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The internationalization of China's private security companies

By Helena Legarda (MERICS) and Meia Nouwens (IISS)

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MAIN FINDINGS AND CONCLUSIONS

- Chinese private security companies (PSCs) are going global, encouraged by the saturation of the domestic market, the Belt and Road Initiative (BRI) and Beijing's preference for using homegrown companies to protect its interests abroad.

- Projects related to the BRI have become a prime market for Chinese private security companies, as Chinese investment expands into countries that are either experiencing or emerging from conflict.

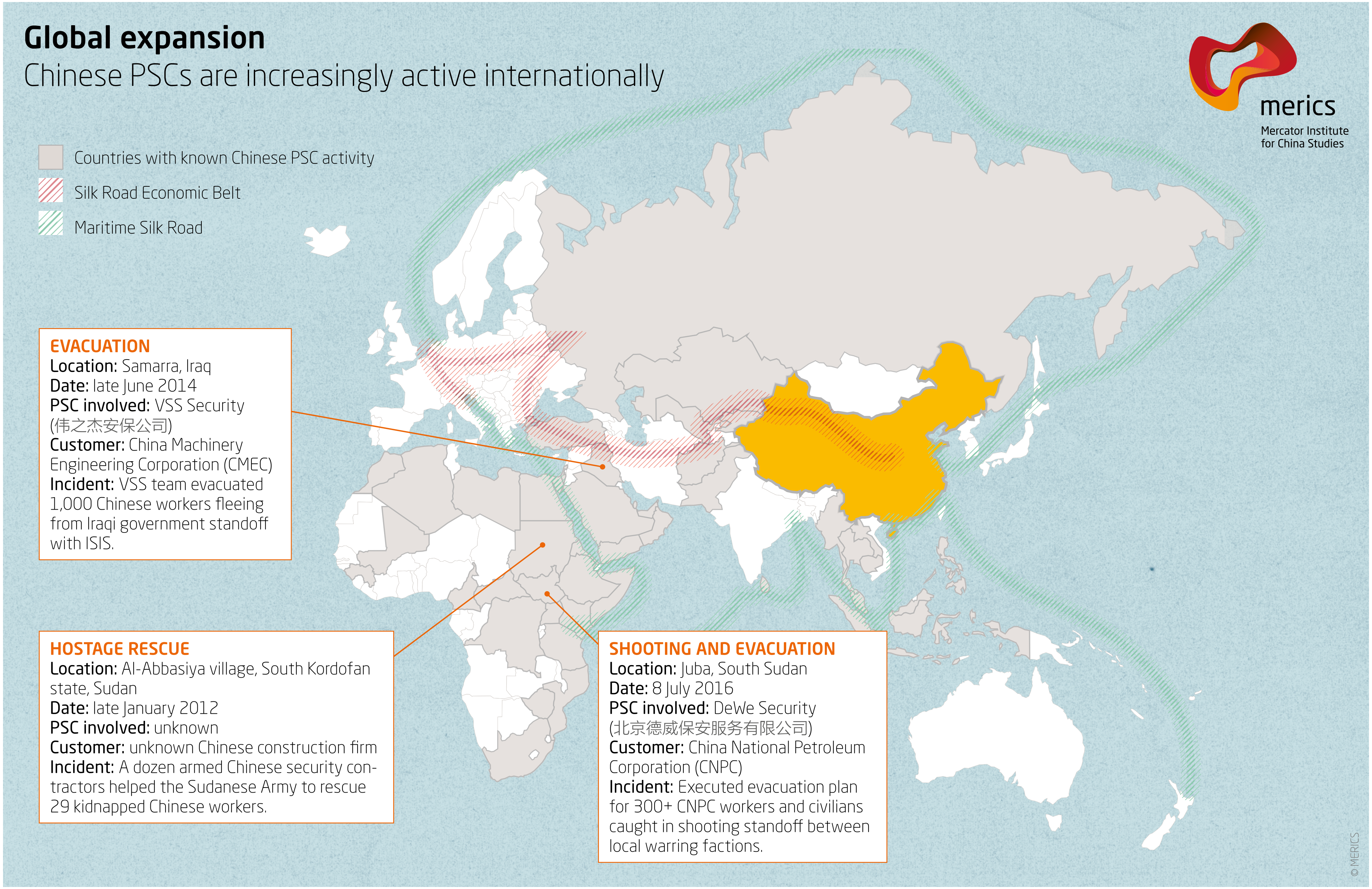
- Chinese private security companies operate overseas in a legal grey zone: Chinese domestic law does not apply to their international activities, and international law lacks regulation, so they only have to abide by local host country laws, where those exist.

- The behavior and operations of Chinese PSCs abroad vary widely from country to country, depending on their contracts and local legislation, or lack thereof.

- Beijing's use of private security companies to protect its overseas interests is risky. Due to their relative inexperience, there is high potential for mistakes that could create political backlash for Beijing.

- European Union member states' interests will be affected by Chinese PSCs' international expansion. The companies might contribute to an increase of instability in regions that are strategically important for Europe. At the same time, they could help Beijing increase its influence over host country governments.

- More thorough regulation of Chinese private security companies' international activities is urgently needed. Through their own national experience in regulating PSCs, European policymakers are in a unique position to help and encourage Beijing to pass relevant laws and at the same time assist host countries of Chinese PSC activity to strengthen their national legislation regulating foreign private security company activities.


Global expansion
Chinese PSCs are increasingly active internationally
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Countries with known Chinese PSC activity
Silk Road Economic Belt
Maritime Silk Road
EVACUATION
Location: Samarra, Iraq
Date: late June 2014
PSC involved: VSS Security (伟之杰安保公司)
Customer: China Machinery Engineering Corporation (CMEC)
Incident: VSS team evacuated 1,000 Chinese workers fleeing from Iraqi government standoff with ISIS.
HOSTAGE RESCUE
Location: Al-Abbasiya village, South Kordofan state, Sudan
Date: late January 2012
PSC involved: unknown
Customer: unknown Chinese construction firm
Incident: A dozen armed Chinese security contractors helped the Sudanese Army to rescue 29 kidnapped Chinese workers.
SHOOTING AND EVACUATION
Location: Juba, South Sudan
Date: 8 July 2016
PSC involved: DeWe Security (北京德威保安服务有限公司)
Customer: China National Petroleum Corporation (CNPC)
Incident: Executed evacuation plan for 300+ CNPC workers and civilians caught in shooting standoff between local warring factions.
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Introduction

A military base in Djibouti, an expanding Shanghai Cooperation Organization under Beijing's leadership, and rapidly growing arms exports to countries around the world: China has left no doubt that it plans to become a global security actor.

The rapid expansion of China's commercial and political activities around the globe is exposing Chinese citizens and assets to the threats of transnational terrorism, civil unrest, and anti-Chinese sentiment. And domestic expectations that Beijing will protect these interests, together with the Chinese government's ambitions to shape global norms, are pushing China to embrace force projection abroad. For the time being, Beijing is neither willing nor able to deploy the People's Liberation Army (PLA) overseas to protect Chinese companies and citizens. As a result, Chinese private security companies (PSCs) are stepping in to fill this security vacuum.

The globalization of China's security policy presents challenges for countries around the world, but Beijing's use of private actors to defend its international interests carries with it its own unique set of issues. The presence of private security actors abroad – regardless of their country of origin – is a complicated issue for host governments, due to the impact that these companies can have on the interests and stability of the host country, as well as the difficulty in controlling their activities. In the Chinese case, however, this issue is even more pronounced due to the blurry line between public and private entities. Despite their nominally private status, Chinese private security companies tend to operate with the tacit support and encouragement of the Chinese government and are often staffed by former PLA officers with close, if indirect, ties to the Chinese authorities. This makes them complex, quasi-governmental international actors whose behavior is unregulated, since existing legal frameworks – both at the domestic and international level – do not clearly specify who is responsible for policing their operations.

The potentially negative consequences of this are clear. For Beijing, there is the risk of these unregulated, relatively inexperienced private security companies making mistakes on the international arena that could have political consequences. If such mistakes accumulate, this could erode China's international reputation, which is of utmost concern now that party and state leader Xi Jinping has committed to turning China into a global power by 2049. And from the perspective of European countries, Chinese PSCs' international expansion can have an impact on their interests in regions around the world, by potentially causing tension and instability in host countries and by helping Beijing increase its influence in some of those countries. If current trends continue, Chinese private security actors will continue to expand their activities in strategically important areas along the Belt and Road Initiative, coming ever closer to the wider European neighborhood.

It is, therefore, important to pay close attention to this issue and to encourage the regulation of Chinese PSCs' behavior and operations overseas. A better understanding of the current state of the Chinese private security sector, its overseas activities and the legal conditions is essential as it enables European governments to assess and deal with the impact that Chinese PSCs' activities may have on their interests and priorities.

1. Going global: the internationalization of China's private security sector

Chinese private security companies are rapidly expanding their international presence, driven by the saturation of the domestic market, developments linked to the Belt and Road Initiative and Beijing's encouragement. But to this day, they still hold a small share of the international private security market.

China is becoming a global security actor, with the help of private security companies

1.1. INTERNAL DRIVERS FOR INTERNATIONALIZATION

While China does not have or allow private military companies, the country does permit private security companies to operate. These companies, however, do not have to follow the same rules and principles as their equivalents in other countries, and their activities are shaped by the special conditions of the Chinese market and regulatory framework.

Beijing keeps the People's Liberation Army (PLA) and paramilitary groups such as the People's Armed Police (PAP) under the tight and exclusive control of the Chinese Communist Party (CCP). However, a booming domestic private security sector has developed since the legalization of PSCs in September 2009. Prior to this, the private security industry operated in legal limbo. Although some PSCs did exist since the mid-1990s, they were small in size, and their activities were very limited. By 2013, however, there were already 4,000 registered PSCs in China, employing more than 4.3 million security personnel.[1] By 2017, this number had risen to 5,000.[2] Like their Western counterparts, most Chinese PSCs employ

Box 1

What is the difference between a private military company and a private security company?

The private sector has long been involved in conflicts around the world, and private companies today are increasingly common providers of security services, under various titles. Private military companies, or firms, (PMCs or PMFs), provide armed or unarmed services to replace or back-up state armies.

Private security companies (PSCs) differ from private military companies: while the latter operate primarily in conflict situations, PSCs come into play when, for instance, actors from the private sector feel that they cannot rely on adequate provision of security by a state. The PSCs mainly provide services to protect businesses and property from criminal activity. However, both PMCs and PSCs might be drawn into active combat situations.

former soldiers or former police officers, a fact that blurs the line between China's security forces and private security providers.

Due to the special conditions under which they emerged and operate, the services provided by Chinese PSCs are still substantially different from those provided by large international companies. Chinese PSCs are relatively young and inexperienced in operating in combat scenarios. Though some are staffed with PLA veterans, it should be noted that the PLA has not experienced active combat since the war with Vietnam in 1979. While operating abroad, for example, Chinese PSCs normally do not carry or use arms. As a result, most Chinese PSCs working overseas tend to provide services focused on security consulting, although they occasionally carry out armed missions via contracted local teams.

As China's commercial and political activities around the globe expand, some of the largest and most successful domestic private security firms have started to follow Chinese firms' international expansion and now provide international security services as well. However, the vast majority of these companies still operate exclusively in China, providing security services for public or private facilities or offering bodyguard services to China's wealthy and powerful. According to Chinese state media, 20 Chinese PSCs had entered the international market by 2016[3] and had deployed about 3,200 security professionals overseas.[4] Yet, their market share is small compared to Western PMCs: in 2008, an estimated 50 foreign private security companies were operating in Iraq alone.[5] The large UK and US-based private security and military companies are still the preferred choice for many private firms operating overseas.[6]

This, however, is rapidly changing, as Chinese state-owned enterprises (SOEs) and other domestic firms operating overseas shift their preferences towards employing Chinese PSCs. There are various reasons for this shift, including language and cultural barriers faced when working with non-Chinese staff, as well as financial incentives, since international PSCs tend to be more expensive.[7] Contractors estimate that a team of 12 Chinese guards might cost the same as a single British or US guard.[8] Reportedly, there is also government pressure to hire domestic PSCs.

So far, a publicly-available, comprehensive list of all Chinese PSCs with overseas operations does not exist, but some of the most active firms are easily identifiable. Phoenix International Think Tank – part of China's Phoenix Media Group – identified important PSCs active abroad in a 2016 ranking.[9] The top two companies in this ranking are the (presumably China branches of) UK-based security giants G4S and Control Risks. They are followed by eight entirely Chinese-owned PSCs.[10] G4S and Control Risks are just two examples of international PSCs setting up Chinese branches. The former head of the private US military company Blackwater, Erik Prince, has also set up a PSC in Hong Kong called Frontier Services Group (先丰服务集团).

Chinese PSCs are relatively inexperienced in combat scenarios, but they are cheaper

China's private security sector is thus rapidly expanding its market share, piggybacking on Chinese companies' expanding international presence. Spurred by Beijing's push for Chinese state-owned enterprises to hire domestic private security companies, as well as a general preference for their methods of operation, Chinese PSCs are present in growing numbers of countries around the world.

1.2. THE BELT AND ROAD INITIATIVE AS A CATALYST FOR FURTHER INTERNATIONALIZATION

Involving 65 countries and an estimated 900 billion USD (about 765 billion EUR) of planned investments around the globe, the Belt and Road Initiative (BRI) has substantially expanded China's overseas economic presence.[11] According to data from the Beijing-based Center for China and Globalization, by 2016 a total of

Table 1

The largest and most active Chinese PSCs all claim to operate worldwide

	China Security and Protection Group (中安保实业有限公司)	HuaXin ZhongAn (花信中安保安服务有限公司)	Beijing DeWe Security Services Limited Company (北京德威保安服务有限公司)	Frontier Services Group (先丰服务集团)	China Overseas Security Group (中国海外保安集团)
Number of employees	+30,000	+15,000	Total unknown, +350 based abroad	Total unknown, 432 in headquarters	+20,000
Top leadership	Liu Wei (刘伟) (Chairman)	Yin Weihong (殷卫宏) (Founder)	Li Xiaopeng (李晓鹏) (Chairman)	Erik D. Prince (Chairman)	Jiang Xiaoming (蒋晓明) (Managing Director)
Date established	1994	2004	2011	2014	2015 (consortium formed by 5 Chinese PSCs)
Where they claim to work	Global, with a BRI focus	Global	Global	BRI focus	Global, with a BRI focus
Website	http://www.cspbj.com/	http://www.hxza.com/	http://www.dewesecurity.com/sy	http://www.fsgroup.com/index.html	http://www.cosg-ss.com.cn/
Logo					

Box 2

The case of Frontier Services Group: BRI as a lucrative business model

Frontier Services Group (先丰服务集团, FSG) is a Hong Kong-based PSC, founded (in its current form) in 2013 by the American businessman Erik Prince, founder and former CEO of the US private military firm Blackwater. The company, which received funding from China's CITIC Group, has a declared 432 employees, and in 2017 its revenues reached a total of 724 million HKD (about 78 million EUR).

According to FSG's London-based PR representative, the company at present offers the full-range of security-related services for companies investing and operating internationally, including security risk consulting on personnel, logistics and insurance. FSG's strategy has been built around the BRI, and the company serves a range of clients, from BRI-related Chinese SOEs, private companies and the Chinese government to non-BRI related companies and international institutions operating in host countries of BRI projects.

FSG has, so far, focused its services on consulting, but in 2018, the company announced that new investments from shareholders "will be utilized to expand [the company's] global office footprint, expand teams, grow [its] asset base, and support operational working capital requirements for projects across the Belt & Road."

Additionally, a press release issued by FSG (2018) stated that with "proceeds from the proposed capital raise, the Company intends to strengthen its security capabilities by establishing training facilities for security personnel, adding new security licenses, expanding its international team, and purchasing equipment and vehicles to support operations."

It is clear that the BRI has created new business opportunities for FSG. While the company does not yet provide armed security guard services, it is clearly keen on expanding the range of its services. What kind of new security licenses it intends to apply for in the countries along the BRI is still unclear.

Source: Author's interview with FSG's BRI PR representative on April 9, 2018, London, UK; http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0302/LTN201803021658.pdf https://markets.ft.com/data/equities/tearsheet/summary?s=500:HKG

847,000 Chinese nationals worked in more than 16,000 companies worldwide.[12] The BRI, therefore, acts as a catalyst for the further internationalization of Chinese PSCs: as the BRI pushes Chinese SOEs and other firms to expand internationally, often into risky environments, Chinese PSCs can fill the security gap by providing global services.

Chinese companies and nationals working abroad face vulnerabilities and security concerns, which has spurred demand for private security services. Many companies operate in countries where security is a long-standing problem. The BRI runs through several highly unstable countries, from South Asia and the Middle East all the way to East Africa, where operational and safety risks are high for Chinese companies and citizens. Examples of such risky operations include the maintenance of power plants in Iraq, infrastructure development in Pakistan or oil drilling in Sudan.

As Chinese firms expand internationally, so do Chinese PSCs to fill the security gap

Transnational terrorist groups also operate in several of these countries along the BRI. While domestic terrorism has long been high on the list of Beijing's security priorities, especially when related to Uighur separatism, transnational terrorism has only come to the forefront since the BRI was unveiled in late 2013. A number of threats and attacks against Chinese citizens and assets along the BRI in the last few years have underlined this concern: in 2017, terrorist groups linked to the Salafist jihadist organization of Jabhat al-Nusra bombed the Chinese embassy in Bishkek.[13] And in Pakistan, attacks have already cost the lives of at least three Chinese nationals: two teachers were kidnapped and killed by ISIS in June 2017, and an employee of a shipping company was killed in a shooting in Karachi in February 2018.

The BRI itself also has the potential to exacerbate security issues in the countries and regions it passes through. Big-ticket Chinese projects can lead to substantial debt burdens for host governments, and can also create opportunities for graft and rent-seeking behavior by predatory elites, especially in countries where corruption is widespread and transparency is lacking. This, along with potentially low social and environmental standards, can also fuel tensions and lead to social instability and anti-Chinese sentiment, as it has done in the past in Sri Lanka, Pakistan and Vietnam, among other places. The BRI also has a broader geopolitical impact. Relations with India, for example, are strained due to ambitious BRI projects in Pakistan (through the China-Pakistan Economic Corridor (CPEC)) and in the Maldives, a long-standing Indian ally.

The Chinese government knows that it must protect its citizens and assets from overseas risks. But Beijing, as well as host countries, are reluctant to have the PLA deployed for protection. This is due to several factors, including China's long-standing policy of non-interference, the fear of damaging its diplomatic relations with neighboring countries and potential allies, the PLA's lack of combat experience, and the lack of the necessary infrastructure and logistics. As of now, the Chinese government mostly relies on host countries' security forces to provide protection for BRI projects. In some countries along the BRI, however, Chinese firms feel inadequately protected by local security companies and armed forces, mostly due to a lack of trust in their abilities and reliability, and have thus turned to private security providers.[14]

2. Chinese private security companies operating overseas are largely unregulated

The international activities of China's private security companies are largely unregulated by either international or domestic laws. Chinese laws regulating the security sector only cover activities on domestic soil. And international law remains vague about PSCs, even though it does cover activities of private security firms in times of conflict. Therefore, constrained only by the laws of the country in which they operate, Chinese PSCs with a global presence find themselves with substantial leeway to operate with little to no legal consequences for them at home.

As a result of this lack of regulation, Chinese PSCs carry out widely different activities with varying levels of engagement in countries around the world. For example, the lack of regulation means that for their overseas operations, Chinese PSCs are not required to obtain a license in China (though they may need one from the host country). This carries the risk that small, unqualified companies may exaggerate their experience and set up overseas units that are incapable of providing the services they advertise. Furthermore, in countries with lax gun controls, Chinese PSCs could easily get access to weapons. In countries with stricter regulations on arms control and the activities of foreign PSCs, however, Chinese security companies still mostly limit their services to consulting. In these cases, PSCs that want to offer broader security services have to enter into partnerships with local security companies, like they have done in Russia or Pakistan already.

Box 3

While China has signed onto voluntary initiatives, Chinese PSCs are not bound by international law

- International humanitarian law:
  It focuses mostly on the role of mercenaries and does not cover the private security industry specifically. Provisions adopted in Article 47 of Protocol I additional to the Geneva Convention of 1949 prohibit the recruitment, training, use and financing of mercenaries and make clear that mercenaries do not have the right to be considered combatants or prisoners of war.

- Voluntary initiatives:
  Montreux Document (2008): a non-binding document that covers the activities of PMSCs in conflict zones. It highlights the responsibilities of states under international law and emphasizes that the responsibility for any misconduct of PMSCs lies with the perpetrators and their superiors, as well as the state that gave instruction for, directed or controlled the operations in question. China is one of the original signatories.

  International Code of Conduct for Private Security Providers (2013): a set of non-binding principles and standards for PMSCs, initiated in a multi-stakeholder approach by the Swiss government. Members can be states or companies. The Code of Conduct also applies to non-combat situations and is therefore broader in scope than the Montreux Document. The Chinese government is not a member, but three Chinese PSCs are: China Security Technology Group Co., Ltd, HuaXin ZhongAn and Hong Kong-registered Sinoguards Marine Security Ltd.

2.1. INTERNATIONAL LAW FAILS TO REGULATE PRIVATE MILITARY AND SECURITY COMPANIES

International humanitarian law clearly defines the responsibility of the state and who is a civilian and who a combatant during times of conflict. But there is no single, binding international law or human rights treaty that specifically regulates private military or security contractors (PMSCs). Initiatives covering the private security sector are all voluntary and non-binding.

A central question when it comes to private security actors is: are they accountable to the state in which they are registered (home country), to the state in which they operate (territorial or host country), or to the state by which they were contracted (contracting states)? Ultimately, according to Article 3 of the Fourth Hague Convention and Article 91 of Protocol I, states are directly responsible for violations of international humanitarian law attributable to them.[15] This includes acts attributed to private contractors or other parastatal entities that were empowered to exercise elements of governmental authority (even if they remain outside of the official structure of the state).[16] Thus, in theory, Beijing, just like any other government, could be held responsible for misconduct on the part of PSCs contracted to operate overseas on its behalf. However, considering the general difficulty in enforcing international law, it is very unlikely that the two articles mentioned will be applied.

International law is even more unclear on relevant issues such as gun use. Current international humanitarian law does not prohibit PMSCs from carrying guns, nor does carrying arms affect a PMSC employee's status as civilian or combatant. Unless directly hired by a government in an armed conflict scenario, or unless armed and guarding a government or public facility, a private military contractor is considered a civilian by international law.

Encouraged by this absence of clear oversight and monitoring mechanisms, private military and security companies are increasingly taking on the functions that had until recently been inherent to the sovereignty of states. Recognizing this problem, the UN, through its Commission on Human Rights' "Working Group on the use of mercenaries"[17] is encouraging thorough regulatory efforts: at the industry level through self-regulation, at the national level through specific legislation and at the international level through efforts of the Working Group itself, which has announced a draft convention for the oversight and monitoring of PMSCs.[18]

However, despite these recommendations and some other non-binding international rules (see box 3), PMSCs are still mostly regulated only at the state level. Once they work in non-combat situations abroad, they continue to operate in a legal grey zone.

2.2. DOMESTIC CHINESE LAW ONLY REGULATES PRIVATE SECURITY COMPANIES' ACTIVITIES WITHIN CHINA

China's existing legislation only covers PSCs' operations inside China. Some of these existing laws, however, have had the (possibly unintended) effect of encouraging the rapid international expansion of Chinese PSCs.

The most important of these laws regulating domestic Chinese private security companies is the September 2009 "Regulation on the Administration of Security and Guarding Services" (保安服务管理条例), which legalized PSCs and marked China's first attempt to establish a regulatory framework for the sector.

This regulation makes clear that Chinese PSCs are entirely under the control of the state, through the Ministry of Public Security (MPS). This shows that the line between public and private in this sector is blurry. PSCs that wish to provide armed security services inside China are effectively required to give up their private status, since they must either be a wholly state-owned company or have state-owned capital accounting for at least 51 percent of all their registered capital.[19] On the other hand, those providing armed services overseas, since they are not covered by this regulation, could in theory remain fully private.

In 2010, China's Ministry of Commerce issued a follow-up set of rules and regulations for firms operating abroad, creating very strict security requirements for them, and thus indirectly encouraging Chinese PSCs to go international, even though they are not directly mentioned. The "Regulation on the Safety Management of Overseas Chinese-Funded Companies, Institutions and Personnel" (境外中资企业机构和人员安全管理规定) stipulates, under the principle of "whoever sends them is responsible",[20] that Chinese firms must provide security training to their employees before sending them abroad. Firms operating in high-risk areas must also set up overseas security management systems and mechanisms for security emergencies.[21] This effectively created a niche: by offering such training programs and security management systems to Chinese firms overseas, especially along the BRI, the Chinese PSCs could enter the international private security market.

The lack of oversight of security companies' activities abroad also extends to gun control. While the use of arms by private security actors on Chinese soil is strictly regulated by several laws, including the "Law of the PRC on Control of Guns" of 1996 (中华人民共和国枪支管理法) and the "Regulation on the Administration of the Use of Guns by Full-Time Guards and Escorts" of 2002 (专职守护押运人员枪支使用管理条例), there are no provisions regarding the use of arms overseas. As mentioned above, Chinese PSCs often set themselves apart from

The line between public and private in this sector is blurry international counterparts by arguing that their employees are unarmed. Some Chinese PSCs claim that the government discourages their use of guns abroad, lest they engage in activities that could cause political backlash for Beijing. Others stress that the contracts signed with their clients often include a clause prohibiting the use of guns. The ultimate reason for their reluctance to use guns is unclear, but it is not explicitly prohibited by Chinese law. And since international law also allows for PSC gun use, restrictions can only come from political considerations imposed by Beijing, or from host country laws. Therefore, theoretically, Chinese PSCs could at any moment start using guns in countries where local laws permit this if they were willing to ignore Beijing's political pressure.

This absence of clear regulation of PSCs' overseas activities at a domestic level has turned China into an outlier among those countries with an active private security sector. Countries such as Canada, Sweden, the UK and the United States - all of them, unlike China, members of the International Code of Conduct for Private Security Providers of 2013 - have taken substantial measures to regulate their respective PMSC industries and their international operations. The UK, the US and Sweden, for example, have national neutrality laws designed to control mercenary involvement overseas by prohibiting activity that could drag a country into a war that it is otherwise not a party to.[22] There are also laws prohibiting mercenary activities and recruitment, for instance in Belgium. Lastly, several countries, like the United States, have laws on military export controls that also contain provisions on military services and require private military companies (PMCs) to register at home before they can engage in activities abroad.[23] While most of these laws deal with PMCs and only to some extent PSCs, the fact that national legislation covering the private security sector's overseas activities does exist in many countries makes China's lack of sufficient regulation even more poignant.

There are indications though that the Chinese authorities have woken up to the problems caused by the lack of regulatory oversight. Media reports say that the Ministry of Public Security, which has supervisory authority over the private security sector, may issue regulations on PSCs' overseas operations in the future. The magazine *Caijing* reported in 2017 that the China Security Association (中国保安协会),[24] which is under the jurisdiction of the MPS, was evaluating Chinese PSCs to draw-up a "white list" of firms deemed suitable for overseas work.[25] For now, however, and barring the passing of a new law or regulation, Chinese PSCs' overseas activities remain largely unregulated by either international or domestic law.

Figure 1

Timeline of major developments in the Chinese PSC sector

2004	HuaXin ZhongAn (花信中安保安服务有限公司) established
2009	"Regulation on the Administration of Security and Guarding Services" (保安服务管理条例) passed, legalizing the private security sector in China
2010	First overseas security unit in China set up by Chinese PSC Shandong Huawei Security Group (山东华威保安集团)
2011	Beijing DeWe Security Services Limited Company (北京德威保安服务有限公司) established
2012	HuaXin ZhongAn becomes the first Chinese PSC to provide maritime escort services
2013	4,000 registered PSCs in China, employing 4.3 million personnel
2014	Frontier Services Group (先丰服务集团) established
2016	20 Chinese PSCs operated in international market, employing 3,200 security personnel overseas
2017	5,000 registered PSCs in China, approx. 20 provide international services

3. Case studies: Chinese private security companies' activities on foreign soil

Due to the lack of a regulatory framework at the international level or at home, Chinese PSCs' activities overseas are mainly determined by the host country's regulations and by the contracts signed with the firms employing them. Countries like Pakistan, Sudan and South Sudan represent the two ends of the spectrum: Pakistan has strict regulations on foreign PSCs on its soil, while Sudan and South Sudan lack any meaningful regulation of this kind.[26]

3.1. CASE STUDY 1: PAKISTAN

The China-Pakistan Economic Corridor (CPEC) is the flagship project of the Belt and Road Initiative: by 2018, the value of CPEC projects was worth 62 billion USD (about 53 billion EUR).[27] The aim of the CPEC is to connect the BRI's Maritime Silk Road with the land-based Silk Road Economic Belt through a 3,000-km network of roads, railways and pipelines to transport oil and gas from Gwadar on the Arabian Sea to the Chinese city of Kashgar in north-western Xinjiang. More importantly, over 30,000 Chinese nationals are reported to be employed through different CPEC projects in Pakistan.[28]

The CPEC runs through notoriously unstable and insecure parts of Pakistan. Security concerns are therefore significant, particularly in those parts of Pakistan where Chinese nationals have been targeted by extremists, such as in Quetta and Karachi. In December 2017, Beijing even warned Chinese nationals in Pakistan that more attacks on Chinese targets could be imminent.[29]

Pakistani authorities have taken several measures to guarantee the safety of Chinese workers involved in CPEC projects. Both the central government, various provincial governments as well as the Pakistani Parliamentary Committee on CPEC have committed considerable resources to the protection of the CPEC initiative (see table 2).

Private security companies, albeit mostly non-Chinese ones, also used to be active in Pakistan to complement the government's efforts. However, following the arrest of a private contractor for the US Central Intelligence Agency, who shot and killed two reportedly armed men in Lahore in January 2011,[33] Pakistan's Minister of Interior, Rehman Malik, made a statement in 2012 barring foreign security companies from operating in Pakistan. This made certain leading international

Table 2

Assets dedicated by Pakistani authorities to the protection of CPEC

Who	What
Pakistan government	1.3 billion PKR (about 9.3 million EUR) for coastal protection[30]
Parliamentary Committee on CPEC	New Special Security Division: 9,000 army soldiers and 6,000 para-military forces personnel[31]
Sindh province government	2,600 police officers
Khyber Pakhtunkhwa province government	4,200 police officers
Punjab province government	Special Protection Unit: 10,000 personnel[32]

PSCs, such as G4S, withdraw their services from Pakistan.[34] The Islamabad government thus made a political decision to secure investment, including CPEC projects, using only Pakistani security providers. Pakistan's domestic private security industry has, as a consequence, boomed to meet the country's security challenges. According to estimates, at least 600 security companies exist, though many of them are non-functional.[35]

A solid regulatory framework governs PSC activities across Pakistan. Under Pakistani law private military companies are forbidden from operating in the country, and domestic private security companies must adhere to strict provincial legislation.[36] PSCs are allowed to carry arms in Pakistan, if appropriately licensed, trained and registered with the national regulatory body.

PSCs in Pakistan are strictly regulated - foreign companies can only operate through joint ventures

However, the Islamabad Capital Territory (ICT) and Provincial Ordinances, by which PSCs must abide, are limited in scope to the national sphere and do not address the import or export of PSC activities. The ordinances also do not specify the issue of foreign ownership or joint ventures, while the Companies Ordinance of 1984 allows for foreign investment and joint ventures in general but makes no specific mention of private security companies.[37] This, and the fact that the ban on foreign-owned security companies operating in Pakistan was a political decision, has resulted in a legal grey-zone for joint ventures between Pakistani and foreign private security firms.[38]

It is difficult to obtain reliable information on the real scope of Chinese PSCs' activities in Pakistan. Some PSCs such as Frontier Services Group and China Overseas Security Group (COSG), among several others, claim to operate in Pakistan. And it is likely that these companies work with local partners in-country. FSG, for example, states that its northwest regional division comprises services in Pakistan, Afghanistan, Kazakhstan and Uzbekistan.[39] COSG states on its website that it has a Pakistan branch, but a recent news report mentions that COSG cooperates with a local security company.[40]

Though certain PSCs only offer consulting services, COSG in Pakistan went a step further towards offering more hands-on services in 2018. The company reported that its Pakistan branch, called the Pan-Asia Group, took part in a live-fire training of management personnel and first-line security guards, with the aim of providing security for overseas Chinese in light of the deteriorating security environment. These overseas Chinese included the diplomatic mission in Pakistan and Chinese-funded enterprises and individuals, according to Pan-Asia Group's regional manager Yang Lulei.[41]

Additionally, HuaXin ZhongAn claims to have operated in Pakistan at least once before, using retired local special forces as armed guards when providing services to Chinese TV crews covering the kidnappings in Quetta in 2017. HuaXin ZhongAn was able to operate in Pakistan, but it had to cooperate with a local entity.[42]

It is apparent that Chinese PSCs are increasingly active in Pakistan, in direct relation to the growth of Chinese CPEC-related investments in the country. However, there is no publicly-available evidence that any of the Chinese PSCs active in Pakistan have been involved in a conflict scenario, most likely because their activities are constrained by strict national and regional laws.

Whilst foreign PSCs are barred from working in Pakistan, companies such as COSG, FSG and HuaXin ZhongAn have evidently found loopholes around this and continue to offer consulting and hands-on security services in Pakistan. In doing so, they have filled the gap created in the market by the departure of Western PSCs in 2012. They now compete with local private security providers to protect CPEC projects. Considering the continued instability and the growing Chinese investment in Pakistan, it is likely that Chinese PSCs will increase their business in the country, taking advantage of Chinese SOEs' preference for hiring Chinese PSCs.

3.2. CASE STUDY 2: SUDAN AND SOUTH SUDAN

The case of Sudan and South Sudan provides another example of the achievements and limitations of Chinese PSCs' work overseas. We look at both countries together because Chinese involvement in the region, which focuses mostly on the oil sector, dates back to the late 1990s, when oil-rich South Sudan was not yet independent. Chinese projects, infrastructure and operations in the region thus often span modern Sudan and South Sudan, from the oil producing fields straddling both countries to Port Sudan in Sudan. While neither Sudan nor South Sudan are officially part of the BRI, both governments are trying to make use of their strategic location near the Maritime Silk Road to attract Chinese investment. The Sudanese government in Khartoum, for example, has announced that it aims to turn Port Sudan into a free trade zone to support BRI.[43]

Chinese PSCs in Sudan and South Sudan work mostly with oil-sector SOEs

China-Sudan bilateral ties have become increasingly close in the past decades. Because of the massive exports of oil, China is now the largest trading partner of both Sudan and South Sudan. The Greater Nile Petroleum Operating Company, a joint venture between several oil companies established in 1997, with the China National Petroleum Corporation (CNPC) taking a 40 percent stake, marked the first large Chinese investment in Sudan. Today, China reportedly controls about 75 percent of the Sudanese oil industry.[44]

Security in the region has long been a problem. In October 2008, nine Chinese workers of the China National Petroleum Corporation (CNPC) were kidnapped in Sudan's oil-producing state of South Kordofan; four of them were killed. And in late January 2012, rebels from the Sudan People's Liberation Movement (SPLM)-North group kidnapped 29 Chinese workers from the state-owned China Power Construction Corporation in the same region.[45] As a result, the number of Chinese nationals in the region has been declining. In 2012, just before the unveiling of the BRI and following South Sudan's 2011 independence, there were over 12,000 Chinese workers in Sudan and South Sudan. By 2016, the number had dropped to under 7,000.[46]

While the security of oil installations was for a few years largely in the hands of South Sudan's military, Chinese firms operating in the region, such as CNPC, have long used PSCs for further protection.

Neither Sudan nor South Sudan have clear laws or regulations restricting the operations of foreign PSCs in their territories. And arms control legislation in the region either does not mention PSCs, in the case of Sudan,[47] or openly allows private security contractors to carry and use firearms as long as they have a license, in the case of South Sudan.[48] According to a 2014 study, in South Sudan only one local PSC, Veterans Security Services (VSS), which is comprised mostly of former military regiments, had the legal right to hold arms, while other companies were required to contact local authorities if armed protection was needed.[49] Whether this is still the case is unclear.

There is no open-source evidence of any Chinese private security presence in the country at the time of the first kidnapping incident of a Chinese national in Sudan in 2008. But by the time of the second kidnapping in 2012, the activity in the region of one of these companies was publicly recorded, although the specific company remained unidentified. According to media reports, armed contractors from this unnamed Chinese PSC – presumably hired by the China Power Construction Corporation – participated in the Sudanese army's mission that resulted in the successful rescue of all 29 kidnapped workers.[50]

In July 2016, another Chinese PSC made headlines after getting involved in a skirmish in the South Sudanese capital of Juba. More details were publicly revealed in this case, showing that although Chinese PSCs in the region still tend to focus on security consulting, they can sometimes be dragged into combat scenarios for which they are unprepared. In this particular case, the PSC Beijing DeWe Security Services (DeWe) was called in to protect the employees of CNPC (its main client in the country) and to help evacuate 330 civilians to Nairobi, Kenya, after a shooting started between warring local factions. Reports of the incident show that DeWe employees were unarmed at the time and largely unprepared for this scenario. According to media reports, DeWe employees discovered in the middle of the firefight that the building they were based in "could not stop bullets", and the evacuation of workers had to wait until the government forces had expelled the rebels out of the city.[51] There were, however, no reported injuries or casualties and all civilians were eventually safely evacuated to Nairobi.

While it is not immediately obvious how many Chinese PSCs maintain a regular presence in Sudan or South Sudan, some of the largest Chinese PSCs are relatively open in admitting that they provide services in the region. In most cases, their clients are Chinese SOEs that remain involved in the two countries despite the political instability. The main player in the region is DeWe, which claims to have established a regional office in South Sudan[52] and has also announced plans to build a permanent "security camp" in the country, in what appears to be the first overseas private security facility of its kind established by a Chinese company.

Other Chinese PSCs, such as VSS Security Group (伟之杰安保集团)[53] or China Security and Protection Group also claim to provide services in the region.[54] VSS, for example, whose main overseas client is PetroChina, reportedly had personnel on the ground in South Sudan in 2016.[55] These companies, however, are substantially more opaque than DeWe so there is little publicly available evidence to substantiate these claims.

Several Chinese PSCs are active in Sudan and South Sudan, as legislation is lax

The examples of PSC activity in Sudan and South Sudan show that Chinese PSCs are very active in the region, and occasionally get involved in combat scenarios. Chinese PSCs, however, are not the only private security contractors operating in the region. International competitors, such as G4S and Control Risks, as well as private military firms like DynCorp or Academi (formerly Blackwater), also run missions in the area, mostly in South Sudan. Given the instability of both countries, competition for the private security market in Sudan and South Sudan is likely to increase in the future. The outcome of this competition, however, will most likely not depend on which PSCs are more effective or better prepared. Instead, it will depend on which international firms are willing to continue to invest in the region, despite the risk. As Beijing encourages Chinese SOEs to hire Chinese PSCs, and is also pushing for greater investment in the region through BRI, if Chinese firms expand their operations in Sudan or South Sudan, we can expect that Chinese PSCs will use the momentum of the growing Chinese involvement in the region to gradually increase their market share.

This is, of course, not a guaranteed outcome, as political conditions in the countries may change or non-Chinese oil companies may decide to invest in the region again, among several other factors. If current trends continue, however, we can expect to see a growing Chinese PSC presence in both Sudan and South Sudan.

4. Conclusion: Beijing needs to regulate its private security companies' overseas activities

China has entered the largely unregulated international private security market. The saturation of the domestic market and opportunities provided by the BRI has encouraged Chinese PSCs to diversify their target clients and go global. Indeed, for some Chinese PSCs, the BRI is the basis of their entire market strategy.

Private security companies have turned into a good alternative to secure Chinese investments abroad. Beijing must guarantee the security of Chinese citizens abroad, as well as the success of BRI related projects, particularly as the initiative expands into more unstable and insecure countries. However, sending in PLA troops is an unrealistic option for the moment. It goes against China's self-proclaimed non-interference principle, as well as against the benign image that China would like to portray through the BRI. PSCs' relative "private" nature would be useful to Beijing – allowing it plausible deniability in worst-case scenarios whilst reaping the PR benefits of successful missions in the best-case scenarios. China is not the first country to come to this conclusion, as other international examples of PMC and PSC use in armed conflict or post-conflict reconstruction have shown.

The difference is, however, that Chinese PSCs are (indirectly) linked to the CCP, through their recruitment of almost exclusively PLA veterans. They also remain new to the game and relatively inexperienced in managing conflict situations they might be faced with in unstable countries like Sudan and South Sudan. Any incident in which Chinese PSCs handled armed conflict unprofessionally could turn into a political and PR disaster for Beijing. Furthermore, according to international law, it is the responsibility of the state to oversee and monitor PSCs based in their country. In the event of any dispute involving PSCs operating abroad, responsibility lies with the state by which the company is contracted. China could therefore be liable for Chinese PSCs' actions should such companies become embroiled in a confrontation abroad.

It is therefore clear that regulation of Chinese PSCs' overseas activities has upsides both for Beijing and for the international community. The question that remains is whether Beijing will choose to go down this path, and if so, whether it will manage to regulate these companies, either on an international or national level.

China has so far not taken any steps to improve the existing international legal framework or to create new regulations to control PSC behavior. Beijing still has not signed onto mechanisms like the International Code of Conduct. While this could be seen as a conscious choice not to be bound by legal requirements China had no hand in drafting, the voluntary and non-binding nature of these documents means that this should be no obstacle, as Beijing's signature would be seen simply as a signal of goodwill. As a way to ensure greater quality control of its PSC presence abroad and create goodwill among host countries, Beijing should become a member of the International Code of Conduct and should require all Chinese PSCs that intend to operate internationally to do the same.

And at the national level, Beijing should push the Ministry of Public Security (MPS) to finalize existing plans to issue a new regulation specifically covering Chinese PSCs' overseas operations. Models for such a regulation abound in the international arena, including in several European countries. Beijing should also encourage the MPS to issue a "white list" of PSCs that are actually qualified to provide overseas security services. This would reduce the risk of small, inexperienced companies making mistakes during their operations.

Stronger regulation and professionalization of Chinese PSCs is needed to tackle security issues

European countries - such as the UK, Belgium or Sweden - with domestic private security sectors that are more strictly regulated and that have signed onto voluntary international mechanisms could play a key role in encouraging Beijing to take these steps. They could provide examples of best practices. Another role that these countries could play would be to help host countries along the BRI to strengthen their national legislation regulation of foreign PSC activities in their countries, taking advantage of their own experiences with this issue. The aim here would be for host countries to build a strong framework of legislation, through which Chinese and other PSCs could operate in-country but under strict conditions with clear indications of liability. The European Union, through the European External Action Service (EEAS) and the European Commission's Directorate General for International Cooperation and Development (DG DEVCO), could also use their experience and expertise in post-conflict reconstruction and security sector reform to help host countries build such a framework.

This is especially pressing because it is very likely that, as Chinese PSCs continue to pursue opportunities in security for BRI-related projects, Beijing will try to negotiate conditions for Chinese PSC operations on a bilateral basis with host governments in countries where Chinese PSCs operate. This way, Beijing could adjust these discussions based on each individual country's national regulatory system of PSCs, giving greater clarity to liabilities should mishaps occur. From Beijing's perspective, this would be a practical solution, since it would allow China to use its political and economic influence over host country governments to create favorable conditions for Chinese PSCs.

If properly regulated, operations of Chinese private security companies abroad could offer a win-win solution to security concerns in countries along the Belt and Road. If PSCs succeed in improving security conditions, Chinese (and other countries') investments into third countries could potentially flourish, offering much needed infrastructure and development to under-developed areas. Simultaneously, by securing Chinese investments and citizens abroad, PSCs would help Beijing address the growing concerns of Chinese nationals working in volatile host countries without needing to deploy the PLA abroad, a move that might tarnish China's self-crafted image as a non-interventionist and benign power and also cause tensions with countries concerned about China's global military expansion.

Until the afore-mentioned measures are taken and progress is made in regulating Chinese PSCs, however, China's use of private security companies to secure its overseas interests has the serious potential to undermine China's credibility and do little to allay concerns over Beijing's international investments and its self-proclaimed intentions to become a responsible global security actor.

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