model: Complexity, Cost-Efficiency and Resource Dependence**

The functionalist model builds on the ‘Principal-agent theory’ and ‘resource dependence theory’ and focuses on resources dependence, cost-efficiency and complexity of technology (Carmola 2010: 41–45, 55–60; Petersohn 2010: 533–4; Taylor 2011: 449–50). The complexity hypothesis states that “the more complex the technological and operative contexts of warfare, the higher the dependence of public actors on PMSCs material and/or immaterial resources, and the more states will make use of PMSCs. By implication, states will first and foremost outsource highly complex tasks” (Kruck 2014). The cost-efficiency hypothesis states that “the higher the defense budget-saving pressures and the higher the anticipated economic gains from privatization, the more states will rely on the services of PMSCs. States will first and foremost outsource tasks for which there is a competitive private market” (Kruck 2014).

### **Political-Instrumentalist Model: Reduction of Political Costs**

The political-instrumentalist model builds on principal-agent theory, accountability-evasion, responsibility-shirking and blame-shifting as motives for delegating security to the private sector (Flinders and Buller 2006; Bartling and Fischbacher 2012). The model focuses on the idea that government privatization is a strategy to reduce political costs rather than enhance problem-solving effectiveness and economic cost-efficiency (Deitelhoff 2010: 198–9; Deitelhoff and Geis 2010). A specific motivator is that within the concept of ‘democratic peace’, democratic electorates are casualty-sensitive (Schörnig 2008). The hypothesis of political-instrumentalists state that “the less popular a military

operation [is] among the domestic audience, the greater will [...] the incentives of governmental actors [be] to reduce political costs and the higher their propensity to rely on the security services of PMSCs. States will first and foremost outsource politically and societally controversial tasks to PMSCs” (Kruck 2014).

### **Ideationist Model: Norms, Ideas, and Conceptions of the State**

The ideationist model focuses on the prevalence of neoliberal theory (Kruck 2014). With privatization as hallmark, neoliberalism argues that globalization and partial ‘state disassembly’ has led to a “complex interdependence” between states that shapes the international domain, and within this international domain increasing ‘laissez-faire’ policy has led to security privatization (Juergensmeyer and Anheier 2012, Nye and Keohane 2001; Abrahamsen and Williams 2011). In addition, Abrahamsen and Williams argue that concerning security, the complex interdependence has created transnational ‘Global Security Assemblages’ (GSAs) (Abrahamsen and Williams 2011: 89-90). These GSAs can be defined as “transnational structures and networks in which a range of different actors and normativities interact, cooperate and compete to produce new institutions, practises and forms of deterritorialized security governance” (Abrahamsen and Williams 2011: 90). GSAs are seen by neoliberals as an international cooperation that is neither private nor public and neither global nor local, but in between these often-used opposing terms (Abrahamsen and Williams 2011: 218). The ideationist hypothesis states that “[t]he more the prevalent conception of the state is shaped by laissez-faire (neo)liberal rather than state-interventionist ideas and norms, the more a privatized provision of security will be accepted as legitimate, proper and even

‘normal’ among political decision-makers and their electorates, and the more extensively the state will use the security services of PMSCs. Outsourcing of activities affecting military core functions will occur later, more slowly and more reluctantly than will be the case with non-core functions” (Kruck 2014).

## **2.5. Synthesis and Analysis**

In contemporary academic work on private security neoliberalism is currently dominant as the majority of addressed work, including the three models build upon the neoliberal framework (Singer 2008; Abrahamsen and Williams 2011; Abrahamsen and Leander 2016; Higate and Utlas 2017). Within this framework the presented models offer different explanations for security privatization with each their own merits. As all three models are based in neoliberalism, it has been argued that these three models should not be seen as rivaling models, but should be synthesized into a complementary model (Kruck 2014). This effort to create synthesis between the models deserves praise as it adds to the usefulness of the models.

However, due to their neoliberal fundamentals, these models only focus on why states privatize security and leave little room for the state once security is privatized. In addition, these models do have some problematic characteristics. They are all based on western or OECD-countries, focus on democratic values and internal motives for privatization, and underestimate the role of the state. In addition, as the PRC is non-western, non-OECD, non-democratic and state-capitalist, it ventures far from states used as fundament for existing models. As such, the contemporary concept of the state may be misleading in helping to understand

C-PMSCs. Therefore, it is unlikely that the presented models will be able to explain security privatization by the PRC, or PMSCs as extension of the state. This leaves a gap in theory for security privatization by non-western, non-democratic countries such as the PRC. For this specific case this advances the question: **To what extent can Chinese PSCs in Sub-Sahara Africa be considered state-controlled companies since the shift in responsibilities of safeguarding interests to the PLA in 2015?** An alternative theory on security privatization sees PMSCs as private business proxies for foreign policy implementation (Singer 2008: 206-216). Although this alternative model is under-addressed, under-theorized, and under-applied, it could help explain privatization of overseas security by the PRC. Therefore, the theoretical framework will present an alternative model in an effort to answer this question.

### **3. Theoretical Framework**

#### **3.1. The Policy Privatization Model and its Implications**

The policy privatization model offers an alternative to the previously summarized neoliberal models. These neoliberal models may be misleading in helping to understand the overseas operating Chinese private security sector as they have a western perspective, focus on capitalist states with democratic values, internal motives for privatization, and downplay the role of the state. The alternative policy privatization model builds on theory of Peter Singer and shares ideas with the political-instrumentalist model as it focuses on the idea that privatization is an instrument to circumvent political obstacles. However, the alternative model focuses on international obstacles instead of domestic obstacles and is embedded in motivational realism. It builds on the basic values of neorealism: anarchy of the international system, power as defining feature in the international environment, states as unitary and rational actor, and opposing states as ‘black boxes’ (Glaser 2013: 14).

In addition, it acknowledges the influence of international structure, but argues that it is not the international system that drives state action, but state motives and goals (Glaser 2013: 14-26). Therefore, competition in the international domain is best understood due to variance in motives, with ‘greedy’ state motives as cause of conflict (Glaser 2013: 25). States are considered ‘greedy’ when they act to secure gains beyond what is necessary for state security (Glaser 2013). As greedy motives lead to conflict, states are inclined to cover up foreign policy that can be perceived as greedy. States can use corporations to this end, as PMSCs offer

political expedient policy privatization (Babic et al. 2017; Singer 2008: 206). Therefore, the alternative model denies the idea that PMSCs are private entities unrelated to the state (Babic et al. 2017). It states that PMSCs are a tool for policy privatization and not so much security privatization, with which the private nature of PMSCs is challenged.

So far, three motives for policy privatization have been theorized. First, states use PMSCs to circumvent internal or external policy restrictions, as states may be limited by public policy restrictions or international laws and regulations that do not bind PMSCs (Singer 2008: 211). Second, PMSCs are used to give a cover of plausible deniability (Singer 2008: 209). In this way outside parties can undertake action while officially staying uninvolved, provide military assistance to allies with negative images, and/or maintain the appearance of evenhandedness (Singer 2008: 209-210). Third, states can use PMSCs to decrease public exposure. As PMSCs are not accountable to the public, the threshold for investigation and international attention in case of death or other irregularities is significantly higher (Singer 2008: 208).

Policy privatization in this manner does have implications. First, plausible deniability does not ensure that targeted actors will differentiate between public and private actors, thereby implicating the state in PMSC action. This can lead to retaliation against public forces. Second, the states can be seen as guilty by association by observers of national PMSC action (Singer 2008: 211-213). Third, a larger issue is that PMSC-usage circumvents democratic decision-making,



accountability, and the checks and balances put up by democratic states, thereby implicating democracy itself (Singer 2008: 212-215).

### **3.2. Policy Privatization, the PRC, and the Centrality of the State**

When the alternative model is compared to the case of the PRC and C-PMSCs in Africa similarities can be seen between the model and accusations made against the PRC concerning C-PMSCs. These similarities are: 1) circumventing internal ‘non-intervention policy’; 2) creating plausible deniability concerning state efforts to secure natural resources and BRI investment in Africa in pursuit of upholding high economic growth in the PRC; and 3) diverting attention away from the PRC’s role in Africa. In addition, the largest implication, impairing democratic values, does not apply to the PRC because the PRC is no liberal democracy. Also, ‘retaliation against the state’ and ‘guilt by association’ are improvements from retaliation or association in cases where the state is involved directly. This shows the promise that the alternative model holds.

A central assumption of the alternative model, which touches the research question, is the claim that PMSCs are public agents as the state is capable of controlling PMSCs. No proof has yet been delivered for this assumption concerning C-PMSCs operating under PRC control in Africa. Therefore, this thesis will look into the organizational model of C-PMSCs in an effort to substantiate this claim. Problematic in this endeavor is that the public-private distinction that informs the question is a western conception (Haldén 2013). As such, it cannot be assumed that actors in non-western societies “share or even understand the distinction between public and private as a fundamental way of constructing life” (Haldén 2013: 212-

213). In this regard, the contemporary concept of the state may be misleading in trying to understand C-PMSC. Although this does not obstruct us in qualifying C-PMSCs, it does mean this has to be taken into consideration when coming to a conclusion on the research question.

### **3.3. Positioning of C-PMSCs on the Public-Private Continuum**

The main hypothesis ( $H_0$ ) of this thesis states that C-PMSCs qualify as public agents of the state and therefore are an extension of the PLA and PRC. The alternative hypothesis ( $H_A$ ) states that C-PMSCs do not qualify as public agents of the state and therefore are not an extension of the PLA and PRC. To position C-PMSCs into the multidimensional public-private continuum this thesis will look into three concepts that have been used in the past to measure the extent to which agencies are privatized. First, the concept of ‘interest/agency’ distinguishes whether goals (policy) is directed at policy that are communal or that are restricted to the company (Benn and Gaus 1983: 183). In short, who does the agency serve? This specifically focusses on the long-term general company policy that is not subject to change per closed contract. If C-PMSCs are an extension of the state it will serve PLA security policy and PRC foreign policy objectives. This leads to the first hypotheses:

- 1**     *General policy of C-PSMCs is primarily informed by PRC foreign policy and PLA policy and therefore serves Chinese foreign policy objectives.*

Second, who is in control of the agency? A concept that is commonly used to distinguish agencies between public and private is ‘ownership’, as government ownership brings regulation and control over agencies (Perry and Rainey 1988:

184). Therefore, if C-PMSCs are primarily owned by the PRC, they are controlled by the PRC. This leads to the first part of the second hypothesis:

**2A** *C-MPSCs are organizationally controlled by the PRC through (indirect) Chinese state ownership.*

Finally, the ‘mode of social control’ is concerned with the “extent to which major components of an organization's domain are subject to relatively greater external controls by ‘polyarchy’ or ‘markets’” (Zald 1978; Perry and Rainey 1998: 193). Zald added an additional category of ‘hierarchy’ in which a “central government [...] enforces rules and procedures concerning [...] services” (Perry and Rainey 1988: 193; Zald 1978). This hierarchical control is especially applicable to communist and socialist governments (Zald 1978). Although the PRC currently does allow private property and has a state-capitalist system, it is still a socialist government. This leads to the final hypothesis:

**2B** *C-PMSCs are socially hierarchically controlled through a system by which Chinese citizens in C-PMSC leadership positions are coerced by the government to act in accordance with PRC policy.*

Therefore, hypothesis 2 as a product of hypothesis 2A and 2B states that:

**2** *C-MPSCs are controlled organizationally by the PRC through (indirect) Chinese state ownership and/or socio-hierarchically through a system by which Chinese citizens in C-PMSC leadership positions are coerced by the government to act in accordance with PRC policy.*

## 4. Research Design

### 4.1. Operationalization

By means of organizational theory this thesis makes an effort to proof the validity of the alternative model for privatization of C-PMSCs in Africa by substantiating the claim that C-PMSCs are an extension of the PRC. To this end three hypotheses have been presented that will be operationalized in this section.

First, hypothesis 1 stating that *'general policy of C-PSMCs is primarily informed by PRC foreign policy and PLA policy and therefore serves Chinese foreign policy objectives'* will be addressed. To be able to assess if general policy of C-PMSCs is primarily informed by PRC foreign policy, both policies have to be determined and compared. PRC foreign policy will be established by the analysis of Chinese White Papers published on the website of the state council, recent peer reviewed articles on PRC foreign policy, policy reports on the PRC, and PRC trade data from UN Comtrade. C-PMSC policy will be established by analyzing their year reports and online information provided on their English and Chinese company websites and, if applicable, their parent company website. The results will be compared for policy matches between C-PMSC policy and PRC policy. If C-PMSC policy matches in excess of 75 % it is assumed that general policy of C-PMSCs is primarily informed by PRC policy and therefore serves the Chinese public interest. The threshold of 75% has been arbitrarily selected and is deemed high enough to limit the change of a type II error.

Second, hypothesis 2A stating that *'C-MPSCs are organizationally controlled by the PRC through (indirect) Chinese state ownership'* will be

addressed. To be able to assess if C-PMSCs are owned by the PRC, this thesis will look into ownership through stock and if companies are a SOE or are owned by a SOE. The OECD defines SOEs as enterprises where any level of government of the state has significant control through full, majority, or significant minority ownership (Sturesson et al. 2015: 8). To establish state ownership over company or stock this thesis will make use of records of the Hong Kong and Shanghai Stock Exchange and (news)reports on stock and ownership transactions concerning selected C-PMSCs. By use of this information selected C-PMSCs will be appointed into one of four groups as classified by Sturesson et al. (2015: 8): 1) full state ownership (100% state owned); 2) majority ownership (99% to 51% state owned); 3) Significant minority ownership (50% to 33% state owned); or 4) no or minority ownership (32% to 0% state ownership). The hypothesis will be accepted if at least 66% of the selected C-PMSCs fall in groups 1, 2 or 3 as this will lead to a situation where it is likely that the PRC strived to have significant organizational control over C-PMSCs.

Third, hypothesis 2B stating that '*C-PMSCs are socially controlled through a hierarchically system by which Chinese citizens in C-PMSC leadership positions are coerced by the government to act in accordance with PRC policy*' will be addressed. To be able to assess if C-PMSCs are socially controlled in a hierarchical manner this thesis will look into the composition of C-PMSC boards and the number of Chinese citizens in these boards. In addition, Chinese rules, legislation and procedures will be assessed to asses if these systems can substantiate the claim that Chinese citizens in C-PMSC leadership positions can be coerced by the

government to act in accordance with PRC policy. The hypothesis will be accepted if it can be shown that PRC rules, laws and regulation can socially coerce Chinese citizens in C-PMSC leadership positions to execute PRC policy and examples of such instances can be given. Finally, the way hypothesis 2 is defined shows that hypothesis 2 will be accepted if either hypothesis 2A, hypothesis 2B, or both are accepted.

#### **4.2. Methodology**

This research will use the qualitative method of observation in the form of a case study of the PRC and C-PMSCs in Africa to research the summarized hypothesis and make an effort to establish a hierarchical link between the PRC and C-PMSCs. The unit of analysis is the C-PMSC. Weaknesses of an observing case study is the lack of control over variables, which makes it hard to control for effect and the fact that it is difficult to generalize from a case study. However, generalization is not necessarily needed as the goal is to proof a case defiant of mainstream neoliberal theory with real-life impact. In addition, this case study can substantiate the alternative model. A qualitative case study is especially useful for researching C-PMSCs due to the complexness of the relation and the fact that data is limited and often not freely available or made available by the PRC.

#### **4.3. Case Selection**

Since the legalization of private security in the PRC, C-PMSCs have been growing fast, but this growth is mostly domestic with only a handful C-PSCs capable of operating overseas and to a limited military extend (Arduino 2018). Therefore, this research will focus on specific C-PMSCs operating in three African

countries. These countries are selected on basis of PRC economic interest: record trade in US\$ or their role in the BRI. Economic interest had been used as it is a likely indicator for C-PMSCs as economic interests need security. First of all, the two sub-Saharan African country with highest export in \$ concerning fossil fuels, and metals & minerals to the PRC in 2015 and 2016 have been selected. These are Angola (Fossil Fuels: 29.6 \$USbn) and South Africa (Metals and Minerals: 32.5 \$USbn) (Chatham House 2018). Second, as a key country in the PRC's BRI Kenya has been selected (PRC Joint Statement on BRF 2017; Merics 2018). It is expected that C-PMSCs will flourish in Kenya due to Chinese investment in combination with the instability of the country.

This research intended to select the largest C-PMSC in these countries for further research. However, no major C-PMSCs could be found in Angola. One reason for this might be the involvement of PMSCs in the Angolan civil war that lasted until 2002 and resulted in strict regulation on PMSCs in 2014, including a prohibition on Foreign Direct Investment (FDI) in the private security sector (Angola Diario da Republica 2014). However, the specific reasons are unknown and would need further research. For selecting C-PMSCs in the remaining two countries this research turned towards the top-10 of largest international PMSCs that also operate in the PRC as presented by the Chinese Think Tank Phoenix in collaboration with Tsinghua University (Phoenix 2016). This list was filtered for C-PMSC that operate in Kenya and South Africa with as result the selection of 'Beijing Dewei Security Service' (Dewei) in Kenya, and 'Zhongguo Anbao China Security Industry' (CSPG), and 'Shandong Huawei Security Group' (Huawei) in

South Africa. As second C-PMSC in Kenya, 'Frontier Security Group' (FSG) was selected. Although it was not on the top-10 list it was selected as it was prominently feature in the used sources on C-PMSCs in Africa due to the role of its CEO, Eric Prince, who is the founder and former CEO of Blackwater.



## **5. Empirical Findings**

### **5.1. C-PMSCs and PRC Policy**

#### **5.1.1. PRC and PLA Policy for Africa**

In the 21<sup>st</sup> century Chinese foreign policy towards Africa has shifted from a political towards an economics focus, while maintaining political support and expanding military presence and capabilities. This Africa policy is the result of three factors. First, the Hu administration adopted the ‘all-directional’ foreign policy in which “Big Powers are the Key; China’s Periphery is the Priority; Developing countries are the Foundation [and] Multilateral Organizations are the Stage” (Sun 2014: 14-5). This policy is still being maintained and suggests that the PRC’s focuses on the relations with the US and its instable Asian periphery (e.g. Korea, Japan, the Philippines, Vietnam, India), and leaves the implementation of the PRC’s global foreign policy in secondary regions, including Africa, to the PRC ministerial level: the Ministry of Foreign Affairs (MOFA), the Ministry of Commerce (MOFCOM), and the Export-Import Bank (EXIM-Bank) (Corkin 2011).

Second, economic focus in PRC foreign policy for Africa has increased. On the ministerial level MOFA and MOFCOM are de jure equal, but de facto MOFCOM has gained increasing influence over MOFA, as focus on commerce increased through multiple projects, including BRI (Corkin 2011; Sun 2014: 2). Central to this shift has been the idea that “[i]t is widely believed that China’s continued economic success will hinge on its ability to tap into Africa’s plethora of resources while offering tangible benefits to host economies in the process” (Besada and O’Bright 2017: 658). The expectation is that this economic success is

necessary to maintain high economic growth in Chinese and legitimize CPC rule. In this sense energy and resources, as critical components for economic growth, are directly tied to the BRI.

Third, concerning security the PRC focuses on ‘restructuring the PRC’s military capabilities’ to safeguard its interests as presented in the PRC’s 2015 White Paper on China’s Military Strategy. This has led to the increase in PRC military presence, capabilities, and interaction in Africa. Three key global strategic goals for the PLA’s role in Africa are captured in Chapter II of the White Paper on China’s Military Strategy (2015), which are to:

- Participate in regional and international security cooperation and maintain regional and world peace;
- Safeguard the security of China’s overseas interests.
- Safeguard China’s security and interests in new domains;

Combined these policies lead to the conclusion that the role of the PLA in Africa is concerned with securing overseas economic interests. Specifically, the PLA is concerned with “security of [...] energy and resources, [...], as well as institutions, personnel and assets abroad” (White Paper 2015: Chapter I). The PLA sees this security task of securing interests as part of its role in fulfilling the Chinese Dream; the great rejuvenation of the Chinese Nation (White Paper 2015: Chapter II). It can be concluded that PLA policy has been derived from the compound PRC’s policy for Africa and is focused on fulfilling its role in the Chinese dream by securing energy, resources, and Chinese institutions, personnel, and assets.

### **5.1.2. C-PMSC Policy in Africa**

Dewei was founded in 2011 and states to be a Chinese leading and professional deliverer of overseas security services ranking third and highest

Chinese company in the PSC-ranking of Phoenix Think Tank (Dewei 2018; Phoenix 2016). Dewei makes no statements about their policy in Africa and has presented no policy papers or year reports in recent years. However, they have stated that they will play an active role in “safeguarding national economic interests as well as life and protecting the safety of life and property of overseas Chinese citizens, while striving to realize the greatness of the Chinese nation” (Dewei 2018). This includes “making unremitting efforts in reviving the Chinese Dream” (Dewei 2018). Also, Dewei’s parent company, the Asia Investment Group, is specifically focused on the BRI and metal trading (AIF 2018a).

Overseas Dewei provides services to Chinese-funded companies and is mainly involved in advisory, training, and overseas site security management with a technology guarantee. By March 2018 they had dispatched more than 600 professional security personnel to overseas project sites working for companies such as China Road and Bridge Corporation building the Nairobi-Mombasa railway, as well as defending CNPC in Sudan and Sinopec (Financial Times 2017; Goh et al. 2017). Dispatched security personnel are mostly veteran soldiers who have served in special forces in China (Dewei 2018). Of the companies listed as partner by Dewei, nine are Chinese SOEs, while six are Chinese public companies. No non-Chinese companies are currently listed as partner (Dewei 2018). The majority of these companies is directly involved in the BRI.

FSG was established in 2013 and listed in Hong Kong, with its head office located in Beijing (Scahill and Cole 2016). FSG profiles itself as leading service provider of integrated security, insurance and logistics solutions for Chinese

companies operating in frontier markets and specifically claims to be focused on the BRI (FSG 2018a). Its operations include securitization of Chinese international companies focused on energy and resources (FSG 2018b; FSG 2018c). Also, in the strategy update of the 2017-year report FSG specifically mentions that they “clearly defined [their] strategy as integrated security, logistics and insurance service solutions [...] aligned with the Belt & Road initiative” (FSG 2018f). To enforce its effort in supporting the BRI on the front of security FSG released additional stock on the Hong Kong Exchange on March 8<sup>th</sup> 2018 to collect extra money for investment in BRI-projects (FSG 2018d). The additional stock was procured by CITIC Investment Group and Taiping, both Chinese SOEs (FSG 2018e). Finally, FSG has announced that it is opening new offices and training compounds in Yunnan and Xinjiang provinces in China, which is proof of great trust of the highest levels of CPC leadership in FSG as access to these regions is highly regulated (FSG 2016; Horton 2017).

CSI started operations in 2003 and as such is one of the earliest C-PMSCs that started operating internationally. CSI is specialized in training and providing security officers, internal security, security inspection, key personnel protection, armed escort, demining, and emergency rescue to Chinese companies (CSI 2018). Furthermore, they offer overseas security training, risk assessment, security management system design, security audit and inspection. Also, they deliver oil and gas project camps, pipeline security, site security for railway transportation and airport security. In 2016, China Security Group set up China Security International Risk Management Consulting (Beijing) Co., Ltd. to integrate existing resources,

create a more international and professional overseas security service platform, and provide more steady progress for the “Belt and Road” initiative (CSI 2018).

Huawei Raid as established as a South African joint venture in 2014 (Nkosi 2014). The joint venture will be focusing on Chinese companies and plans to provide security services for all of south Africa and Chinese companies across the African continent. Huawei’s parent company stated that it will be working according to a new “Two Five-Year Plan” (Huawei 2018). However, this plan was not published and therefore Huawei’s specific plans for the Chinese community and Africa is not known. After the establishment of Huawei the company was welcomed by the Chinese community in Johannesburg with the signing of a memorandum of understanding stating the terms of cooperation between Huawei and China Minmetals First Chrome Mining Co., China Zendai Group, and China Xinguang Industrial Group at the launch ceremony (Nkosi 2014). These companies are large Chinese resource-focused companies, with Minmetals being a Fortune 500 mining company.

## **5.2. C-PMSC Ownership**

Beijing DeWei Security Service Co., Ltd. is fully owned by the Asia Investment Finance Group Ltd (Hexun 2017). Asia Investment Finance Group Ltd is a private company focused on serving countries involved in the BRI (AIF 2018a). The PRC holds no significant (indirect) interests in the Asia Investment Finance Group Ltd (AIF 2018a).

Of the company’s research FSG was the most forthcoming with information on ownership and stock. Listed on the Hong Kong Exchange it is partially and

indirectly owned by 'CITIC Investment Group' through fully-owned subsidiary 'Easy Flow' who, until March 2nd 2018, owned 15,48% of FSG's total stock (FSG 2018e). On March 2nd this stock was expanded to a total of 28,4%. Simultaneously, China Taiping joined the shareholders register with 7,48% of the total stock (FSG 2018). Both CITIC Investment Group and China Taiping are SOE's of the PRC and together own 35,88% of the stock in FSG, which makes the PRC an indirect subsidiary and controller for 35,88% through the by-laws of FSG (FSG 1989; FSG 2018e). None of the further shareholders seem to be related to the PRC. The money raised by the sales is said to support operational working capital requirements for projects across the BRI (FSG 2018e). CITIC the largest state-owned investment firm and a major participant in the BRI and has claimed that it would invest more than \$100 billion in BRI-projects (Scahill and Cole 2016; Horton 2017; Zhang and Miller 2015).

CSI became a SOE in 2013 in line with requirements of the Regulation on the Administration of Security and Guarding Services (RASGS) for Type II PSCs that requires PSCs directly engage in armed escort to become SOEs (CSI 2018; PRC State Council 2009).

Although Huawei was established as a SOE in 1993 it was restructured in 2009 and became officially independent from the PRC as a private company (Huawei 2018). It could not be established what shareholders currently own Huawei stock.

### **5.3. C-PMSC Social Control**

The following section will first present the composition and nationality of the Boards of Directors of selected CPSCs. Second, Chinese social and legal mechanisms used to control all domestic and overseas Chinese citizens, including those Chinese citizens on the Board of Directors of C-PMSCs that are setting and capable of influencing C-PMSC policy.

#### **5.3.1. The Board of Directors and C-PMSCs**

On its website Dewei suggests that its management is Chinese as the founding directors have previously worked at the government department of public security or as senior police officials of which most were involved in core security works of the 2008 Olympics (Dewei 2018). Further information on their names was not available. However, the board of Dewei's full parent company, the Asia Investment Finance Group Ltd (AIF), holds two Chinese (Huang Shenglan, Liu Hu) and two Hong Kongers (Wong Kwong Sum, Cheung Kwan) (AIF 2018). As Hong Kongers are considered Chinese under Chinese law, this makes the board of parent company AIF 100% Chinese (AIF 2018).

FSG's Board of Directors holds eight seats of which four are Executive Director and four are Non-executive Director (FSG 2018). Of these directors, three are Chinese (Luo Ning, Hua Dongyi, Hu Qinggang), three are Hong Konger (Ko Chun Shun, Lee Hau Leung, Yap Fat Suan), one is Nigerian (Nigerian: Harold Demuren), and one is American (Eric Prince). This makes the board 75% Chinese. In addition, the CITIC Investment Group, the SOE that holds a 28,4% share in FSG also has a major presence on FSG's Board of Directors. Both Chairman Hu as well as Deputy Chairman Luo are closely connected to the SOE as Hu previously was

CITIC's financial director and Luo is currently assistant president at CITIC and sits on the board of multiple subsidiaries (Horton 2017).

Concerning the board of directors of CSI, it is only known that it holds Liu Wei, the Chairman of the board, and Zhang Jing, the Executive Director of the board (CSI 2018). Both are Chinese. No further information on the board of CSI was available. However, section 6.1.3. showed that CSI became a SOE in 2013. All SOEs are tightly regulated by the state. As stated by Xiao Yaqing, director of the State-owned Assets Supervision and Administration Commission of the State Council: "when a state-owned enterprise has a board of directors, its party boss also tends to be the board chairman" (Wu 2017). Also, Xi has stressed that it is incumbent upon China's biggest state-owned enterprises to answer every call from the party (Wu 2017). This supports the claim that the board of CSI stands under PRC control.

Concerning Huawei, no information on parent companies or ownership of stock could be traced. Also, it could only be established that the Chairman of the Board of Directors, Xun Jinqing, is Chinese (Huawei 2018). No further names of board members were found.

### **5.3.2. PRC Control Mechanisms**

There are various PRC social systems that are used to conform citizens with PRC policy, such as the 'Hukou System', the 'Shuanggui System' and the 'Social Credit System'. First of all, the Hukou System is the registration system with which the PRC can regulate the access to Chinese social services throughout specific areas in China. By use of this Hukou registration the PRC can grant or deny citizens' social services such as social insurance, medical aid, child education, marriage, the



right to have children, passport application, buying a house or car amongst others become impossible or cumbersome (NLD Ministry of Foreign Affairs 2012, p.38). The granting of passports or social services for Chinese citizens under this system is arbitrary (PRC Presidential Order no.50 2011: art 13). By use of these systems the PRC can pressure citizens and restrict movement to citizens that are believed to 'bring harm to national security or undermine the interests of the state', as has happened on a large scale with minorities such as the Uighurs and Tibetans' NLD Ministry of Foreign Affairs 2018: 21; NLD Ministry of Foreign Affairs 2012: 41).

The second social control system is the Shuanggui System. As ultimate authority in China rests with the CPC, Chinese citizens who hold significant positions in Chinese business ventures ordinarily join the CPC to use this network to protect their interests and opportunities of their company (U.S. Department of State 2016). Although joining the party increases business opportunities, as a drawback it makes citizens vulnerable to the 'Shuanggui system' (The Economist 2017). This system is the CPC's internal system for party discipline. As party loyalty runs deep, obedience to the party often trumps other positions and interests that party members hold. In addition, party members have to abide by internal party rules. These vaguely defined rules leave party members vulnerable when in opposition to the official party line or state policy. An example is the case of Sun Zhengcai, a former CPC senior official, who was dismissed from the CPC, trialed and sentenced to life in prison after defying the CPC Secretary-General Xi Jinping (Choi and Gan 2018). Other notable recent cases are those of Bo Xilai (Branigan 2013), Cheng Kejie (Smith 2000), Ling Jihua (Choi 2016), and Yu Qiyi (BBC

2013). In addition, many Chinese tycoons owning Chinese private companies, such as Wanda Groups's Wang Jianlin and Zhongzhi Enterprose Group chief Xie Zhikun, have significantly altered their company's policies in the wake of 'warnings' uttered by Xi Jinping (Shepard 2017; Zhou 2018).

Third, in 2014 the State Council of China announced the introduction of the 'Social Credit System' that will officially go into effect from 2020 onwards (NLD Ministry of Foreign Affairs 2018: 10). This system based on nationwide camera observation judges the social behavior of Chinese citizens by use of CPC standards and uses compliance to social standards set by the CPC to determine if citizens are eligible for social services, mortgage and jobs (NLD Ministry of Foreign Affairs 2018: 10). It has been reported that Chinese citizens have already started adapting their behavior to these standards set by the CPC (NLD Ministry of Foreign Affairs 2018: 10).

The PRC also uses judicial means to pressure Chinese citizens into aligning with state policy by arbitrary use of existing laws and legislation. This is known to happen through three ways. First, a person who runs an enterprise that provokes, or does not comply with the state, can be targeted by 'random' inspections to harass the person into compliance. This is a legal method in which existing law is used arbitrarily through vague definitions. In addition, the PRC uses the term of 'Picking Quarrels and Provoking Troubles' to detain and punish persons that do not comply with the state. This term is a broad charge that was only used for physical violations against the state, but now encompasses all forms of dissent, protest or critique against the state (Wong 2015).

Second, there are several laws that support the claim that the PRC is involved in C-PMSCs. Although the PRC legitimized C-PMSCs in 2010 Chinese Criminal Law states that “those [Chinese] who possess weapons overseas - even if they are doing so according to a foreign nation's laws - may face a maximum sentence of seven years in prison” (Brautigam 2016; PRC Criminal Law 1997: art. 128). Furthermore, the Regulation on the Administration of Security and Guarding Services (RASGS) that legalized C-PMSCs in the PRC, categorizes C-PMSCs in two groups: Type I. Security Companies and; Type II. Security Companies to engage in armed escort services (PRC State Council 2009: art.8 and art. 10). Both types are subject to specific conditions. Type I PMSC’s their candidates for “legal representative and major managers shall have the professional knowledge and work experience for the relevant positions and have no [...] bad records [...]” (PRC State Council 2009: art.8 sub 2). Type II PMSCs need to be “a wholly state-owned company or having state-owned capital which accounts for at least 51% of the total amount of its registered capital” (PRC State Council 2009: art.10 sub 2). Although C-PMSCs use work-arounds such as having client companies directly hire security guards (Clover 2017), these conditions both show the legal fundamentals of social and organizational control over C-PMSCs.

Finally, since 2015 the PRC has passed several laws that can be used as repressive and invasive tools, which are the ‘Anti-terrorism Law’ (ATL) in 2015, the ‘National Security Law’ (NSL) in 2015, the ‘Cybersecurity Law’ (CL) in 2016, and the ‘National Intelligence Act’ (NIA) in 2017. These laws have in common that they extend the power of the state to counter terrorism, safeguard national security,

monitor and censor the web, and bolster national intelligence. They vaguely define terms such as ‘activities that endanger national security’, ‘acts of treason’, and ‘disclosure of state secrets’ which leaves them open for arbitrary use (PRC National Security Law 2015: art. 15). Also, the NIA states that “[a]ll organizations and citizens shall support, assist, and cooperate with the state intelligence work in accordance with the law” (PRC National Intelligence Act 2017: artt. 7, 11, 12, 13). Furthermore, in case of ‘emergency’ the intelligence agencies are allowed to part with established rules (PRC National Intelligence Act 2017: art. 17). The expansion the PRC’s practical and legal options simplify monitoring and investigating Chinese citizens and companies and coercing them in line with government policy (Amnesty International 2018; Human Rights Watch 2018).

Finally, Chinese citizens and Chinese descendants outside the PRC can be pressure in two known ways. First, the PRC uses close bonds such as friends or family to pressure Chinese citizens into obedience. This does not only happen in Chinese regions such as Xinjiang, but also with corrupt Chinese government employees and dissidents. When the PRC wants to suppress insubordinate citizens or reclaim citizens fled to foreign territory, pressure can be applied to their families and close friends in an effort the insubordinate person will cease its actions or a fled person will return to the PRC. This has become especially evident concerning the Uighurs in Xinjiang and government officials accused of corruption (De Bourmont 2018; NLD Ministry of Foreign Affairs 2016: 48; Blanchard 2017; Chin and Bürge 2018; VanderKlippe 2017).

Second, under the banner of ‘United Front Work’ Xi Jinping has started to strengthen effort “to manage and guide overseas Chinese communities and utilize them as agents of Chinese foreign policy” (Brady 2017). This is done by unifying overseas Chinese communities and supporting them in different aspects of life, including becoming political active and forming political united front organizations in their country of residence that represent the overseas Chinese communities in politics (Brady 2017). Although Xi’s project is ultimately meant to influence foreign governments, this effort is grounded in coercing the overseas Chinese population into acting in the interest of the PRC.

## 6. Discussion of Findings

### 6.1. Findings for C-PMSCs and PRC Policy

The operations of C-PMSCs in Africa show that selected C-PMSCs are all involved in securing policy objectives set by the PRC that officially fall under the responsibility of the PLA (See Table 1). Concerning the numbers, Dewei and FSG policy fully aligns with goals set by the PRC as they are both mainly involved with Chinese energy and resource companies to deliver support with BRI-projects. Examples are direct involvement of Dewei with SNPC, Sinopec and BRI-infrastructure, and FSG's focus on securitization of Chinese international companies focused on energy and resources. For CSI the evidence leaves somewhat more room for questions, but their involvement with both gas project camps and pipeline security for Chinese companies show that they are involved in the oil and gas sector which falls within both the energy and resource sector. Finally, Huawei is the only company for which there is no prove of direct involvement in the BRI or the energy sector, as they are especially involved in securitizing mining operations in South Africa. Even so, Huawei's policies have a significant match with PRC/PLA policy.

**Table 1: PRC/PLA Policy vs. C-PMSC Policy**

PRC/PLA Security Policy Objectives		C-PMSC Policy			
		Dewei	FSG	CSI	Huawei
PRC/PLA Security Policy Objectives	Energy	X	X	X	
	Resources	X	X	X	X
	BRI	X	X	X	
	Chinese Institutions	X	X	X	X
	Chinese Personnel	X	X	X	X
	Chinese Assets	X	X	X	X

Overall, there is a significant overlap between C-PMSC policy and PRC/PLA policy. For Dewei and FSG there is a 100% policy match between policy set by the PRC/PLA and company policy, and for CSI a 100% match is deemed plausible. Even though Huawei’s policy currently cannot be proven to top the 75% threshold, the 100% fit of Dewei, FSG, and CSI lead to the acceptance of hypothesis 1, stating that general policy of C-PSMCs is primarily informed by PRC and PLA policy and therefore serves Chinese foreign policy objectives.

## 6.2. Findings for C-PMSC Ownership

C-PMSCs have proven not to be very forthcoming concerning company stock and ownership. Even so, it has become clear that only for CSI evidence can be delivered for it being a SOE, and therefore classifying as ‘fully state owned’. In addition, the PRC has a 35% significant minority ownership in FSG through parental SOEs. For Dewei, no proof could be found of PRC involvement through organizational control and therefore is classified as a fully private company. Finally, ownership over Huawei could not be established and therefore remains inconclusive. This leads to the results projected in table 2.

**Table 2: Ownership of C-PMSCs**

<i>C-PMSC name</i>	<b>State ownership classification</b> (Classification - 1: Fully state owned, 2: Majority ownership, 3: Significant minority ownership, 4: No or minority ownership)	<b>Proof of organizational control</b>
<b><i>Dewei</i></b>	4 – No ownership	No
<b><i>FSG</i></b>	3 – Significant minority ownership	Yes
<b><i>CSI</i></b>	1 – Fully state owned	Yes
<b><i>Huawei</i></b>	----- INCONCLUSIVE -----	---- INCONCLUSIVE ----

As Huawei is excluded due to insufficient data, table 2 show that two of three remaining C-PMSCs (66,67%) show proof of organizational control by the PRC. Even though no signs of organizational control have been found concerning Dewei, section 6.3. will show that there are serious reasons to assume the PRC does have social hierarchical control over Dewei. As at least 66% of C-PMSC have been classified within groups 1 (full ownership) and 3 (significant minority ownership), hypotheses 2A is accepted, stating that C-MPSCs are organizationally controlled by the PRC through (indirect) Chinese state ownership.

### 6.3. Results for C-PMSC Social Control

Section 5.3.1 has focused on the composition of C-PMSC boards, and more specifically the percentage of Chinese board members on the board (See table 3).

**Table 3: C-PMSC Board of Directors in % Chinese Citizens**

<i>C-PMSC name</i>	<b>Chinese Board Members</b> (Of total on Board of Directors)	<b>State Operated Enterprises</b> (Y/N)
<b><i>Dewei</i></b>	100 %	No
<b><i>FSG</i></b>	75%	No
<b><i>CSI</i></b>	----- INCONCLUSIVE -----	Yes
<b><i>Huawei</i></b>	----- INCONCLUSIVE -----	No

From the four C-PMSCs that were investigated, two C-PMSCs have a majority share of Chinese citizens in their board. For Dewei this percentage of Chinese board members is 100% and for FSG the percentage is 75%. For CSI it could only be established that both its Chairman and Executive Director are Chinese and for Huawei it could only be established that the Chairman of the Board of Directors is Chinese. As the data for CSI and Huawei is incomplete, no conclusion could be drawn concerning the composition of their boards. However, as CSI is a



SOE, section 5.3.1.3. has addressed that it is unlikely that the PRC has no significant influence on the CSI board through either social or organizational methods. As the data concerning Huawei is both inconclusive and Huawei is not a SOE, it has not been taken into account for the conclusion. Section 6.3.2. will further discuss the likeliness that the PRC can hierarchically control these Chinese C-PMSC board members into acting in accordance with PRC policy.

The section on PRC mechanisms for hierarchical social control has made observations concerning the social system, domestic legislation, and overseas pressure. First, three social mechanisms, the 'Hukou System', the 'Shuanggui System' and the 'Social Credit System', have been identified by which the PRC can coerce Chinese citizens on all levels of Chinese society into conforming with social behavior standards set by the PRC. As these standards of social behavior will inherently be in line with PRC policy, it is increasingly likely that citizens pressured through this system will act in accordance with PRC policy. This is supported by the hard consequences for non-conformists (e.g. Sun Zhengcai, Bo Xilai) and behavioral changes due to the 'Social Credit System in combination with observations from Amnesty International and Human Rights Watch. In addition, arbitrary inspections and putting non-compliant citizens on trial for 'Picking Quarrels and Provoking Troubles' reach beyond social control and into the legal realm.

Also, legal control has been further expanded with the recent national security laws (ATL, NSL, CL, NIA) that extend the legal powers of the state. These extended powers and the vagueness of corresponding law have shifted PRC

coercion capabilities from the social to the legal realm, but have not made PRC action towards its citizens less arbitrary. Combined, the Chinese social and legal systems leave little room for doubt that the PRC can coerce all its citizens, domestic and overseas into compliance with PRC policy. Examples are both peoples like the Tibetans and Uighurs or tycoons such as Wang and Xie.

Chinese legislation also affects C-PMSCs directly. First of all, RASGS puts behavioral and operational restrictions on C-PMSCs and their board members due to their demands concerning “bad records” and state capital. These laws have institutionalized the limitations for C-PMSCs and increases control capabilities for the PRC over C-PMSCs. Second, Chinese Criminal Law prohibits the carrying of arms by Chinese citizens overseas and thus puts conditions on the use of Chinese security personnel overseas. This shows that cooperation between the PRC and C-PMSCs is necessary to overcome such obstacles as this leads to benefits for both parties.

Finally, Chinese citizens and descendants outside of the PRC can be coerced by the PRC through both family members in China and Xi Jinping’s UFW, which manages and guides overseas Chinese as agents of Chinese foreign policy. Although UFW is based on cooperation, redirection of action against family members is not and serves as a significant mental tool against non-conformists.

Combined, these social and legal methods form an effective tool for the PRC to affect the behavior of Chinese citizens and ‘persuade’ them into complying with state policy. The many cases of individuals and groups that have been

pressured into specific behavior has gained the PRC the label of a repressive state and has shown the effectiveness of the different tools the PRC employs to coerce its citizens.

#### **6.4. General Discussion**

When all the previous findings are merged into one table it leads to the following result (See table 4). Although this table gives a clear overview of the findings, some aspects of this research still need to be further addressed.

First of all, it is important to note the scarcity of good data. A large part of the data has been retrieved directly from the researched companies, but it turns out that C-PMSC are not very forthcoming with specific data concerning operations, or in general. For example, only for FSG annual reports are available and C-PMSCs often have little information available on stock and ownership. Furthermore, African coverage concerning C-PMSC operations is scarce to say the least. Although this research was still able to establish links between C-PMSCs and the PRC, the lack of data and the corresponding inconclusive findings do undermine the persuasiveness of the case made by this research.

Second, some comments have to be made concerning the Regulation on the Administration of Security and Guarding Services. In the declaring State Council order, it is specifically mentioned that those companies engaged in armed escort services need to be “a wholly state-owned company or having state-owned capital which accounts for at least 51% of the total amount of its registered capital”. In reality, it has turned out that all four of the researched C-PMSCs have been involved

in some kind of armed escort, but only for CSI it could be established that it is complying with these rules. This raises questions to why C-PMSCs are allowed to

**Table 4: Summary of Findings**

		C-PMSC Name			
		Dewei	FSG	CSI	Huawei
PRC/PLA Security Policy Objectives	Energy	X	X	X	
	Resources	X	X	X	X
	BRI	X	X	X	
	Chinese Institutions	X	X	X	X
	Chinese Personnel	X	X	X	X
	Chinese Assets	X	X	X	X
	<b>Total</b>	100%	100%	100%	66,67%
State Ownership Classification	1: Fully State Owned			X	
	2: Majority Ownership				
	3: Significant Minority Ownership		X		
	4: No Ownership	X			
	-: Inconclusive				X
Chinese Board Members (In % of total)		100%	75%	Inconclusive	Inconclusive
Hypotheses	<b>1: Policy Alignment</b>	Yes	Yes	Yes	Yes
	<b>2: PRC Control</b>	Yes	Yes	Yes	Inconclusive
	<b>2A: Organizational Control</b>	No	Yes	Yes	Inconclusive
	<b>2B: Socio-hierarchal Control</b>	Yes	Yes	Inconclusive	Inconclusive
Conclusion	<b>Alignment between C-PMSC policy and PRC policy + PRC Control</b>	Yes	Yes	Yes	Inconclusive

operate while not in compliance with government regulations. A possible answer that has been shortly addressed by section 5.3.2. is the fact that C-PMSC use constructions to directly employ armed escort personnel as employee of customers

to circumvent such PRC regulation. However, a clear and convincing answer to this question cannot be formulated at this time.

Third, the policy match between the PRC/PLA and C-PMSCs must be discussed. Although policy goals and focus areas together with the corresponding security areas for the PLA have been listed by the PRC, C-PMSC are often very general in mentioning the fields that they are engaged in. This has led to a situation where it is possible to check off PRC goals from C-PMSC activity lists, but it has remained unclear to what extent C-PMSCs are engaged in activities not present on the PRC policy list. This has to be taken into consideration as it may leave some room for doubt concerning how well PRC and C-PMSC policy match regardless of the high similarity of policy. In addition, as the PRC has greater trust in C-PMSC than non-Chinese PMSCs in relation to operational information of Chinese SOEs and C-PMSCs in general have less experience than non-Chinese PMSCs, it is logical for C-PMSCs to specifically engage with Chinese companies and PRC policy. As a consequence, this research has to show restraint in qualifying developed C-PMSC policy as a direct result of PRC coercion.

Finally, some crucial findings concerning the link between the PRC, PLA and C-PMSCs need to be addressed. As claims had been made that C-PMSCs and the PLA are two sides of the same coin, this research turned towards C-PMSCs to investigate to what extent C-PMSCs really are an extension of the state, and more specifically the PLA. This research has shown that the PLA and C-PMSCs work towards the same goals. However, empirics show that all organizational and socio-hierarchical links with C-PMSCs are directly with the PRC and not specifically the

military. This undermines the idea that C-PMSCs are directly subordinate to the PLA. From these findings, the relation between the PLA and C-PMSCs can better be described as horizontal as both C-PMSCs and the PLA work under the PRC towards the same security goals while at the same time former PLA-personnel is being employed by C-PMSCs. Nonetheless, it needs to be noted that C-PMSCs do set goals and undertake action that ultimately fall under the responsibility of the PLA. If this has led to direct ties between the PLA and C-PMSCs remains unclear.

### **6.5. Engagement with Theory**

The empirical findings of this research are that 1) General policy of C-PMSCs is primarily informed by PRC foreign policy and PLA policy, and therefore serves Chinese foreign policy objectives; and 2) C-PMSCs are controlled organizationally and/or socio-hierarchically by the PRC.

In the theoretical section it has been stated that Singer (2008) defines private companies as companies that are guided by private profit first and foremost. The finding that C-PMSCs are primarily guided by Chinese government policy does not stroke with this definition and undermines the claim that C-PMSCs are actually private companies. In addition, Juergensmeyer and Anheier (2012) have stated that companies are privatized when the provision of services has been passed from the government to private companies. The finding that Chinese private security companies operating in Africa still stand under control of the Chinese government contradicts the idea that the provision of security services has been passed from the public to the private sector. This mismatch of western theory on private companies

and the empiric findings on the studied C-PMSCs leads to the conclusion that no actual privatization has taken place.

However, this conclusion is based on the western vision of privatization and the public-private dichotomy. As these Chinese security companies have been classified as private by the Chinese government, but are not private from the perspective of western society, it supports the idea that the public-private dichotomy as observed in western society may not (fully) apply to Chinese society. Due to the different conceptions of the state between east and west that have been previously discussed in section 2.5, it is likely that the division between private and public as it exists in western society is not so obvious in the PRC where society is formed around the collective instead of the individual. Therefore, using the western conception of the state to qualify Chinese private companies indeed is misleading.

Although there is not enough space in this thesis to discuss what a better concept of the state should encompass, it has become clear that the concept should take on a different form if it want to stand in relation to the reality of the Chinese state. In addition, by denying the idea that P-PMSCs are privatized it can be concluded that in China the state is still the main actor in providing security for its citizens and companies overseas. As a result, it can be questioned if in the case of China, the Weberian state is actually declining, as force stays under mandate of the state and not private companies. This should have significant impact on the overall status assessment of the Weberian state.

Finally, these findings contradict neoliberal thinking and support a neorealist theory concerning private security that holds a greater role for the state. In this endeavor the policy privatization theory can form the fundament but additional work is needed.

## **6.6. Conclusion**

This thesis has made an effort to address the question to what extend Chinese private military and security companies in Sub-Sahara Africa can be considered state-controlled companies since the shift in responsibilities of safeguarding interests to the PLA in 2015. To answer this question this thesis has used neoliberal ‘policy privatization theory’ and tested two hypotheses, of which one with two sub hypotheses. Combined, the hypotheses that have been tested state that ‘general policy of C-PSMCs is primarily informed by PRC foreign policy and PLA policy and therefore serves Chinese foreign policy objectives, and ‘C-MPSCs are controlled organizationally by the PRC through (indirect) Chinese state ownership and/or socio-hierarchically through a system by which Chinese citizens in C-PMSC leadership positions are coerced by the government to act in accordance with PRC policy’. These hypotheses have been tested by use of qualitative case studies of the three largest Chinese private security companies in Kenya and South Africa, a prominent Chinese private security company widely present in Africa, and a case study of Chinese social and legal control mechanism.

The findings of this thesis show that there is a significant match between on one side both PRC policy and PLA security policy, and on the other side general C-PMSC policy. In addition, the PRC has the ability to significantly influence



Chinese private security companies as the PRC holds significant ownership over a majority of the security companies, or can influence these security companies through a majority of Chinese citizens on the Board of Directors through a range of social and legal control mechanisms. Taken together, this shows that it is very likely that the PRC has extensive control over Chinese private security companies and uses this control to align C-PMSC policy with that of the Chinese state.

These empirical findings show that using a western conception of the state to understand Chinese security privatization is misleading. In addition, the findings support the validity of the presented ‘policy privatization model’, which has some theoretical impacts. First, because Chinese security companies both are not guided by private profit first and foremost and are controlled by the PRC, they are not considered privatized by western standards. Second, the fact that they are considered private by Chinese standards show that the public-private dichotomy as observed in western society does not apply to Chinese society. Third, because C-PMSCs are no private companies, but controlled by the state, provision of security is still centralized in the PRC. This counteracts the claim that the traditional definition of the Weberian state, as linked to the monopoly of the legitimate use of force, is declining and out of sync with reality, and supports the centrality of the state in matters of security.

Concluding, Chinese private security companies should be considered state-controlled companies as the PRC can control and direct C-PMSC behavior. However, no proof has been found that the PLA has direct influence on C-PMSCs even though C-PMSCs pursue security goals that fall under PLA responsibility and

many former Chinese soldiers are employed by C-PMSCs. In addition, as C-PMSCs are steered by China through policy and not direct orders, it is unlikely that the PRC or PLA can call for direct action by C-PMSCs, which would jeopardize the PRC its non-intervention policy. Therefore, these findings do not breach Chinese non-intervention policy.

The limitations of this work primarily rests in two factors. First, as this work has focused on Chinese private security companies in Africa and their relation with the Chinese government, these findings cannot be generalized beyond the Chinese private security sector at this time. In addition, the limited information available concerning Chinese private security companies has led to some inconclusive results, which had to be left out. This has weakened the case made in this thesis.

Future research into security privatization in other non-western, non-democratic countries and more in-dept field study of C-PMSCs in Africa could overcome these limitations in generalization and may strengthen the policy privatization model. In addition, ventures could be made to create synthesis between models for privatization between western-focused neoliberal theories on security privatization and the neorealist-based model for China.

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