



Degree Program in International Relations

Course of Chinese Studies

# Analysis on Overseas Business Development of China's Private Security Companies

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## **Abbreviation**

B&R- Belt and Road

BRI-Belt and Road initiative

China's PSCs- China's Private Security Companies

CIA-Central Intelligence Agency

CPC-the Communist Party of China

CSA-China Security Association

CSP-China Security and Protection Group Co., Ltd.

DeWe- DeWe Security

FOEs- Foreign-owned Enterprises

Hanwei-Hanwei International Security Co., Ltd.

HCZA-Huachuang Zhongan (Beijing) Security Technology Service Co., Ltd

HUAWEI -Shandong Huawei Security Group

HXZA-Huaxinzhongan Group

ICoCA-the International Code of Conduct Association

ICoC-the International Code of Conduct for Private Security Service Providers

MPS-the Ministry of Public Security of China

NPM-New Public Management

OFDI-Outward foreign direct investment

PAP-People's Armed Police Force

PLA-People's Liberation Army

PMC-private military company

PMFs-Private Military Firms

PMSCs -Private Military and Security Companies

PRC-People's Republic of China

PSB- the Public Security Bureau

PSC-Private Security Company

PSFs- Private Security Firms

SOEs-Chinese state-owned enterprises

The Law- The law of the People's Republic of China on Control of Guns

The Regulation-Regulation on the Administration of Security and Guarding Services

UN -United Nations

UNCTAD-The United Nations Conference on Trade and Development

ZJJH-Zhongjunjunhong Security Service Co., Ltd.

## Introduction

### I. Research Question Statement

#### I.I Research Background

On March 19, 2023, Beijing time, an armed attack on a Chinese private enterprise occurred in the Central African Republic. So far, nine Chinese citizens were killed and two were seriously injured<sup>1</sup>. Similarly, less than a week after that attack, on March 25 local time, a Chinese mining company in Myanmar's Sagaing Division was attacked by a drone bomb<sup>2</sup>. According to a report by Hanwei International Security Co., Ltd. (汉卫国际安全保护有限公司) (Hanwei), there were 362 attacks on overseas Chinese companies and personnel worldwide in 2020, resulting in 38 deaths and many injuries<sup>3</sup>. And based on data released by the Ministry of Commerce of the People's Republic of China (MOFCOM) in late 2015, there were 345 incidents involving Chinese companies and institutions in various types of overseas security incidents since 2010 until late 2015<sup>4</sup>. A comparison of the two data shows that the number of security attacks on overseas Chinese enterprises has increased significantly<sup>5</sup>.

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<sup>1</sup> "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on March 20, 2023." Ministry of Foreign Affairs of the Republic of China, [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202303/t20230320\\_11045296.html](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202303/t20230320_11045296.html). Accessed 24 May 2023.

<sup>2</sup> "A Chinese mining company in Myanmar was attacked by a drone dropping bombs." Cosri, [http://www.cosri.org.cn/index.php?m=default.news\\_info&cid=2&ccid=6&id=66082](http://www.cosri.org.cn/index.php?m=default.news_info&cid=2&ccid=6&id=66082). Accessed 24 April 2023.

<sup>3</sup> "Overview of attacks on Chinese companies and personnel overseas in 2020." Hanweiss, <https://www.hanweiss.com/information.login.666.html>. Accessed 3 May 2023

<sup>4</sup> "Ministry of Commerce: Multiple measures to strengthen the security risk prevention of Chinese overseas enterprises and personnel." Gov, [http://www.gov.cn/xinwen/2015-12/02/content\\_5019000.htm](http://www.gov.cn/xinwen/2015-12/02/content_5019000.htm). Accessed 3 May 2023.

<sup>5</sup> According to the author's calculation, the average number of attacks on Chinese overseas enterprises from 2010 to 2015 was 57 per year, while the number of attacks in 2020 was 362 in just one year, six times as many as in 2015.

The significant increase in the number of attacks is actually a side-effect of the expansion of Chinese enterprises' overseas investments in recent years. Since 2001, when the "Go Global (走出去)" strategy was proposed in the "Tenth Five-Year Plan"(第十个五年计划), Chinese enterprises began to compete in the international market. A key time was 2013, when Chinese President Xi Jinping proposed the Belt and Road initiative (BRI). With the in-depth promotion of the BRI construction, China's foreign economic and trade exchanges and investments are developing rapidly, and more and more Chinese enterprises are going abroad. By the end of 2021, 26,600 Chinese domestic investors had set up a total of 46,000 overseas enterprises in 190 countries and regions around the world <sup>6</sup>.

It is true that Chinese enterprises go overseas has promoted China's economic development, but due to their large investment amounts, long construction periods and off-site investments, they face damage from unscrupulous criminals<sup>7</sup>. Moreover, since the implementation of the BRI, more and more Chinese enterprises and personnel have been stationed in countries and regions along the Belt and Road (B&R), and many of these countries and regions are medium to high-risk countries and regions<sup>8</sup>, where Chinese enterprises are exposed to risks such as war and chaos, armed attacks, kidnapping and hijacking, and community nuisance. According to

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<sup>6</sup> "Guo, Tingting Attended the State Council Information Office Conference to Introduce the 22nd China International Fair for Investment and Trade." Ministry of Commerce of the Republic of China, <http://interview.mofcom.gov.cn/detail/202209/ff80808182dcca190182fd3abe93002a.html>. Accessed 3 May 2023.

<sup>7</sup> Xie, Dan. "The Development Opportunities and Challenges of the Overseas Security Market in the Construction of the BRI." *China Security and Protection*. 07(2017): 35-38. doi:CNKI:SUN:ZGAF.0.2017-07-012.P.36.

<sup>8</sup> Devonshire-Ellis, Chris. "84% of China's BRI investments are in medium-high risk countries." Silk Road Briefing, <https://www.silkroadbriefing.com/news/2020/07/02/84-chinas-bri-investments-medium-high-risk-countries/>. Accessed 4 May 2023; Xie, Dan. "The Development Opportunities and Challenges of the Overseas Security Market in the Construction of the BRI." *China Security and Protection*. 07(2017): 35-38. doi:CNKI:SUN:ZGAF.0.2017-07-012.P.37.

statistics, from September 2001 to 2017, there were more than 77,000 terrorist attacks in more than 60 countries along the B&R, and more than 6,000 attacks on commercial facilities<sup>9</sup>, making it urgent to protect these overseas Chinese enterprises. However, as Huang Ping, Director of the Consular Department of the Ministry of Foreign Affairs at the time, said, each Chinese consular officer in foreign embassies and consulates has to serve more than 200,000 Chinese citizens who have left China (35 times more than U.S. consular service officers).<sup>10</sup> It is not enough to rely solely on the Chinese government to protect the security of overseas Chinese enterprises. In addition, China has always adhered to the principle of “non-interference in the internal affairs of other countries (不干涉别国内政),” which means that the Chinese government will never send the People’s Liberation Army (PLA) to directly protect Chinese companies overseas unless it is absolutely necessary.

Based on the current situation where the Chinese government’s ability to protect its rapidly expanding overseas businesses and personnel is not sufficient, a new industry has flourished: the private security industry. In fact, private security companies (PSCs) are not new tools for protecting overseas interests. After the end of the Cold War, a large number of PSCs began to emerge as the rapid globalization of the economy and the increase in non-traditional security threats worldwide challenged the ability of state-actor to respond. In particular, since the privatization of warfare initiated by the United States in the Iraq War in 2003, private military security companies (PMSCs) have begun to appear frequently in local wars and military

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<sup>9</sup> Lin, Yongsheng and Wu, Yongchao. “One ‘Belt and One Road’: the Challenges of China’s Overseas Interests Security.” *Think Tank: Theory and Practice*. 2.06(2017):17-25. doi:10.19318/j.cnki.issn.2096-1634.2017.06.03.P.20.

<sup>10</sup> Hou, Lijun, et al. “Chinese Consular Officer Sends Spring Festival Greetings: ‘It’s better for us not to meet’.” *People*, <http://politics.people.com.cn/n/2014/0129/c1001-24258906.html>. Accessed 4 May 2023.



conflicts that have erupted around the world<sup>11</sup>. But for China, with its strong state power, having PSCs share public security functions is a recent phenomenon. The Chinese security industry was born in 1984<sup>12</sup>. Since the post-1990s, news about these security companies have often appeared in the mainstream media narrative. By 2010 Chinese media began to report on the role of PSCs in the international affairs<sup>13</sup>. At the meantime, the Chinese State Council issued Regulation on the Administration of Security Services and Guarding Services(保安服务管理条例)(the Regulation), and only then did PSCs in the true sense appear in China<sup>14</sup>. The BRI has stimulated the development of the private security market in China and there are now more than 7,000 PSCs in the country. However, it is worth noting that most of these security companies only provide domestic business in China, and less than 40 of them are actually engaged in overseas business, of which only 4-5 have large-scale overseas business<sup>15</sup>. Huaxinzhongan Group (华信中安集团) (HXZA) is one of these few Chinese companies that has managed to get orders from foreign clients. Founded in 2004 by military veterans, the group first implemented overseas armed maritime escort services in 2012, breaking the monopoly of Western PSCs in the Indian Ocean escort market. Three years later, HXZA explored overseas land security services in 2015. At present, the Group has more than 600 domestic clients and more than 60 foreign clients.

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<sup>11</sup> Xing, Ruili and Zheng, Xianwu. "Private Security Companies and the Privatization of Maritime Security in Southeast Asia." *Southeast Asian and South Asian Studies*. 02(2015): 1-7+108. doi:10.13848/j.cnki.dnyybjb.2015.02.001.P.1.

<sup>12</sup> Meng, Dongjun et al. "China's security 'going out' to safeguard the overseas interests and security of the B&R." NTS-PD, <http://www.nts.zju.edu.cn/2019/1011/c24961a2358638/page.htm>. Accessed 4 May 2023.

<sup>13</sup> Arduino, Alessandro. *China's private army: Protecting the new silk road*. Springer, 2017. P.36.

<sup>14</sup> Yu, Mengtong. "China's Private Security in BRI." VOA, <https://www.voachinese.com/a/china-security-company-20180508/4385807.html>. Accessed 4 May 2023.

<sup>15</sup> Tian, Xin. "Private Security Companies: Emerging Protectors of China's Overseas Interests." *China Quarterly of International Strategic Studies*. 6.02 (2020): 205-221. Pp.213-214.

The large demand for overseas security should have given rise to more China's PSCs starting up overseas business. However, as mentioned earlier, only a few China's PSCs have entered the international security market and only a limited number of them (like HXZA) have been able to secure orders from foreign clients. Therefore, the core question of this paper is to discuss why the overseas business of China's PSCs has been so slow to develop. In order to answer this question, it is necessary to clarify whose interests Chinese PSCs are defending, what are the driving forces for China's PSCs, and what factors are preventing Chinese PSCs from developing their overseas business.

The first chapter of this paper begins with the definition of PSCs and reviews the development history of Chinese PSCs. The core question of chapter two is to answer the question of the ownership of China's PSCs, whether they are part of the Chinese state government, or whether they are just private companies that are independent of the government and pursue economic interests, or somewhere in between. The third chapter analyzes the reasons that prevent China's PSCs from developing overseas business at four levels: international level, host country level, Chinese national level and company level. It also tries to give policy recommendations. Chapter 4 selects HXZA as the research object and uses swot analysis to analyze the development prospect of the company to develop its overseas business. HXZA is one of the few China's PSCs that has overseas clients. It can be said that it is the leader in the private security industry in China, but even the leader is facing the dilemma of lack of international visibility. Therefore, the author chose it as a case study, and the factors that hindered its development are the same factors that led to the very small number of China's PSCs that are able to do business overseas.

### **I.II Academic and Practical Significance of the Paper**

As China's comprehensive national power grows and its diplomacy becomes more aggressive in recent years, scholars at China and abroad are bound to discuss the new actors in the protection of China's overseas interests-China's PSCs. Some foreign

scholars arguing that PSCs may push China to abandon its long-held principle of “non-interference in the internal affairs of other countries.”<sup>16</sup> And some scholars even argue that PSC may become a tool for the Chinese government to upend the status quo<sup>17</sup>. Therefore, in order to explore whether China’s PSCs are influencing the Chinese government’s foreign policy and whether there will be a shift in Chinese foreign policy in the future, it is necessary to do some research on the new actor-China’s PSCs.

Furthermore, even though private security is still an emerging industry in China. However, as the number of Chinese companies overseas continues to grow, there is an increased demand for China’s PSCs in the overseas security market. But there is a huge gap between the international competitiveness of China’s PSCs and industry leaders such as the United States and the United Kingdom. This has created an imbalance between supply and demand in the Chinese private security industry, which is not conducive to the sustainable development of China’s private security industry. Therefore, it is also of practical significance to increase research on this actor-to propose new policy recommendations to promote the development of China's private security industry.

## **II. Literature Review**

When it comes to China’s PSCs, the research of Italian scholar Alessandro Arduino is indispensable, whose book “China’s Private Army: Protecting the New Silk Road” published in 2017 systematically introduces the birth and development of China’s PSCs in the context of the BRI, and shows how China’s PSCs protect China’s interests abroad, which is a systematic and comprehensive academic work on China’s PSCs to date<sup>18</sup>. Another Italian scholar, Andrea Ghisell’s “Protecting China's Interests

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<sup>16</sup> Tian, Xin. “Private Security Companies: Emerging Protectors of China’s Overseas Interests.” *China Quarterly of International Strategic Studies*. 6.02 (2020): 205-221. Pp.213-214.

<sup>17</sup> Spearin, Christopher. “China’s Private Military and Security Companies.” *Prism* 8.4 (2020): 40-53. P.48.

<sup>18</sup> Arduino, Alessandro. *China’s private army: Protecting the new silk road*. Springer, 2017.

Overseas -Securization and Foreign policy”, focuses on how the protection of overseas interests shapes the foreign policy of the Chinese government. China’s PSCs are not a central object of study, so it only introduces the instrumental role of PSCs in recent years when considering the Chinese government’s protection of its overseas interests, with less specific analysis of China’s PSCs<sup>19</sup>.

In addition to these two main books, other academic papers, newspapers and magazines have focused on the following four issues in the study of China’s PSCs:

First, the introduction of a particular China’s PSC. As mentioned earlier, while there are a large number of China’s PSCs, a very limited number have overseas operations, and overseas scholars naturally focus on these PSCs. An article in the Washington Post focuses on Frontier Services Group, a Hong Kong, China-based company established by Blackwater founder Erik Prince, and describes the U.S. government’s doubts about the company, the resignation of Prince and other US executives, and the ascendancy of Chinese executives<sup>20</sup>. Niva Yau and Dirk van der Kley studied the main projects undertaken by China’s PSCs such as Xinjiangshamotewei(新疆沙漠特卫) and China Shield Consulting Service(中安华盾咨询服务有限公司), which operate in Central Asia<sup>21</sup>. Dr. Sergey Sukhankin summarized the number of employees, top leadership, date established, and areas of operation of 15 China’s PSCs with overseas operations, including HXZA, Zhongjun Junhong Security Service Co., Ltd(中军军弘保安服务有限公司)(ZJJH) and Hanwei. However, it is important to note that he has duplicated the statistics for some

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<sup>19</sup> Ghiselli, Andrea. *Protecting China’s interests overseas: Securization and foreign policy*. Oxford University Press, 2021.

<sup>20</sup> Fisher, Marc et al. “Behind Erik Prince’s China venture”. The Washington Post, <https://www.washingtonpost.com/news/world/wp/2018/05/04/feature/a-warrior-goes-to-china-did-erik-prince-cross-a-line/>. Accessed 4 May 2023.

<sup>21</sup> Yau, Niva, and Dirk Van Der Kley. “The growth, adaptation and limitations of Chinese private security companies in Central Asia.” The Oxus Society for Central Asian Affairs (2020).

companies<sup>22</sup>. Perhaps due to the language limitation of these scholars, the introduction of Chinese PSCs is rather basic, lacking description and analysis of a specific task performed by a company. Besides, most of these articles are news reports, and their accuracy has yet to be verified.

Second, there is a debate over who China's PSCs are affiliated with. Some scholars argue that China's PSCs are actually part of the Chinese government, even though they are billed as private companies. The reason given for this is that the leadership of these security companies are mostly former members of China's state security services, and most of the employees they employ have a background in the PLA or Chinese People's Armed Police Force (PAP)<sup>23</sup>. Some scholars argue that the state-owned nature of China's PSCs has gradually declined over time<sup>24</sup>. Some scholars even argue that because China's PSCs are backed by the capital of large Chinese state-owned enterprises (SOEs), these SOEs can use the security companies to influence Chinese government decisions<sup>25</sup>. The most noteworthy research in these debates is Andrea Ghiselli's analysis of who is affiliated with Chinese private security companies on the basis of the conceptual work of Krahnmann and Habermas. He

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<sup>22</sup> Sukhankin, Sergey. "An Anatomy of the Chinese Private Security Contracting Industry." The Jamestown Foundation, <https://jamestown.org/program/an-anatomy-of-the-chinese-private-security-contracting-industry/>. Accessed 13 May 2023.

<sup>23</sup> Baum, Toshiro Jeffrey. "The responsibility of power: Shifts in Chinese conceptualisation of the legitimacy of overseas intervention to protect nationals abroad." *Global Change, Peace & Security* 32.3 (2020): 259-273.

<sup>24</sup> Spearin, Christopher. "UN peacekeeping and Chinese Private Security Companies: assessing demand factors for China." *Defense & Security Analysis* 38.1 (2022): 91-105.

<sup>25</sup> Arduino, Alessandro. "China's Private Army: Protecting the New Silk Road How will Beijing provide security for Chinese personnel and infrastructure along the Belt and Road?" The Diplomat, <https://thediplomat.com/2018/03/chinas-private-army-protecting-the-new-silk-road/>. Accessed 13 May 2023.

believes that Chinese PSCs have both stateification and societalization, but so far, “nationalized” forces have clearly gained the upper hand<sup>26</sup>.

Third, an introduction of the development of China’s PSCs in a certain region. Scholars investigate the development of China’s PSCs in the context of the BRI along the Land Silk Road and the Maritime Silk Road countries. Alessandro Arduino, Paul Nantulya, and others focus on the expansion of China’s PSCs and analyze how China’s PSCs are working with local PSCs in Africa to safeguard their interests abroad against the backdrop of increasingly stringent restrictions on foreign security companies in Africa<sup>27</sup>. Sergey Sukhankin, NIVA YAU and others analyze the development of Chinese PSCs in Central Asia. Sukhankin’s article takes Kyrgyzstan as the target country and discusses why China’s PSCs chose to conduct large-scale business in Kyrgyzstan, a country with low security risks<sup>28</sup>. Meia Nouwens and others focus on the activities of China’s PSCs in South Asia, using Pakistan as an example to illustrate and explain the relationship between China’s PSCs and their host countries<sup>29</sup>. However, the author finds that scholars’ research on China’s PSCs in the Middle East is rather limited, and the only study available is mostly repetitive and basic consensus, lacking analysis of specific cases<sup>30</sup>. As for the section on the Maritime Silk Road, scholars have described the maritime escort activities conducted

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<sup>26</sup> Ghiselli, Andrea. “Market opportunities and political responsibilities: the difficult development of Chinese private security companies abroad.” *Armed Forces & Society* 46.1 (2020): 25-45.

<sup>27</sup> Arduino, Alessandro. *The Footprint of Chinese Private Security Companies in Africa*. No. 2020/35. Working Paper, 2020; Nantulya, Paul. “Chinese Security Contractors in Africa.” Gaenegie, <https://carnegieendowment.org/2020/10/08/chinese-security-contractors-in-africa-pub-82916>. Accessed 3 May 2023.

<sup>28</sup> Sukhankin, Sergei. “The Security Component of the BRI in Central Asia, Part Two: China’s (Para) Military Efforts to Promote Security in Tajikistan and Kyrgyzstan.” *China Brief* 20 (2020); Yau, Niva, and Dirk Van Der Kley. “The growth, adaptation and limitations of Chinese private security companies in Central Asia.” *The Oxus Society for Central Asian Affairs* (2020).

<sup>29</sup> Nouwens, Meia. “China’s use of private companies and other actors to secure the Belt and Road across South Asia.” *Asia Policy* 14.2 (2019): 13-20.

<sup>30</sup> Arduino, Alessandro. “Chinese private security companies in the Middle East.” *Routledge Handbook ON China–Middle East Relations*. Routledge, 2021. 312-321.

by China's PSCs<sup>31</sup>. These literatures basically cover all regions where China's PSCs operate overseas, but the academic literature is limited and lacks analysis of specific cases of China's PSCs in a specific country.

Fourth, an introduction to the laws related to China's PSCs. At the supranational level, scholars focus on the Montreux Document and the International Code of Conduct Association(ICoCA), two international governance and oversight mechanisms for PSCs, and explore the reasons for the Chinese government's cautious approach to these two international governance mechanisms<sup>32</sup>. At the domestic level, scholars focus on the legal restrictions on China's PSCs conducting overseas business in Regulation on the Administration of Security and Guarding Services (2009) (保安服务管理条例)(the Regulation), the law of the People's Republic of China on Control of Guns (1996) (中华人民共和国枪支管理法) (the Law)and the Regulation on Administration of Use of Guns by Full-time Guards and Escorts (2002) (专职守护押运人员枪支使用管理条例)<sup>33</sup>. Scholars have identified these laws as an important impediment to the expansion of China's PSCs overseas, but their discussions of these legal regulations stop at the initial version and lacks attention to subsequent legal amendments.

Although the research on PSCs by Chinese scholars started late and is relatively small in number, compared with overseas literature, the Chinese scholars' research on China's PSCs is more detailed, specific, and academic. For issue one, the introduction

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<sup>31</sup> Nouwens, Veerle. "Who Guards the 'Maritime Silk Road.'" *War on the Rocks* 24 (2020).

<sup>32</sup> Yuan, Jingdong. "China's private security companies and the protection of Chinese economic interests abroad." *Small Wars & Insurgencies* 33.1-2 (2022): 173-195. Pp.184-187; Spearin, Christopher. "China's Private Military and Security Companies." *Prism* 8.4 (2020): 40-53. Pp.46-50; Nouwens, Meia. "China's use of private companies and other actors to secure the Belt and Road across South Asia." *Asia Policy* 14.2 (2019): 13-20. Pp.16-17.

<sup>33</sup> Sukhankin, Sergey. "An Anatomy of the Chinese Private Security Contracting Industry." The Jamestown Foundation, <https://jamestown.org/program/an-anatomy-of-the-chinese-private-security-contracting-industry/>. Accessed 13 May 2023; Zhang, Laney. "Firearms-control legislation and policy: China." *Library of Congress Law*. 2013.Pp.61-62.

of a certain Chinese PSC, the Chinese literature does not stop at the display of some basic data, but provides a detailed description of the development reasons, problems faced, and specific tasks performed by a certain China's PSC<sup>34</sup>. In response to issue two, the debate on who China's PSCs belong to, the one that combines factual and theoretical analysis is the 2015 paper by Professor Zhao Kejin of Tsinghua University, which argues that China's PSCs represent market interests and that the purchase of services by Chinese enterprises from PSCs reflects the trend of marketization of China's overseas security governance. This paper also has great theoretical value, reviewing the theories of marketization of overseas and proposing a security gap theory applicable to China<sup>35</sup>. For question three, an introduction to the development of China's PSCs in a particular region. Dr. Xing Ruili's research explores the development of PSCs in Southeast Asia and the Indian Ocean, and the development of China's PSCs in Africa and along the B&R. For each specific region, she conducted a targeted analysis with minimal repetition of some consensus knowledge<sup>36</sup>. Regarding the fourth question, the introduction of laws related to

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<sup>34</sup> Jiang, Qi. "Research on Legal Issues of Overseas Business Development of China's Security Companies under the Background of "One Belt and One Road"-Take Huaxin Zhongan Security Company as an Example." MA thesis, Southwest University of Political Science & Law, 2021; Wang, Panting. "A Private Security Model for The Protection of Chinese Citizens Abroad." MA thesis, China Foreign Affairs University, 2018

<sup>35</sup> Zhao, Kejin and Li, Shaojie. "On the Privatization of China's Overseas Security System." *World Economics and Politics*.10(2015):133-155+160. doi:CNKI:SUN:SJJZ.0.2015-10-007.

<sup>36</sup> Xing, Ruili. "A Preliminary Study on Privatization of China's Overseas Interests Protection in Africa." *Journal of International Relations*.05(2019):19-40+156. doi:CNKI:SUN:GGXY.0.2019-05-002; Xing, Ruili. "Private Security Companies in the Indian Ocean Regional Security." *Indian Ocean Economic and Political Review*. 03(2019):134-150+156. doi:10.16717/j.cnki.53-1227/f.2019.03.009; Xing, Ruili. "Chinese Private Security Companies in Security Governance of 'the Belt and Road'." *Journal of Northwest Minzu University(Philosophy and Social Science)*. 02(2019):27-36. doi:10.14084/j.cnki.cn62-1185/c.2019.02.004; Xing, Ruili and Liu, Yanfeng. "Private Security Companies in Security Governance in Southeast Asia." *Global Review*. 7.04(2015):55-69+159. doi:10.13851/j.cnki.gjzw.201504004; Xing, Ruili and Zheng, Xianwu. "Private Security Companies



China's PSCs, in addition to the discussion the Regulation by foreign scholars, Chinese scholars are more detailed and comprehensive, listing laws, administrative regulations, and departmental regulations related to PSCs in detail, and discussing which specific law article and paragraph have prevented and how they have prevented China's PSCs from expanding their business overseas<sup>37</sup>.

In general, the existing academic research on China's PSCs is still in its initial stage, and the foreign literature is mostly found in news reports, newspapers and magazines, and reviews, with limited academic articles. With the promotion of the BRI, Chinese scholars have increased their research on China's PSCs and many academic articles have appeared, but these articles are fragmented and distributed in the fields of international relations studies, regional studies, international law studies, lacking a general discussion of China's PSCs. Another noteworthy point is that the author found no trace of the covid-19 epidemic, a sudden global public health emergency affecting the entire human race, in either foreign or Chinese literature, but this does not mean that the covid-19 epidemic does not pose new challenges and problems for China's PSCs in their overseas business.

### **III Research Method**

This paper takes China's PSCs as the research object and explores their overseas business development, covering various disciplines such as international relations, security studies, and international law, etc. It focuses on qualitative analysis, mainly using literature analysis, case analysis and other research methods.

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and the Privatization of Maritime Security in Southeast Asia." *Southeast Asian and South Asian Studies* . 02(2015):1-7+108. doi:10.13848/j.cnki.dnynybjb.2015.02.001.

<sup>37</sup> Li, Yujie. "Research on the International Supervision of Private Military and Security Companies." PhD dissertation, Southwest University of Political Science & Law, 2021, pp.228-233; Wu, Yige. "Research on Improving the Legal System of Chinese Private Security Companies." MA thesis, East China University of Political Science and Law, 2020, pp.18-31.

### **III.I Literature Analysis Method**

The literature analysis method is the main research method of this paper. The author searched more than one hundred Chinese and English news reports, newspaper reviews, academic books, academic journals, dissertations, legal documents and other related discussions on China's PSCs in both Chinese and English. The author has reviewed and classified the literature by writing a literature review, and has systematically analyzed the reasons, advantages and obstacles for China's PSCs to develop overseas business based on the existing literature by focusing on four issues: the specific analysis of a specific China's PSC, the affiliation of China's PSCs, the introduction of the development of China's PSCs in a certain region, and the collation of laws related to China's PSCs. In the part on the specific analysis of a China's PSC and the introduction of the development of China's PSCs in a certain region, the author mainly uses news reports, newspapers and magazines to explain the status quo of the development of China's PSCs. In the discussion on the affiliation of China's PSCs, the author selects the theoretical literature in academic journals or books written by famous scholars, in order to better discuss the definition of PSCs and the interest groups represented by China's PSCs. In sorting out the relevant laws of China's PSCs, the author chooses legal texts and dissertations of master and doctoral students and summarizes the domestic and foreign obstacles that plague China's PSCs to carry out their overseas business.

### **III. II Case Study Method**

As mentioned earlier, the number of China's PSCs that can carry out overseas business is limited, and those that are internationally competitive are even less. Established in 2004, HXZA completed its first overseas armed escort mission in 2012 and opened up overseas land security services in 2015. During the two decades, it has grown into a leading PSC in the China's private security industry and is well known internationally too. According to the author's search, HXZA is the only China's PSCs that is still a member of the International Code of Conduct Association (ICoCA) .

Therefore, the author chooses HXZA, which was established in 2004, as a case study and uses the swot analytical method to sort out the strengths, weaknesses, opportunities and threats that HXZA faces when doing business overseas.

## Chapter 1 The History Overview of China's PSCs

### 1.1 The Definition of PSCs

So far, scholars have not agreed on the name of the private companies that provide military and security services. Some scholars have studied the use of private military contractors by the U.S. military during the Iraq War. So they call them Private Military Contractors<sup>38</sup>. Some scholars focus on the role of these companies in military operations. So they prefer to call them “Private Military Firms (PMFs)” or “Private Military Companies (PMCs).”<sup>39</sup> Some scholars have emphasized the protection of life and property in non-conflict environments and have weakened the military aspect of these companies, calling them “Private Security Firms (PSFs)” or “Private Security Companies (PSCs).”<sup>40</sup> In the context of armed conflict, the Montreux Document balances the military function of using weapons with the security function of providing advice and training, collectively calling these companies “Private Military and Security Companies (PMSCs).”<sup>41</sup> The document defines that “PMSCs are private business entities that provide military and/or security services, irrespective of how they describe themselves.”<sup>42</sup> This also shows that the state party has noticed the varying names given to this type of military security companies, both in practice and in academia. However, the Montreux Document did not intend to make a detailed distinction between these names, but only to give a very

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<sup>38</sup> Duginski, Paul. “Private Contractors Outnumber US Troops in Iraq.” Los Angeles Times.

<sup>39</sup> Singer, Peter W. “Humanitarian principles, private military agents: implications of the privatized military industry for the humanitarian community.” *The Brown Journal of World Affairs* 13.1 (2006): 105-121; Kinsey, Christopher. *Corporate soldiers and international security: The rise of private military companies*. Routledge, 2006.

<sup>40</sup> Abrahamsen, Rita, and Michael C. Williams. “Securing the city: private security companies and non-state authority in global governance.” *International relations* 21.2 (2007): 237-253.

<sup>41</sup> International Committee of the Red Cross and Swiss Federal Department of Foreign Affairs. The Montreux Document, 2008. <https://www.montreuxdocument.org/pdf/document/en.pdf>. Accessed 5 May 2023.

<sup>42</sup> Ibid.P.9.

general definition. Therefore, some scholars believe that it is not meaningful to distinguish between these names. It is true that private companies, as profit-making enterprises, will indeed provide all kinds of services they need according to customer needs for economic benefits, that is, they provide both military services and security services. PMSCs in the United States, the United Kingdom, Russia and other countries, such as Blackwater, not only provide ordinary security services to customers, but also provide military services to the U.S. Department of Defense and other governments or individuals. G4S in the UK provides general security services for regular clients as well as services such as prisoner of war management for the government, and even supported combat during the war in Libya. But this does not mean that there is no difference between PSCs and PMCs, especially in the Chinese context, where the characteristic of the services they provide is quite different.

Most of the leading PSCs in the world today started with security services such as residential escorts, night patrols, etc. With the privatization of security and the development of the security industry itself, PSCs began to share some of the security functions that had belonged to the state, expanding their operations to include maintaining public order, carrying out armed escort work, managing prisons, and other areas. At the same time, these PSCs have also begun to expand their operations overseas and have overlapped with private military contractors, PMFs and PMCs, which provide military functions, in areas such as armed escort. But as noted earlier, there is a crucial difference between PSCs and PMFs. According to the definition given by Peter Singer, a military expert at the Brookings Institution, “PMFs are profit-driven organizations that trade in professional services intricately linked to warfare. They are corporate bodies that specialize in the provision of military skills-including tactical combat operations, strategic planning, intelligence gathering and analysis, operational support, troop training, and military technical assistance.”<sup>43</sup> In other

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<sup>43</sup> Singer, Peter W. “Corporate warriors: The rise of the privatized military industry and its ramifications for international security.” *International security* 26.3 (2001): 186-220.

words, PMFs provide war-related functions, so most of the clients of PMFs belong to governments. In other words, PMFs provide war-related functions, so most of the clients of PMFs belong to the government. Of course as PMFs continue to grow, their client base has expanded to include international organizations, large commercial enterprises, and advising them on military domain expertise. But most critically, PMFs can provide positive security, act offensively, and even engage directly in conflict and play a military role. On the contrary, PSCs only provide preventive, reactive passive security. In many countries, direct involvement in military conflict is a red line that PSCs cannot cross<sup>44</sup>. PMFs depend on government orders to survive. However, PSCs' customers include government, enterprises, and individuals, and are especially favored by enterprises and individuals. PSCs avoid or do not directly involved in military combat and provide security services such as consulting, training, insurance, and protection. All in all, PMFs provide services such as direct combat support in areas of armed conflict, while PSCs focus more on providing day-to-day security protection and training in daily life.

Given that China has always avoided involving its military forces in armed conflicts overseas, the author believes the use of the name PSCs is more in line with China's private security industry. In fact, Chinese PSCs that have overseas operations so far do provide non-military services, providing customers (especially SOEs) with security information, security guards, logistics, escort, armed security and other services. According to the Regulation, the author defines China's PSCs as non-state operated corporate entities that provide non-military security services (including consulting, escorting, armed security, and other services).

## **1.2 The Birth and Development of China's PSCs**

The modern PSCs appeared in China later than in Western countries. However, as early as the Zhengde period of the Ming Dynasty (1506-1521), a type of private

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<sup>44</sup> Xiao, He. Mercenaries - Private Military Companies - Private Security Companies. *World Affairs*. 18(2017):13. doi:CNKI:SUN:SJZS.0.2017-18-010.

security organization ‘*Biaoju*(镖局)’ providing transportation, security, and martial arts services emerged in China, specifically for the protection of property or personal safety. By the Qing Dynasty, the development of *Biaoju* reached its peak. The development of *dartboard* was facilitated by the fact that merchants were carrying valuable belongings and goods in long-distance trade and needed to have professionals to guard their safety. For the purpose of getting paid, *biaoju* provides armed guards for businessmen and officials, escorts various property, and guarantees their personal safety<sup>45</sup>. This is actually the prototype of the private security industry.

After the founding of the People’s Republic of China (PRC), however, the security duty was firmly in the hands of the government. There was no concept of privatization of security, and the government (usually the Ministry of Public Security) was solely responsible for the legal use of force<sup>46</sup>. In the 1980s, with the implementation of reform and opening up, China's economy became more market oriented. By 1984 in the Shekou Industrial Zone in Shenzhen, the migrants had increased dramatically, and fights, brawls and robberies were frequent, seriously affecting the local social order and business environment. After the warehouse of a shopping mall jointly owned by a Hong Kong company was stolen, a question arose in front of the Public Security Bureau(PSB): how to guarantee the security of these foreign-owned enterprises(FOEs) since they could not establish a security department under the command of the public security authorities as in the case of the SOEs model. After a period of research, the PSB proposed the establishment of a security service company run by the regional PSB, but with security guards not part of the police, to provide paid security services to FOEs. At the end of 1984, the Shenzhen

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<sup>45</sup>. Zhu,Lu. “A Research on Private Military and Security Companies in International Law.” PhD dissertation, Wuhan University,2011.

<sup>46</sup> Yuan, Jingdong. “China’s private security companies and the protection of Chinese economic interests abroad.” *Small Wars & Insurgencies* 33.1-2 (2022): 173-195. P.179.

government approved the establishment of Shekou Security Company and the first security company in China was officially established.

With the State Council's approval of the "Report on the Establishment of Security Service Companies"(关于组建保安服务公司的报告) in July 1988, PSBs throughout China followed Shenzhen's example and established more than 2,800 security service companies and training institutions<sup>47</sup>. However, at this time, the security industry could not be called a private enterprise because these security companies were subordinate to the PSB system and the security duty was still in the hands of the government. By 1994, China Security Association(CSA) - China's first national security service organization was established and adopted the "Constitution of China Security Association"(中国保安协会章程) at its first congress, which stipulated that any security company established with the approval of the PSB could apply to become a member of the association, "In accordance with national laws and regulations on public security management, assist the PSBs ..... to promote the robust development of the security services business, and contribute in maintaining the social security order, safeguarding the reform and opening up and socialist construction."<sup>48</sup> This Constitution objectively promoted the standardized development of China's security industry. But from the content of the Constitution, the security enterprise at that time was still a subsidiary tool of the government to maintain public security. Its pursuit of social interests should be greater than its pursuit of economic benefits. Moreover, at this time, security companies only assisted the government in maintaining domestic security and did not have overseas operations.

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<sup>47</sup> Zhang, Zhong et al. From 'China's First Security Company' to Creating A New Service Model." Sohu, [https://www.sohu.com/a/394471767\\_117916](https://www.sohu.com/a/394471767_117916). Accessed 5 May 2023.

<sup>48</sup> "Constitution of China Security Association." Elinklaw, <http://www.elinklaw.com/zsglmobile/lawView.aspx?id=14554>. Accessed 5 May 2023.



Until 2003, China Security and Protection Group Co., Ltd.(中安保实业集团有限公司)(CSP) opened a branch in Cambodia, which was responsible for the armed escort of the Bank of China branch in Phnom Penh. This was the earliest attempt by a Chinese security company to develop overseas business<sup>49</sup>. But the real opportunity to promote Chinese security companies to develop overseas business was the "6.10 attack" in 2004. On June 10, 2004, a construction site of the China Railway 14th Group in Kunduz, northern Afghanistan, was attacked by more than 20 militants, killing 11 Chinese workers<sup>50</sup>. After the attack, the Chinese government paid close attention to it and launched rescue operations immediately. It was also the year that the Chinese government first introduced the concept of "overseas interests" and took a series of actions to increase investment in the security of China's overseas interests<sup>51</sup>. Closely related to security companies, the Chinese government issued a series of policy documents requiring overseas Chinese companies to focus on security protection. As a result, many Chinese companies have begun to invest in specialized security funds and personnel. A variety of measures have been taken to protect their assets and personnel overseas, including the hiring of PSCs<sup>52</sup>. At the same time, some Chinese security companies having been established to try to provide security services for overseas Chinese companies. However, there is reason to believe that for Chinese security companies at this time, doing business overseas is a brand-new area. The quantity and quality of security services they can provide are limited. They need more time to learn from their overseas counterparts. At the same time, as mentioned above,

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<sup>49</sup> Chen, Li. "Research on Safeguarding China's Overseas Interests: An Analysis of the Role of Chinese Private Security Companies." Law Press, 2019. P.12.

<sup>50</sup> "11 Chinese Workers Were Killed in A Terrorist Attack in Afghanistan." VOA, <https://www.voachinese.com/a/a-21-a-2004-06-10-9-1-63390637/994464.html>. Accessed 5 May 2023.

<sup>51</sup> For example, the Chinese government set up the Department of External Security Affairs in the Ministry of Foreign Affairs in the second month after the incident.

<sup>52</sup> For example, the China Railway 14th Bureau hired the largest PSC in Afghanistan to protect its security after the "6.10 attack" and survived the two subsequent attacks.

there was another factor that restricted the motivation of China's security industry, that was, the security companies at this time were still run by the PSBs and are still subordinated to the PSBs.

The situation soon changed for the better when the Ministry of Public Security (MPS) of China decided in 2006 to change the original "management plus supervision" model to "supervision only." After that, the Chinese government made the regulation of the security industry clearer, for example, the "Shenzhen Security Service Management Measures", which was officially implemented on May 1, 2008, regulated the access mechanism of the security industry, the content of security services, and the authority of security guards. More noteworthy was that the MPS's principle of "Separating management from enforcement" ( "管办分离" 原则 ) had been officially implemented, with the PSBs no longer operating security companies directly, but focusing on supervision and guidance. "Shenzhen Security Services Management Measures"( *深圳市保安服务管理办法* ) provided that "security service enterprises should have independent capability of corporate, make their own management decisions and take full responsibility of their own profits and losses. The establishment of security service enterprises should be approved by the provincial PSB and apply for a business license to the local administrative department for industry and commerce."<sup>53</sup>

The most important legal document for the development of China's PSCs is the Document issued by the State Council in 2009 and formally implemented in 2010. The Document further clarified the principle of "Separating management from enforcement" and clearly stipulated that "Government offices and their staff shall not establish security service companies and shall not participate in the business activities

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<sup>53</sup> "Shenzhen Security Services Management Measures." Bjcourt , <http://fgcx.bjcourt.gov.cn:4601/law?fn=lar589s594.txt>. Accessed 5 May 2023.

of security companies.”<sup>54</sup> In addition, the Regulation also provided detailed requirements for the registered capital, personnel, services of security companies. Since then, in addition to security companies engaged in armed guarding and escorting services, security companies providing other types of services can be established by private individuals. The MPS successively issued “Measures for Public Security Organs to Implement the Regulation on the Administration of Security and Guarding Services”, which detailed the management rules of the security industry.

With these regulations, a large number of security companies originally affiliated to the PSBs began to be privatized. The private security industry finally got an opportunity to develop<sup>55</sup>. As mentioned before, after the “6.10 attack”, more and more overseas Chinese companies started to purchase security services from PSCs. Some Chinese security companies have accumulated experience since then, and officially began to develop overseas business in 2009 when the Regulation were promulgated. For example, Shandong Huawei Security Group(山东华威保安集团)(HUAWEI), formerly known as Qufu City Security Company established in 1993, successfully underwent a shareholding system transformation in 2009 and formed the first grouped and specialized large private security company in 2010. In October of the same year, Huawei established the China’s first overseas security service center for international business. In November 2013, Huawei signed a strategic alliance cooperation agreement with Raid Risk Management in South Africa, which established China's first Sino-foreign equity security joint venture with a 49% shareholding<sup>56</sup>.

With the development of BRI, more and more private security companies are exploring overseas markets and protecting China's overseas interests, just like

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<sup>54</sup> “Regulation on the Administration of Security and Guarding Services.” Gov, [http://www.gov.cn/zwggk/2009-10/19/content\\_1443395.htm](http://www.gov.cn/zwggk/2009-10/19/content_1443395.htm). Accessed 4 May 2023.

<sup>55</sup> “China's private security company ‘going global’.” Cankaoxiaoxi, <http://m.cankaoxiaoxi.com/ihl/20151127/1010198.shtml?fr=mb>. Accessed 5 May 2023.

<sup>56</sup> Song, Haiyong. “Research on the Path and Risk Control of Chinese Security Companies' Overseas Business.” MA thesis, People's Public Security University of China, 2020. P.11.

Huawei. According to the statistics of CSA, as of the end of 2021, there were 57 security companies operating outside of China. 23 companies registered 112 branches in overseas project locations, 43 of which have licenses to carry guns on duty.<sup>57</sup> As the data shows, there are currently a large number of PSCs in China, but the number of PSCs that can conduct overseas business is extremely limited. What factors hinder these companies from obtaining overseas orders? This article will try to answer this question in Chapter 3.

### **1.3 Reasons for China's PSCs to Develop Overseas Business**

Since the late 1970s, the Chinese government has considered "reform and opening up" as its basic national policy. China's economy has become increasingly market-oriented and, in the 1980s and 1990s, gradually became a major player in the global economy<sup>58</sup>. In late 2001, China was approved to join the World Trade Organization (WTO). Since then, China has further improved its market economy and, with its cheap labor, has become known as the "world factory." In 2010, it overtook Japan to become the second largest economy in the world, with an economy 17 times larger than the one it had at the beginning of the reform and opening up<sup>59</sup>. At the same time, since the beginning of this century, the Chinese government started to encourage Chinese SOEs and private enterprises to "go global." China's Outward foreign direct investment (OFDI) has grown rapidly, from US\$2.7 billion in 2002 to US\$178.82 billion in 2021, with the stock of Chinese OFDI reaching a staggering US\$278.55 billion by the end of 2021<sup>60</sup>. According to a report released by The United

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<sup>57</sup> Feng, Zhizhong. "Reflections on the Construction of Overseas China's Security Companies." Sohu, [https://www.sohu.com/a/586018732\\_100040985](https://www.sohu.com/a/586018732_100040985). Accessed 5 May 2023.

<sup>58</sup> Chen, Yan. "20 Years after China's WTO Accession: How 'WTO Accession' Changed China and the World." BBC, <https://www.bbc.com/zhongwen/simp/business-59239732>. Accessed 5 May 2023.

<sup>59</sup> "Analysis: From what perspective does China's GDP exceed Japan's?" BBC, [https://www.bbc.com/zhongwen/simp/china/2011/02/110214\\_ana\\_china\\_gdp](https://www.bbc.com/zhongwen/simp/china/2011/02/110214_ana_china_gdp). Accessed 5 May 2023.

<sup>60</sup> National Bureau of Statistics of China. *China Statistical Yearbook 2022*. China Statistics Press, 2022.

Nations Conference on Trade and Development (UNCTAD) in 2021, China became the world's largest investor with \$133 billion in OFDI in 2020<sup>61</sup>. By the end of 2021, Chinese domestic investors had established a total of 46,000 overseas enterprises. Especially after China proposed the BRI in late 2013, China's overseas investment has further developed. Investments in countries along the Belt and Road (B&R) have continued to grow. By the end of 2021, China had set up more than 11,000 enterprises in countries along the B&R, accounting for about a quarter of China's total overseas enterprises and 13.5% of its total outbound investment<sup>62</sup>. At the same time, with the promotion of BRI, a series of infrastructure projects such as highways, railroads, ports, telecommunications and networks supported by China to countries along the B&R have been increasing too. By the end of 2019, China's foreign labor cooperation business has sent a total of 10.15 million people to abroad<sup>63</sup>.

It is true that more and more Chinese companies and citizens are going overseas, which has indeed promoted the growth of China's overseas investment, but at the same time it has also increased security risks. China's late entry into overseas markets has led to a situation where markets in resource-rich countries and regions with good security have been pre-empted by developed countries<sup>64</sup>. Therefore, as mentioned earlier, a considerable number of countries can only look for some Asian and African countries and regions with certain security risks but rich regional resources when developing overseas markets. In these countries, Chinese enterprises and personnel

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<sup>61</sup> UNCTAD. World investment report 2021: Investing in sustainable recovery. UN, 2021. P.7.

<sup>62</sup> "China's outward foreign direct investment flows ranked among the top three in the world for ten consecutive years." Gov, [http://www.gov.cn/xinwen/2022-11/07/content\\_5725198.htm](http://www.gov.cn/xinwen/2022-11/07/content_5725198.htm). Accessed 5 May 2023.

<sup>63</sup> Ministry of Commerce of the PRC. "Annual report on China international labour cooperation 2019-2020." Mofcom, <http://images.mofcom.gov.cn/fec/202011/20201109103333170.pdf>. P.8. Accessed 5 May 2023.

<sup>64</sup> Yuan, Jingdong. "China's private security companies and the protection of Chinese economic interests abroad." *Small Wars & Insurgencies* 33.1-2 (2022): 173-195. P.175.

often encounter armed robbery, kidnapping, riots and other threats to their personal and property due to the weak government and poor economic.

After “6.10 attack”, the Chinese government has attached great importance to protecting the safety of Chinese enterprises and citizens overseas. And the government has actively taken various diplomatic, political and legal measures to protect Chinese enterprises and citizens. However, given China’s huge overseas investment and extremely limited diplomatic and consular staff, traditional consular protection alone cannot meet the growing demand for overseas security. Moreover, the traditional consular protection measures are not initiated by China, but by urging the host country, which puts Chinese enterprises and citizens abroad in a very passive position. If there is civil and social turmoil in the host country, this kind of urging is ineffective and Chinese enterprises and citizens abroad cannot be protected<sup>65</sup>. Of course, in addition, the 2011 Libya evacuation showed that the Chinese government actually has a military option. But the Chinese government will never use military unless it is a last resort. One reason is that the Chinese government has always adhered to the principle of non-interference in the internal affairs of other countries. Especially since the BRI, the Chinese government has paid more attention to protecting its reputation. Sending troops to other countries would undermine this principle and would increase doubts and criticism from some other countries. Second, it is clear that sending troops is not a long-term solution, as it is inflexible, cannot be carried out regularly and meet the huge demand for overseas security. In addition, the delivery capacity of the Chinese military has been seen as a weakness of China<sup>66</sup>.

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<sup>65</sup> Jiang, Kai and Ye, Xiaojiao. “Analysis of the security situation and countermeasures of overseas Chinese citizens in 2009.” *Forward Position*.17(2010):24-28. doi:CNKI:SUN:QAYA.0.2010-17-007. P.27.

<sup>66</sup> Tian, Xin. “Private Security Companies: Emerging Protectors of China’s Overseas Interests.” *China Quarterly of International Strategic Studies*. 6.02 (2020): 205-221. Pp.213-214.

Of course, host countries also have the responsibility to protect the security of the companies and personnel in their countries, but this depends on their willingness and ability to do so. While the Chinese government expects local forces to provide security for Chinese companies and personnel, host governments may not be able or willing to provide adequate protection for them<sup>67</sup>. According to Chinese scholars, host countries that are willing but unable to provide effective security for Chinese companies and personnel are the most numerous, due to domestic unrest and their own low security forces<sup>68</sup>.

In summary, China's rapidly growing overseas investments have created a growing demand for overseas security. However, the security of overseas Chinese companies and personnel cannot be adequately guaranteed by relying solely on the Chinese and host governments. After "6.10 attack", China Railway 14th Bureau relied on PSCs to protect its security and successfully avoid casualties in the two subsequent attacks. Its employees commented that the consequences would have been unimaginable without the PSCs<sup>69</sup>, demonstrating that PSCs are capable of maintaining the safety of enterprises and personnel. The gap in the security needs of overseas Chinese companies and personnel can and needs to be filled by PSCs. And as mentioned in the previous section, China's PSCs have certainly sensed this business opportunity and began to develop overseas business.

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<sup>67</sup> Spearin, Christopher. "China's Private Military and Security Companies." *Prism* 8.4 (2020): 40-53. P.42.

<sup>68</sup> Tian, Xin. "Private Security Companies: Emerging Protectors of China's Overseas Interests." *China Quarterly of International Strategic Studies*. 6.02 (2020): 205-221. P.211.

<sup>69</sup> Ke, Yinbin et al. "Private Security Companies: Supply-Side Reform of China's Overseas Security." The Charhar Institute, [http://www.charhar.org.cn/uploads/file/20151203/20151203165103\\_4958.pdf](http://www.charhar.org.cn/uploads/file/20151203/20151203165103_4958.pdf). P.1. Accessed 5 May 2023.

## China's Direct Foreign Investment from 2002 to 2021

Unit: USD 100 million

Year	Outward foreign direct investment (OFDI)	Non-financial OFDI	Total OFDI Stock
2002	27.0	27.0	299.0
2003	28.5	28.5	332.0
2004	55.0	55.0	448.0
2005	122.6	122.6	572.0
2006	211.6	176.3	906.3
2007	265.1	248.4	1179.1
2008	559.1	418.6	1839.7
2009	562.3	478.0	2457.5
2010	688.1	601.8	3127.1
2011	746.5	685.8	4247.8
2012	878.0	777.3	5319.4
2013	1078.4	927.4	6604.8
2014	1231.2	1072.0	8826.4
2015	1456.7	1214.2	10978.6
2016	1961.5	1812.3	13573.9
2017	1582.9	1395.0	18090.4
2018	1430.4	1213.2	19822.7
2019	1369.1	1169.6	21988.8
2020	1537.1	1340.5	25806.6
2021	1788.2	1520.2	27851.5

Source: <http://www.stats.gov.cn/sj/ndsj/2022/indexch.htm>



## **Chapter 2 Whose interests are China's PSCs protecting?**

Before formally answering the core question of this article: why there are so many China's PSCs but few companies capable of conducting overseas business, the author wants to explore the question that overseas scholars are most concerned about China's PSCs: Do China's PSCs take orders from the Chinese government and are they an extension of the Chinese security agencies? Therefore, this chapter looks at the relationship between China's PSCs and their main clients and discusses whose interests Chinese PSCs are actually protecting.

### **2.1 Security Privatization**

#### **2.1.1 Human Security**

In the traditional realist security theory, the sovereign state is the absolute protagonist. Diplomacy, national defense, arms control are "high-level politics" that concern the life and death of the state and must be given priority. However, global issues that endanger all mankind like terrorism, climate warming are treated as "low-level politics" and not discussed. As for non-state actors such as individuals, enterprises, international organizations, they are not within the scope of realist security theory at all. Realism only emphasizes military affairs and ignores other security concepts, which has been further criticized as the world environment changes. Since the early 1980s, some officials and scholars in the Asia-Pacific region have put forward the concept of comprehensive security, juxtaposing political, economic, social, and other issues with military security. After the end of the Cold War, the concept of human security has been recognized by more and more people. Human security refers to living with dignity and the protection of individuals and groups from physical and mental damage, fear, anxiety, and deprivation based on the Universal Declaration of Human Rights.<sup>70</sup> Traditional realism's emphasis on national

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<sup>70</sup> Assembly, UN General. "Universal declaration of human rights." UN General Assembly 302.2 (1948): 14-25.

security sacrifices human security and the vital interests of civilians in daily life have been ignored. For them, security means that they are not threatened by disease, hunger, unemployment, crime, social conflict, political oppression and environmental degradation. Therefore, the concept of security should shift from an absolute emphasis on territorial security to a more emphasis on the security of people themselves, and from seeking security through expansion of armaments to achieving security through sustainable development. The pursuit of human security makes enterprises, individuals and other non-state actors pay more attention to their own security. Enterprises and individuals have rights for pursuing their own rights and interests, which also promotes the emergence of security privatization theory.

### **2.1.2 Security Vacuum**

According to Anna Leander, founder of the University of Copenhagen's Centre for the Resolution of International Conflicts (CRIC), security privatization refers to the phenomenon of increasing participation of non-state actors in the supply of security public goods and a gradual shift in the power structure in the security field from state monopolies to corporate hybrids in the context of the continuous growth of global and national security needs<sup>71</sup>. According to Marx Weber's definition, only the state can legally monopolize the legitimate use of physical force within a fixed territory<sup>72</sup>. In other words, security as a special non-competitive, non-exclusive, violent public good has been monopolized by the government. Even though mercenaries in the West and *biaoju* in the East have always been there, this phenomenon has always been restricted by state governments. But since the end of the Cold War, there has been room for the security privatization to grow. The feature and scope of contemporary security is constantly changing. Relying on traditional

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<sup>71</sup> Leander, Anna. "The power to construct international security: On the significance of private military companies." *Millennium* 33.3 (2005): 803-825.

<sup>72</sup> Gerth, H. H., and C. Wright Mills. "Politics as a Vocation." From Max Weber: *Essays in Sociology* (1946): 77-128. P.1.

government security functions does not protect against some non-traditional security problems. “The end of the Cold War has caused a large number of conflicts suppressed under the bipolarity to erupt. The number of inter-state wars and civil wars has greatly increased. The end of the Cold War instead created more security problems.”<sup>73</sup> At the same time, most countries began to reduce military spending and disarmament. The public security functions provided by governments became limited. As a result, a security vacuum has emerged, and “a large number of weapons and armed forces personnel have thus entered the market,”<sup>74</sup> with the provision of security services extending from the state to enterprises, non-governmental organizations (NGOs), and others.

### **2.1.3 Neoliberal Revolution**

The security vacuum theory explains why PSCs emerged after the Cold War, but it cannot explain why the state was willing to share the security with PSCs. According to the research of Bob Mandel, a professor at Lewis and Clark College, the neoliberal revolution and the wave of privatization are what really led the state accept security privatization<sup>75</sup>. Since the neoliberal revolution of Reagan and Thatcher in the 1970s, “the wave of privatization marked by private actors has become an important feature.”<sup>76</sup> Neoliberalism emphasizes the vital importance of private ownership and the market economy for the realization of individual rights, opposes excessive state social intervention in individual affairs, and always emphasizes the value of individualism. With the neoliberal revolution, the government gradually shared some of its functions with private enterprises, which further strengthened the domestic of

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<sup>73</sup> Zhao, Kejin and Li, Shaojie. “On the Privatization of China's Overseas Security System.” *World Economics and Politics*.10(2015):133-155+160. doi:CNKI:SUN:SJJZ.0.2015-10-007. P136.

<sup>74</sup> Ibid.

<sup>75</sup> Mandel, Robert. *Armies without states: The privatization of security*. Lynne Rienner Publishers, 2002. P.124.

<sup>76</sup> Xing, Ruili. “Security Privatization and Privatization of Maritime Security in Southeast Asia.” MA thesis, Najing University, 2017. P.11.

market forces represented by private enterprises and various non-governmental organizations in public governance<sup>77</sup>. Privatization of public services, as a core element of the New Public Management (NPM), emphasizes that the government shares its former monopoly of public services to forces outside the government in various ways, leaving some of the producer functions to the market and society<sup>78</sup>. It should be noted, however, that even though the government and citizens have accepted that private enterprises can share the security functions that formerly belonged to the state government, this does not mean that the state has completely abandoned its public service functions. After all, most of civilians do not want to see anarchy and the state government is still a more reliable security service provider. But it is undeniable that the NPM has made the existence of PSCs more “legitimate” and can, to some extent, restrain the government from acting arbitrarily.

In summary, the pursuit of human security and the emergence of a security vacuum have led the state and individuals to place greater emphasis on maintaining their own security. The NPM, on the other hand, has pushed the state to willingly share some of its security functions with private enterprises, because security privatization can make up for the state's shortcomings in protecting the security of enterprises and individuals.

## **2.2 Main Customers of China's PSCs**

### **2.2.1 Chinese Government**

According to the division of military powers of PRC, domestic security falls under the responsibility of the Chinese People's Armed Police Force (PAP). Since Chinese embassies abroad have the status of international law equivalent to that of their own territory, the Chinese government has decided to send armed police to

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<sup>77</sup> Zhao, Chenggen. *New public management reform: Constantly shaping a new balance*. Peking University Press, 2007. P17.

<sup>78</sup> Chen, Tianxiang. *New Public Management - The Theory and Practice of Government Reengineering*. China Renmin University Press, 2007. P.106.

guard the security of embassies and consulates. In addition to ensuring the security of embassy buildings, the armed police stationed abroad are also responsible for accompanying security missions when diplomats attend diplomatic activities. They also responsible for personal protection of SOEs executives and government officials who go to war-torn countries. Each embassy is usually equipped with a team of about 12 armed police officers<sup>79</sup>. With BRI in recent years, the intensity of embassy security work is quite high, with fewer troops and more tasks, which requires people with similar professional skills to participate. However, given that most of these missions are highly political and secretive, embassies abroad prefer to hire Chinese PSCs. According to the author's search, China Overseas Security Group (中国海外安保集团) (COSG) participated in security work such as the visit of Chinese Vice Premier Wang Yang to Turkey and the National Day reception of the Chinese Embassy in Mozambique in 2016<sup>80</sup>. And DeWe Security (德威国际安保集团) (DeWe) assisted the Chinese government in its evacuation mission in South Sudan in 2016<sup>81</sup>.

### 2.2.2 Overseas Chinese Enterprises

Overseas Chinese enterprises, including large SOEs and small private companies, with SOEs being the main clients of Chinese PSCs overseas business. The Chinese government's new version of its “Guidelines on Security Management of Overseas Chinese Enterprises and Personnel” (境外中资企业机构和人员安全管理指南) adopted in 2018 emphasizes that "For enterprises engaged in outbound investment and cooperation, non-traditional security risks should not be categorized

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<sup>79</sup> Dai, Jiaqi. “Who is defending Chinese embassies abroad?” Wcdx, <http://www.wcdx.net/index.php?app=Cms&m=Index&a=content&catid=31&id=6266>. Last accessed 10 May 2023.

<sup>80</sup> China Overseas Security Group. “Group Case” COSG, <http://www.cosg-ss.com.cn/jtal/index.html>. Accessed 10 May 2023.

<sup>81</sup> Yu, Fan. “Overseas turmoil is frequent, how to learn from successful experience in the security protection of Chinese enterprises?” Pit.ifeng, <https://pit.ifeng.com/xianxingjun/special/xianxingjun02/>. Accessed 10 May 2023.

as only government responsibility. Enterprises need to take advantage of their own initiative, seek a variety of internal and external resources available, and take the most reasonable and effective risk control measure.”<sup>82</sup> In 2019, the Chinese government issued the “Safety Training Guidelines for Expatriates of Overseas Enterprises (2019 Edition)” (境外企业外派人员安全培训指南 (2019 版)), which specifies in detail that expatriates of overseas enterprises must receive security education and training. An important body performing this training task is Chinese PSCs<sup>83</sup>. Considering that security forces in some countries have links with local terrorist organizations and criminal groups, and that security personnel recruited locally in the host country will have loyalty problems, the most ideal option for overseas Chinese enterprises is to hire professionals from China’s PSCs<sup>84</sup>. According to the data given by DeWe, its main clients include more than 50 large SOEs such as China Petroleum & Chemical Corporation, China State Construction Engineering Corporation and a large number of overseas Chinese enterprises<sup>85</sup>. According to Andrea Ghiselli’s research, China’s overseas security services market grew from \$2.4 billion in 2005 to \$11.5 billion in 2015, mainly due to abundant contracts offered by Chinese SOEs<sup>86</sup>.

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<sup>82</sup> Ministry of Commerce. PRC “Guidelines on Security Management of Overseas Chinese Enterprises and Personnel” Mofcom, <http://images.mofcom.gov.cn/fec/201512/20151201104053123.pdf>. Pp.2-3. Accessed 10 May 2023.

<sup>83</sup> “Safety Training Guidelines for Expatriates of Overseas Enterprises (2019 Edition).” SZDBA, <http://szdba.com/show/201.html>. P.8. Accessed 10 May 2023.

<sup>84</sup> “40,000 Chinese companies overseas eagerly await Chinese private security.” International Investment and Trading Network, <http://www.china-ofdi.org/ourService/6/537>. Accessed 10 May 2023.

<sup>85</sup> Dewei Security Service Group. “About Us” Deweisecurity, <http://www.deweisecurity.com/gywm>. Accessed 10 May 2023.

<sup>86</sup> Ghiselli, Andrea. “Market opportunities and political responsibilities: the difficult development of Chinese private security companies abroad.” *Armed Forces & Society* 46.1 (2020): 25-45. P.26.

### **2.2.3 Individuals**

As mentioned earlier, there are only a limited number of China's PSCs that can operate overseas. Most PSCs can only operate domestically. Their clients are not only the earlier mentioned government departments, Chinese companies and individuals as well. Up to 80 percent of China's PSCs operate domestically as bodyguards and consultants, not as armed escorts<sup>87</sup>. According to Zi Yang's comments, the largest client base for private security companies in China is the country's wealthy, who account for about 80 percent of contracts. These wealthy individuals, whose propensity for luxury makes them vulnerable to robbery and assault, are keen to purchase bodyguard services from security companies<sup>88</sup>.

In summary, the main customers of Chinese PSCs when doing business overseas are overseas Chinese companies and the Chinese government. The majority of China's PSCs, however, do not have the ability to conduct overseas business and can only provide bodyguard and consulting services at home, while their main clients for domestic business are wealthy Chinese businessmen.

### **2.3 Relationship between China's PSCs and Their Customers**

According to Alessandro Arduino's classification, PSCs in China mainly consist of four categories<sup>89</sup>: the first category mainly provides services such as personal bodyguards for domestic clients. The second category is more professional compared to the first category and also provides intellectual property and corporate security services. The third category cooperates with foreign companies to provide bid support

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<sup>87</sup> Sukhankin, Sergey. "An Anatomy of the Chinese Private Security Contracting Industry." The Jamestown Foundation, <https://jamestown.org/program/an-anatomy-of-the-chinese-private-security-contracting-industry/>. Accessed 13 May 2023.

<sup>88</sup>Yang, Zi. "China's private security companies: Domestic and international roles." *China Brief* 16.15 (2016).

<sup>89</sup> Arduino, Alessandro. "Security privatisation with Chinese characteristics." *The role of Chinese private security corporations in protecting chinese outbound investments and citizens, policy report, s. rajaratnam school of international studies* (2015).

for overseas Chinese companies. The fourth category is currently the best private security companies in China, with a developed international background in security services. The first and second categories of China's PSCs provide domestic security services, and their clients are mainly domestic individuals and enterprises. The third and fourth categories of China's PSCs provide overseas services, and their main clients are governments and SOEs.

The first and second types of companies account for the majority of PSCs in China, and basically every ordinary Chinese citizen has access to these two types of companies, such as residential properties that outsource security services to these security companies. The conditions for opening these two types of security companies are low, requiring only a certain amount of registered capital and a service license. The simpler process has led to a large number of security companies in China, some of which are overly interested in economic profit and provide inadequate protection for security guards and limited service to their clients.

The third and fourth group of companies are the few China's PSCs that provide overseas services mainly for the Chinese government and SOEs. The fourth category, in particular, is trusted by Chinese SOEs because of their early entry into the overseas security market and their rich experience. Western scholars mostly focus on the relationship between such companies and the Chinese government. Alessandro Arduino argues that China's PSCs are neither part of the PLA nor the Communist Party of China (CPC), but rather are private enterprises that can even serve as "weapons" for their customer, large SOEs, to influence government decisions<sup>90</sup>. However, the author argues that the relationship between state and society in contemporary China is not simply moving toward pluralism. There is no evidence that

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<sup>90</sup> Arduino, Alessandro. "China's Private Army: Protecting the New Silk Road. - How will Beijing provide security for Chinese personnel and infrastructure along the Belt and Road?" The diplomat, <https://thediplomat.com/2018/03/chinas-private-army-protecting-the-new-silk-road/>. Accessed 10 May 2023.



large SOEs are independent of government control and can put pressure on the government. So the author does not believe that SOEs will ally with the China's PSCs to constrain and effect government decision-making. Other scholars argue that China's PSCs are actually extensions of the Chinese government, that their founders have PLA and police backgrounds, and that these companies take orders from the Chinese government<sup>91</sup>. The author argues that this argument ignores the fact that, in addition to companies providing armed escort services, the vast majority of Chinese PSCs that have only domestic operations are private companies. Again, even if the founders and employees of a PSCs with overseas operations have a PLA or police background, it cannot be inferred that they are entirely subservient to the Chinese government. The hiring of security guards with military backgrounds can be found in any other country. Moreover, the Chinese government has repeatedly emphasized in various regulations that government cannot participate or be involved in the PSCs business<sup>92</sup>. This is partly to promote a truly market security industry, and partly because the government does not want China's PSCs to be perceived as a tool of the government. However, since the main clients of Chinese PSCs with overseas operations are SOEs, this inevitably makes it more likely that these companies will have access to industry or state secrets, which is why the regulations also stipulate that security companies must keep state, commercial and other client secrets<sup>93</sup>.

In general, according to the Regulation, this article believes that the Chinese government has initially accepted the idea of security privatization in recent years. With the exception of armed escort companies, all Chinese security companies are private security companies whose primary purpose is to make a profit. However,

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<sup>91</sup> Baum, Toshiro Jeffrey. "The responsibility of power: Shifts in Chinese conceptualisation of the legitimacy of overseas intervention to protect nationals abroad." *Global Change, Peace & Security* 32.3 (2020): 259-273.

<sup>92</sup> "Regulation on the Administration of Security and Guarding Services." Gov, [http://www.gov.cn/zwggk/2009-10/19/content\\_1443395.htm](http://www.gov.cn/zwggk/2009-10/19/content_1443395.htm). Accessed 4 May 2023.

<sup>93</sup> Ibid.

given that Chinese PSCs exist in “a strong but not all-powerful state” and share part of the state’s public security functions, they are bound to be regulated by the government and should pursue more social benefits than other types of companies. As for private security companies operating abroad, the Chinese government does not have specific laws in place. There are many China’s PSCs that operate informally, resulting in limited development of the industry. The more prominent security companies are more influenced by government policies because most of their customers are large SOEs. Rather than the government being its client, the government regulates and tests whether these China’s PSCs are loyal to their clients’ interests by purchasing services.

## **Chapter 3 Advantages and disadvantages for China's PSCs to develop overseas business**

After reviewing the clients of China's PSCs and their relationships with the PSCs in the previous chapter, this chapter first analyzes why customers such as government departments and large SOEs choose China's PSEs over other more advanced international PSCs for their overseas security services. Next, the central question of this paper is answered: why there are a large number of PSCs in China, but only a few China's PSCs are able to do business overseas. What are the factors that prevent China's PSCs from expanding their business overseas? Finally, based on the advantages and obstacles that China's PSCs have when doing business overseas, the author proposes recommendations to promote more China's PSCs to better expand their overseas business.

### **3.1 Advantages of China's PSCs developing overseas business**

#### **3.1.1 Cheap Price**

Although there are a large number of Chinese-owned companies overseas, a significant portion of which are located in countries and regions that require security services, these companies are stingy in their investment in security services. The common international cost of security operations for a company should generally be 10 to 20 percent of its total investment and companies in high-risk countries, for example, should increase their security investment<sup>94</sup>. However, few Chinese companies can meet this standard.

On the one hand, it is certainly true that Chinese companies have limited profitability in their overseas investments. According to a 2019 questionnaire survey of Chinese private enterprises along the B&R by the China Enterprise Confederation,

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<sup>94</sup> Zheng, Yiwen. "Going global in Chinese style: China's first overseas risk intelligence company reveals the secrets of corporate overseas security." The paper, [https://www.thepaper.cn/newsDetail\\_forward\\_1282347](https://www.thepaper.cn/newsDetail_forward_1282347). Accessed 10 May 2023.

only half of the enterprises are profitable, and almost half have only become profitable within five years. There are still one-third of enterprises that have not yet achieved profitability. Even for the companies that are profitable, the profit rates are low, with half below 20%<sup>95</sup>. These are still the surveys before the Covid-19 epidemic, and the risks posed by the epidemic to overseas Chinese enterprises only add to the difficulty of making profits. The smaller return on investment makes a large number of private enterprises reluctant to spend too much on security services even when they know there are risks.

On the other hand, the security awareness of overseas Chinese enterprises is limited. For example, even the powerful and profitable China National Petroleum Corporation only spend 3% to 5% of their total investment on security in risky countries, which is still far from the 10% to 20% standard<sup>96</sup>.

Therefore, given the general reluctance of overseas Chinese companies to spend too much on security services, the low price of China's PSCs becomes their competitive advantage. According to estimates, the average monthly salary of employees of Chinese private security companies is less than one-tenth of the western one, which meets the needs of overseas Chinese companies to pay more attention to price and less quality of security services.

### **3.1.2 Common Culture and Language**

Even if the personnel of overseas Chinese enterprises have received certain language training before going abroad, when it comes to unexpected crises involving the security of property and lives, it is clear that their native language is more likely to help them accurately describe their situation. According to the manager of DeWe,

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<sup>95</sup> Guo, Jinhui. "'Belt and Road' investment map: the accumulated investment exceeds 100 billion U.S. dollars, and half of the private enterprises are profitable." Yicai, <https://www.yicai.com/news/100411907.html>. Accessed 10 May 2023.

<sup>96</sup> Jia, Xuan. "How many 'Wu Jing' Chinese enterprises need for overseas security- It is urgent to set up a special government management agency to coordinate overseas security forces." Ceweekly, <http://www.ceweekly.cn/2017/0828/203229.shtml>. Accessed 10 May 2023.

“For Chinese firms, especially with security work, they (state companies) want to speak with another Chinese person. We can also one hundred percent reflect their thinking when we work.”<sup>97</sup>

In addition, the behavior and attitude of some foreign PSCs are also unacceptable to Chinese companies. For example, a Chinese captain once asked the foreign security personnel hired on his ship what to do if the bullets ran out. But the security guard only gave the answer of surrender, which made Chinese companies feel very uneasy<sup>98</sup>. To make things worse, Chinese companies may also have to deal with the threat of extortion and robbery by hired personnel from foreign PSCs<sup>99</sup>. In a pinch, if these security companies turn their guns around and become complicit with local criminals, the consequences will be unthinkable.

China’s PSCs speak the same language, have the same cultural background and are regulated by the Chinese government, making it easier for Chinese companies to check the loyalty of these PSCs than other foreign PSCs.

### **3.1.3 Confidentiality Awareness**

As analyzed in the previous chapter, the main clients of Chinese PSCs’ overseas business are the Chinese government and large SOEs, which means that these tasks will be somewhat political and confidential. “It is hard to imagine that the Chinese government and SOEs will hand over all the security responsibilities of overseas projects to a foreign company that does not have enough political trust.”<sup>100</sup>

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<sup>97</sup> Zhao, Hong. “Chinese and global security firms see big opportunities in Belt and Road Initiative.” CGTN, [https://news.cgtn.com/news/3d41444f35557a4d/share\\_p.html](https://news.cgtn.com/news/3d41444f35557a4d/share_p.html). Accessed 10 May 2023.

<sup>98</sup> Shan, Xu et al. “Demystifying Chinese-funded overseas security: Most of the personnel are veterans from elite troops.” Sina, <http://finance.sina.com.cn/chanjing/cyxw/20140623/104919492762.shtml>. Accessed 10 May 2023.

<sup>99</sup> Lin, Fang. “The Practical Significance and Regulation Measures of Developing Private Security Companies in China.” *Journal of Beijing Police College*.06(2017):43-46. doi:10.16478/j.cnki.jbjpc.20170710.003. P.45.

<sup>100</sup> Hao, Zhou. “The Secret Bodyguard of ‘Overseas China’.” Sina, <https://finance.sina.cn/2017-07-24/detail-ifyihrwk2074246.d.html?from=wap>. Accessed 12 May 2023.

Obviously, Chinese companies will be favored by these Chinese customers over foreign companies. Furthermore, most of the security personnel of China's PSCs have PLA or a Chinese People's Armed Police Force (PAP) background. They are politically qualified, have absolutely no bad records and are trusted by their clients for their awareness of confidentiality. For example, HXZA's security staff stationed in Sri Lanka, Egypt and other overseas bases have military backgrounds. The company constantly reminds its employees of their veteran identity and manages them to near-military standards, making them highly praised by its customers<sup>101</sup>.

Disciplined and secretive retired special forces soldiers have become a major selling point for China's PSCs. Compared to their foreign counterparts, they meet the needs of Chinese government departments and large SOEs to maintain confidential information.

In short, China's PSCs are less expensive than their foreign counterparts. Their security personnel speak the same language and share the same culture as their clients. Most of the security personnel have military backgrounds and a strong sense of confidentiality. All of these factors attract Chinese companies to purchase services from China's PSCs.

### **3.2 Disadvantages of China's PSCs developing overseas business**

#### **3.2.1 Peer Competition**

At the international level, Chinese PSCs face stiff competition from their foreign counterparts. Although China's PSCs have attracted a stable client base due to their unique advantages. However, most of these clients are domestic customers. China's PSCs have performed not very well when competing for overseas business with other foreign counterparts. The private security industry developed earlier in foreign countries. DynCorp International Inc., a PSC in the United States, provided services

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<sup>101</sup> Luo, Lan. "Chinese private security guards venture into overseas armed escort field." Xinhuanet, [http://www.xinhuanet.com/mil/2017-04/27/c\\_129577447.htm](http://www.xinhuanet.com/mil/2017-04/27/c_129577447.htm). Accessed 12 May 2023.

for the US military as early as the Korean War<sup>102</sup>. The NPM revolution that swept the West in the 1970s and 1980s led to more orders for PSCs. After the end of the Cold War, and especially after the “9.11 attacks” in 2001, the private security industry entered a boom period. With the frequent occurrence of global non-traditional security crises, western PSCs have been actively participating in local conflicts and wars and have accumulated a lot of experience over the years. Their level of expertise and overseas experience is significantly higher than that of Chinese private security companies. G4S, ADT Corporation, and CACI International are among the leading companies in the industry, and none of them are Chinese companies.

G4S, for example, was born in 1901 and has more than 100 years of experience in the security industry, with operations in more than 90 countries, 800,000 employees, and revenues of approximately \$20 billion. G4S provides a wide range of services such as security bodyguards, security risk management and security training to clients worldwide. With its vast experience, good equipment, high quality human resources, customized services and strong branding, it is one of the largest PSCs in the world. In Africa, for example, G4S is the largest PSC in Africa, operating in 26 countries and regions, with over 120,000 employees serving local clients<sup>103</sup>. Even though China’s PSCs such as HXZA, ZJJH and Huawei have also been doing business overseas in Africa for many years, their customer base is more limited, with most of them being Chinese clients.

In addition, compared with industry leaders such as G4S, although China’s private security companies have developed rapidly, they lack enough patience to cultivate overseas security markets and build company brands. In the long run, these

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<sup>102</sup> “This Gun For Hire.” Wired, <https://www.wired.com/2003/02/gunhire/>. Accessed 13 May 2023.

<sup>103</sup> “Where we operate.” G4S, <https://www.g4s.com/who-we-are/where-we-operate>. Accessed 13 May 2023.

Chinese PSCs will lose their core competencies due to a lack of strategic investment<sup>104</sup>.

### **3.2.2 Local Legal and Social Problem**

At the host country level, China's PSCs also face different legal and social issues when conducting overseas business. In Pakistan, following the killing of two men allegedly carrying weapons by a private Central Intelligence Agency (CIA) contractor in 2012, the Pakistani government decided to ban foreign PSCs from operating in Pakistan, using only local Pakistani suppliers to safeguard foreign investment in the country<sup>105</sup>. This has inconvenienced China's PSCs from doing business in Pakistan. Fortunately, however, Pakistan allows domestic security companies approved by the provincial government to cooperate with foreign security companies. So Chinese PSCs can protect their clients in Pakistan in an indirect way. The same problem occurs in countries such as Kyrgyzstan and Afghanistan, where China's PSCs must think about how to operate their business under the law. Even if there are no clear legal restrictions, Chinese PSCs must consider the attitudes and feelings of the host country towards PSCs when developing business overseas: In Africa, due to the cruel performance of mercenaries during the colonial period, African countries have always been wary of foreign PSCs<sup>106</sup>. Therefore, China's PSCs must be sensitive to the sentiments of African people when performing security services in this continent. In addition, with the progress of BRI, anti-china sentiment has become more and more serious in some countries and regions. Local communities believe that the Chinese

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<sup>104</sup> Xing, Ruili. "Chinese Private Security Companies in Security Governance of 'the Belt and Road'." *Journal of Northwest Minzu University(Philosophy and Social Science)*. 02(2019):27-36. P.32.

<sup>105</sup> Nouwens, Meia. "China's use of private companies and other actors to secure the Belt and Road across South Asia." *Asia Policy* 14.2 (2019): 13-20. Pp.18-19.

<sup>106</sup> Arduino, Alessandro. *The Footprint of Chinese Private Security Companies in Africa*. No. 2020/35. Working Paper, 2020. P.4.



companies are causing unemployment and damaging their environment<sup>107</sup>. The characteristic of the services provided by PSCs has reinforced the suspicion and rejection of local people. Many people worry that China's PSCs are firmly controlled by the government and become a tool for the Chinese government to intervene in local military conflicts<sup>108</sup>.

### **3.2.3 Domestic Legal Problems**

At the national level in China, the various domestic legal issues faced by China's PSCs are perhaps the root cause of why most Chinese PSCs are afraid to do business overseas.

First, China lacks relevant laws for PSCs to do overseas business. The current domestic administrative regulations specifically for PSCs in China are the Regulation. The Regulation made specific provisions on the capital requirements, personnel requirements, and service types for the establishment of security companies, which promoted the standardization of the security industry at that time. However, probably because few Chinese PSCs were able to conduct overseas operations at the time, the Regulation did not contain any provisions on whether and how China's PSCs could conduct overseas business. The regulation only divided Chinese security companies into normal security service companies and security service companies that can engage in armed escort services, which puts Chinese private security companies engaged in overseas business in an awkward legal situation: Chinese private security companies have no laws or rules to rely on when doing overseas business. According to the principle of "Everything which is not forbidden is allowed", any Chinese PSC, regardless of its scale and capability, can do business overseas if it wants to. This has resulted in many PSCs that do not have the ability to conduct overseas business

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<sup>107</sup> Arduino, Alessandro. "China's Belt and Road Initiative Security Needs: The Evolution of Chinese Private Security Companies." (2017). P.10.

<sup>108</sup> Diallo, Fatoumata. "Private Security Companies: The New Notch in Beijing's Belt and Road Initiative?." *Institute for Security and Development Policy* (2018).

sending employees as labor export or other names, which directly affects the reputation and development of Chinese PSCs overseas<sup>109</sup>. In addition, the Regulation is at a low level of legislation. Relying on a law that is only a regulation level issued by the State Council cannot meet the needs of Chinese PSCs to develop<sup>110</sup>.

Second, the restrictions on firearms make it difficult for China's PSCs to develop their business overseas. Armed escorting is one of the main businesses of the private security industry. In order to accomplish their tasks safely and effectively, security personnel cannot be unarmed. However, due to the dangerous and special features of firearms and other weaponry, the PRC has long had particularly strict control over firearms: according to the Law, no organization and individual can hold firearms without approval. Although the Law provides that the full-time guarding and escorting staff of the state's important military, financial, storage and scientific research places may be equipped with official guns if it is necessary to use firearms when performing guarding and escorting tasks. However, there is no precise indication of the workplace of the staff engaged in these full-time guarding and escorting, whether they are staff of government or only security company personnel<sup>111</sup>. As for the issue of gun ownership outside of China, China does not allow any entity or individual to bring guns into or out of the territory without government permission. Therefore, if a Chinese PSC uses a firearm while doing business overseas, it is actually against the law of the home country. Although in 2015 China Maritime Safety Administration issued "Measures for the Issuance of

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<sup>109</sup> Feng, Zhizhong. "Reflections on the Construction of Overseas China's Security Companies." Sohu, [https://www.sohu.com/a/586018732\\_100040985](https://www.sohu.com/a/586018732_100040985). Accessed 5 May 2023.

<sup>110</sup> Zhang, Yangyang. "Reflections on the Legal Issues of Overseas Armed Security Business of China's Security Companies." MA thesis, Shanghai Normal University, 2018. P.18.

<sup>111</sup> "The law of the People's Republic of China on Control of Guns." National laws and regulations database, <https://flk.npc.gov.cn/detail2.html?MmM5MDImZGQ2NzhiZjE3OTAxNjc4YmY3OGUwMTA3OGY%3D>. P.3. Accessed 13 May 2023.

Private Armed Security Escort Certificates on Ships” (私人武装保安在船护航证明签发管理办法), which for the first time recognized the legality of Chinese companies hiring PSCs to conduct escorts. However, this has not yet responded positively to the question of the legality of Chinese PSCs operating armed escort business<sup>112</sup>. Faced with the dilemma of not having the legality to carry a gun, Chinese PSCs have resorted to hiring local security personnel who can carry guns. Chinese security personnel direct and supervise local security personnel or are simply equipped with airsoft guns that have no real lethality. In some cases, they take the risk of buying guns on the black market. This is very harmful for China’s PSCs to participate in international competition, as no client would trust the security of their property and lives to a Chinese PSC that is intimidated by the legality of gun use. The worst case is that the China’s PSCs may not even have a gun.

### **3.2.4 Lack of Core Competencies**

At the company level, Chinese PSCs lack core competencies.

First, the quality of security company personnel is very good. As the overseas security industry often faces sudden crises, its security personnel must have extremely high emergency response capabilities and strong risk assessment capabilities. However, the majority of Chinese private security companies are staffed by ex-soldiers. Even if they have received military training in the military, they have little practical experience and lack of defense experience after all. The recruitment information of the website of a well-known international security company in China shows that the company’s recruitment of overseas security officers, training officers, special task members and security team members only requires a secondary school education. Many of them can't even communicate properly in English with the companies they work with in their home countries, making deeper cooperation even

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<sup>112</sup> Peng, Xianwei and Long, Yue. “Institutional conception of private armed escort in China from the perspective of maritime security demands.” *Chinese Journal of Maritime Law*. 32.03(2021):90-96. P.92.

more difficult<sup>113</sup>. To make the situation worse, some Chinese security personnel refuse to even attend regular training and have become addicted to drugs or gambling<sup>114</sup>.

Second, the Chinese private security industry is not sufficiently capable of specialized analysis and local intelligence network building, which are the core competencies of private security companies. It is an industry consensus that a security company's overall strength is directly proportional to its ability to analyze and organize intelligence. Research, statistics and trend analysis of security risks around a client's location are more important than retired military police with strong personal combat and defense capabilities<sup>115</sup>. Cultivating a professional analysis team and building a local intelligence network requires a lot of money and time, which Chinese private security companies cannot do at this stage. And currently, Chinese private security companies have a passive, single source of intelligence, either from Chinese embassies abroad or by buying from foreign counterparts at high prices. In some high-risk areas, security companies must have a strong and comprehensive network of relationships to accomplish their missions. Only by building a healthy network of relationships with local police, bandits and terrorists, etc., can PSCs communicate effectively when their clients are in conflict with local forces<sup>116</sup>.

The large number of Chinese private security companies in recent years has created the illusion that Chinese private security companies have become quite

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<sup>113</sup> Hao, Zhou. "The Secret Bodyguard of 'Overseas China'." Sina, <https://finance.sina.cn/2017-07-24/detail-ifyihrwk2074246.d.html?from=wap>. Accessed 12 May 2023.

<sup>114</sup> Minnie Chan, "The Soft Powers China Needs to Be a Global Force in High-risk Private Security." South China Morning Post, <https://www.scmp.com/news/china/diplomacy-defence/article/2155354/soft-powers-china-needs-be-global-force-high-risk>. Accessed 13 May 2023.

<sup>115</sup> Hao, Zhou. "The Secret Bodyguard of 'Overseas China'." Sina, <https://finance.sina.cn/2017-07-24/detail-ifyihrwk2074246.d.html?from=wap>. Accessed 12 May 2023.

<sup>116</sup> Minnie Chan, "The Soft Powers China Needs to Be a Global Force in High-risk Private Security." South China Morning Post, <https://www.scmp.com/news/china/diplomacy-defence/article/2155354/soft-powers-china-needs-be-global-force-high-risk>. Accessed 13 May 2023.

powerful. In fact, it is not true. Externally, Chinese PSCs have much stronger competitors internationally, and in each country where they are based Chinese PSCs face different regional laws and even xenophobic sentiments. Internally, the current laws and regulations of the PRC do not even give China's PSCs a legal basis to do business abroad. Even if some private security companies dare to go out and do business overseas, they are unable to get orders from foreign clients due to their own human and intellectual resources. Therefore, under the multiple external and internal challenges and obstacles, there are very few China PSCs that choose to conduct overseas business and the outstanding ones are even more rare.

### **3.3 Policy Recommendations**

#### **3.3.1 Participate in Global Governance and Meet International Standards**

At the international level, the Chinese government should actively participate in the international private security governance process and China's PSCs should be aligned with international standards as soon as possible.

At present, the international private security industry has formed an international regulatory system such as the Montreux Document and the International Code of Conduct for Private Security Service Providers (ICoC), which are universally recognized worldwide. And the International Code of Conduct Association (ICoCA) has been established as the governance and oversight mechanism for ICoC. These global security services governance mechanisms aim to ensure that PSCs respect human rights and humanitarian law, and specify the international legal obligations of PSCs, contracting states, territorial States, home States and other stakeholders. It also specifies that each state actor should establish a system of authorization, oversight and accountability for PSCs<sup>117</sup>.

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<sup>117</sup> International Committee of the Red Cross and Swiss Federal Department of Foreign Affairs. The Montreux Document, 2008. <https://www.montreuxdocument.org/pdf/document/en.pdf>. Accessed 5 May 2023.

Although China became a member of the Montreux Document in 2008, its main purpose of joining was not to gain an international discourse right for its own PSCs, but to demonstrate its international moral responsibility. In fact, there are still concerns and doubts within China about PSCs operating abroad. Therefore, China is not yet in a position to engage deeply in global private security governance<sup>118</sup>. At the same time, the existing governance mechanisms for the international private security industry also have shortcomings: First, the existing documents contain the strategic intent of some states to bring private force back into international affairs, which may further challenge the sovereignty of states<sup>119</sup>. Second, these governance mechanisms are mostly voluntary for states to join and comply with, and are not mandatory. Given that Chinese PSCs are in fact involved in the international private security industry governance, the government should enhance its discourse right and issue-setting capacity in international private security industry governance and safeguard the interests of China's PSCs when conducting business overseas.

China's PSCs should abide by the existing industry code of conduct, abide by the United Nations (UN) human rights and humanitarian regulations, and actively participate in the certificate, report, monitor, and assessment work of the international private security industry. In addition, China's PSCs can strengthen cooperation with their advanced counterparts abroad when working overseas and learn from their company management model and overseas working experience.

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<sup>118</sup> Xiao, He. "International Security Governance and Protection of Chinese Overseas Interests." *World Economics and Politics*. 01(2018):94-116+159. doi:CNKI:SUN:SJJZ.0.2018-01-007. P.113.

<sup>119</sup> Krahmman, Elke. "The United States, PMSCs and the state monopoly on violence: Leading the way towards norm change." *Security Dialogue* 44.1 (2013): 53-71. P.66.

### **3.3.2 Strengthen Cooperation with The Host Country and Respect The Laws and Customs**

At the host country level, the Chinese government can strengthen cooperation with other countries in the field of private security and China's PSCs should understand the legal and social situation of the host country in advance.

For countries that explicitly prohibit the activities of foreign PSCs, the Chinese government can assist China's PSCs in communicating and negotiating with the local government to obtain permission and support from the local country for cooperation in security operations<sup>120</sup>. Before China's PSCs start their overseas business, the Chinese government needs to provide them with some legal and ethical training and introduce them to the legal and social situation in the host country to avoid unnecessary controversies and problems when China's PSCs start their operations in the host country. In addition, the Chinese government can also use the multilateral organizations it has joined with other countries to coordinate national security resources. For example, in Central Asia, China can establish a meeting mechanism for private security authorities under the framework of the Shanghai Cooperation Organization<sup>121</sup>.

Before conducting business in the host country, China's PSCs must understand the access mechanism and industry norms of the local private security industry and formulate countermeasures. When operating in the host country, China's PSCs should pay attention to the relationship with the local community and perform security services only in the client's defined work and living area, and never carry any weapons into the living area of the local people. When cooperating with PSCs in host countries, China's PSCs should be more vigilant under the premise of complying with local laws. China's PSCs should carefully observe whether the local private security

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<sup>120</sup> Xing, Ruili. "Chinese Private Security Companies in Security Governance of 'the Belt and Road'." *Journal of Northwest Minzu University(Philosophy and Social Science)*. 02(2019):27-36. P.33.

<sup>121</sup> Ibid. P.34.

companies are loyal and reliable, and report any abnormalities to their clients in time to protect their interests together with the overseas security companies.

### **3.3.3 Improve Domestic Laws and Regulations for China's PSCs to Develop Overseas Business**

At the Chinese national level, the Chinese government should improve the legal regulations for PSCs to conduct overseas business as soon as possible and China's PSCs should actively develop overseas business under the premise of complying with the Chinese law.

As mentioned earlier, the Chinese government currently has no specific legislation for private security companies to conduct overseas business. This has, on the one hand, deterred many PSCs from attempting to operate overseas. On the other hand, this has resulted in a number of unqualified and incompetent companies entering the international security market, thus affecting the reputation of the Chinese private security market. Therefore, the Chinese government should improve the relevant legislation as soon as possible to meet the needs of the growing overseas private security industry.

First, the government should actively revise the Regulation. Instead of differentiating security companies based on whether they can engage in armed escorts, a special section should be created to regulate PSCs' overseas operations. It must be clarified that China's PSCs can engage in overseas business. The government should set stricter qualification conditions than PSCs that only engage in domestic business. The existing Regulations stipulate that security companies engaged in armed escorts must be wholly state-owned or state-controlled enterprises. However, this would make it easy for outside audiences to regard these companies as extensions of the Chinese government, which will not only hinder the expansion of these security companies' overseas customer base, but also increase the misunderstanding of China's foreign policy by people. Armed escort work is an important business for international security companies. If China's PSCs want to take a leading position in



the international security market, they must not abandon this type of service, which requires the Chinese government to discuss and legislate on whether PSCs can engage in services such as armed escorts overseas and how to regulate them to do so.

Second, the restrictions on gun ownership by PSCs should be appropriately liberalized. To maintain social order, China currently has a strict weapons management system. However, private security companies often operate overseas in high-risk countries or regions. When Chinese private security companies carry out work such as armed guards, without lethal weapons and equipment, they may not only be unable to protect the property and personal safety of customers, but may also damage their own rights and interests. Therefore, the Chinese government should consider moderately liberalizing the control of weapons for China's PSCs that are qualified to operate overseas. Current international private security industry rules and regulations allow PSCs to carry weapons and to use force commensurate with the situation in self-defense, defense of others from the threat of death or serious injury. The Chinese government could allow China's PSCs to carry and use weapons in the context of armed escort services, in accordance with internationally accepted principles. However, it is necessary to specify the type of weapons that China's PSCs can use for the services they provide and how they are to be kept after the mission is completed. In addition, China strictly controls the entry and exit of firearms. However, China's PSCs conducting business overseas may involve the transportation of weapons in and out of the country, which requires relevant laws to clarify the process of applying, registering, and retrieving firearms, and to set up the legal liability faced for using firearms in violation of the process<sup>122</sup>.

Finally, the Chinese government should strengthen the supervision of China's PSCs conducting overseas business. Overseas security work involves many departments such as diplomacy, military, public security, and commerce. The

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<sup>122</sup> Yu, Xiaolin. "Research on the legal regulation of Chinese private security companies conducting overseas business." MA thesis, East China University of Political Science and Law, 2019. Pp.46-47.

Chinese government should strengthen coordination and raise the level of management<sup>123</sup>. The joint management of PSCs by multiple departments may result in contradictory regulations issued by each department and provide an opportunity for departments to pass the buck to each other. Therefore, China may be able to learn from the advanced experience of countries such as the UK and Japan and set up a specific management department to manage China's PSCs.

As for Chinese private security companies, they can actively participate in the CSA. Through the CSA, they can learn the laws and policies related to the industry. China's PSCs can also submit reasonable opinions and requests to the competent authorities to make claims for conducting overseas operations.

### **3.3.4 Cultivate High Quality Security Personnel and Improve the Company's Core Competitiveness**

At the company level, the Chinese government can assist China's PSCs in developing specialized security personnel and China's PSCs must improve their overseas operations and cultivate core competencies.

In view of the low quality of personnel in China's private security industry, the Chinese government can promote the establishment of security majors and include security majors in higher vocational education. Taking the United States as an example, the United States has opened private security courses in more than 300 junior colleges. More than 50 institutions have security programs as bachelor's degree programs. 9 institutions have security programs as master's degree programs. Some schools have even set up doctoral programs in security<sup>124</sup>. However, according to the author's search, only 11 junior colleges and 3 universities in China offer

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<sup>123</sup> Deng, Bibo and Sun, Jun. "Reflections on strengthening construction of private Chinese overseas security companies." *Journal of Naval University of Engineering (Comprehensive Edition)*. 16.03(2019):87-92. doi:10.13678/j.cnki.issn1674-5531.2019.03.020. P.91.

<sup>124</sup> Feng, Zhizhong. "Reflections on the Construction of Overseas China's Security Companies." Sohu, [https://www.sohu.com/a/586018732\\_100040985](https://www.sohu.com/a/586018732_100040985). Accessed 5 May 2023.

security majors. Moreover, in terms of curriculum, students mainly study domestic security and defense knowledge and there are fewer courses related to international security. In addition, in order to ensure the professional quality of security industry employees performing overseas missions, the Chinese government can further optimize the current security career entry system by setting up a special overseas security guard qualification exam to improve the overall quality of the profession.

China's PSCs may not dare to get too involved in overseas or domestic armed escort work due to current Chinese legal restrictions. But they can develop their own unique strengths in services such as risk consulting and security management. However, the reality is that China's PSCs are currently lagging behind in such non-traditional security services as well. To this end, China's PSCs companies should strengthen their own sense of innovation and enhance their information collection and judgment capabilities. China's PSCs should actively introduce advanced technologies such as artificial intelligence and electronic protection into their security services and absorb high-tech professionals. They should strive to improve their international competitiveness in non-traditional and integrated business areas such as intelligence collection and analysis, risk assessment and prediction, technical defense development and equipment security<sup>125</sup>. In addition, since China's PSCs conducting overseas business are generally not very strong, these companies may be able to share information, technology and personnel through corporate integration and other means to increase resource allocation. After forming a certain brand advantage, they can buy overseas counterparts to improve their multinational operation capability<sup>126</sup>.

China has a huge overseas investment and a strong demand for PSCs' security services. As a late entrant to this industry, China's PSCs face multiple external and

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<sup>125</sup> Tian, Xin. "Private Security Companies: Emerging Protectors of China's Overseas Interests." *China Quarterly of International Strategic Studies* 6.02 (2020): 205-221. P.219.

<sup>126</sup> Feng, Zhizhong. "Reflections on the Construction of Overseas China's Security Companies." Sohu, [https://www.sohu.com/a/586018732\\_100040985](https://www.sohu.com/a/586018732_100040985). Accessed 5 May 2023.

internal constraints in doing business overseas. This requires China's PSCs to quickly adapt to international standards, comply with domestic and international laws, improve their operations, and develop core competencies. At the same time, the Chinese government, as the regulator of PSCs in China, should clear as many legal and institutional obstacles as possible for the development of the private security industry. The Chinese government should improve the quality of personnel in the industry through education and training and provide relevant policies to guide the development of this industry.

## Chapter 4 Case Study: HXZA's Overseas Business

The previous chapter analyzed the advantages and disadvantages of China's PSCs in expanding their business overseas at the theoretical level. This chapter examines the strengths and weaknesses, and the opportunities and threats faced by a specific China's PSC's overseas business in practice. This chapter takes HXZA as the case study for the two following reasons:

First, HXZA meets the definition of PSC in this paper. After the author's search, HXZA is a limited liability company invested or controlled by natural persons, which is a so-called private enterprise<sup>127</sup>.

Second, HXZA is an outstanding representative of China's PSCs conducting overseas business. This company was established early and has been successful in doing overseas operations. Also, it is a typical company chosen by foreign scholars when they examine China's PSCs.

### 4.1 The Birth and Development of HXZA

The attack on a Chinese company's construction site in Afghanistan in June 2004 directly led to the development of the security industry in China. Although security companies were still under the authority of the PSBs, private security organizations had already emerged<sup>128</sup>, including Huachuangzhong'an (Beijing) Security Technology Service Co., Ltd. (华创中安(北京)保安技术服务有限公司) (HCZA). The company was founded two months after the attack by a retired soldier Yin Weihong.

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<sup>127</sup> "National Enterprise Credit Information Publicity System." Gsxt, <https://www.gsxt.gov.cn/%7BADB039519C581F275B334682FE529459317A285490DB77C54C88452D66F294FC89C26EDC5591C3FB438EB60E5C297BBFF5C829F04C31E4126F8E7086FB98C7F8C76AC76AC7A19EF8C7A19EF855670032B6890D6B5DF0CFFD9AA89EA119D2B54AE7D551E31C340FC95D1CB6CA66A04035F8849EA19E4DE0E0B28A32602BED918BB419B419B419-1685315401702%7D>. Accessed 16 May 2023.

<sup>128</sup> "China will gradually open the security service market to the outsiders and individuals will be able to start security companies." Sohu, <http://news.sohu.com/20060921/n245457422.shtml>. Accessed 16 May 2023.

In September of that year, HCZA joined the CSA and became a member of its board of directors. In October, the company undertook security services to defend the Beijing Soshow mall.

In order to improve its competitive advantage, in September 2005, HCZA hired experts to conduct systematic training on quality standards and passed ISO 9001:2000 certification a year later, becoming the first security company in Beijing to be audited by international quality standards. Based on this certification standard, HXZA's services can be matched with international standards, laying the foundation for developing overseas business afterwards<sup>129</sup>.

During the 2008 Beijing Olympic Games, the company participated in Olympic security work such as venue guarding, order maintenance and document checking, etc.

In 2009, HCZA independently designed and developed the Enterprise Resource Planning (ERP) intelligent management system platform for the security industry, relying on digital technology to make the daily management of the company online and intelligent.

With the official implementation of the Regulations in 2010, HCZA became the first batch of security service enterprises with security service qualification adopted by Beijing PSB in December and changed its name to Huaxinzhongan (Beijing) Security Service Co., Ltd. (华信中安(北京)保安服务有限公司) (HXZA). By this time, the company had employed more than 4,800 employees and had stable government clients and Fortune 500 clients<sup>130</sup>. Also, in 2010, the company was inspired by the piracy crisis in the Indian Ocean and decided to enter into overseas

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<sup>129</sup> Luo, Lan. "Chinese private security guards venture into overseas armed escort field." Xinhuanet, [http://www.xinhuanet.com/mil/2017-04/27/c\\_129577447.htm](http://www.xinhuanet.com/mil/2017-04/27/c_129577447.htm). Accessed 12 May 2023.

<sup>130</sup> Shan, Xu et al. "Demystifying Chinese-funded overseas security: Most of the personnel are veterans from elite troops." Sina, <http://finance.sina.com.cn/chanjing/cywx/20140623/104919492762.shtml>. Accessed 10 May 2023.

security services. In July of the following year, the company formally established an overseas affairs department to develop armed maritime escort, overseas residential security, overseas security training, overseas security risk assessment, etc.

In March 2012, HXZA's security personnel began overseas armed escorts for the first time, ending the history of Chinese ships that could only hire foreign security companies for armed escorts.

In 2014, the company was awarded the ISO/PAS28007 certification for "Private Maritime Armed Security Risk Management System" authorized by the International Maritime Organization and the International ISO Organization, and was the first security company in China to obtain this certification. This certification provides system certification for engaging in private armed security at sea. It is also the proof that the United Nations, the United States, the United Kingdom and other governments purchase maritime security services from PSCs. HXZA obtained this certificate, which indicates that the level of overseas escort business has reached an international leading position

In 2016, HXZA was awarded the title of "The Fourth National Advanced Security Service Company", which was the first time for a private security company to receive this honor.

After nearly two decades of development, HXZA has grown from a single Beijing company to a large-scale group and has become a leading private security company in China. In addition to the 26 domestic branches under the Beijing company, the group also has 4 provincial (municipality) companies in China. It also has branches and offices in 21 countries and regions, including Sri Lanka, Malaysia, Egypt, Malta and Hong Kong. The group now has more than 30,000 domestic employees and more than 800 overseas employees. In order to improve the intelligence level of security services, the group also owns four technology companies, including Huaxinzhongan (Beijing) Intelligent Technology Development

Co., Ltd., Beijing Boan Technology Co., Ltd., Zhonganzhishang (Beijing) Digital Technology Co., Ltd. and Beijing Xiaolong Technology Co., Ltd<sup>131</sup>.

#### **4.2 The Main Customers and Business Scope of HXZA's Overseas Business**

HXZA has more than 600 domestic clients in China and more than 60 foreign clients with more than 100 service projects. To better develop its overseas business, the company also has an International Business Development and Management Center. After a decade of overseas business expansion, HXZA now provides services to its domestic and overseas clients in two major areas: maritime armed escort and overseas land security services.

##### **4.2.1 Maritime Armed Escort Service**

HXZA has been providing armed maritime escort services for Chinese and foreign ships since 2012. Since the end of 2008, China has sent its naval fleet to the Gulf of Aden and Somali waters to carry out escort missions. However, with the gradually growing demand for escorting overseas Chinese enterprises, many merchant ships are unable to join the naval escort formation. Therefore, companies have to hire PSCs to protect their ships.

At the beginning of 2011, HXZA began to operate in overseas security services. It successively obtained special permits from the Ministry of Defense, the Ministry of the Home Affairs, and the Customs of the governments of Sri Lanka, Djibouti, Oman, the United Arab Emirates, Egypt, South Africa, Malaysia, Singapore, and the Philippines. After obtaining the license, HXZA has the right to legally use weapons in these countries.

In 2012, HXZA successfully completed its first overseas armed escort mission, breaking the monopoly of British security companies on the armed escort market in the Indian Ocean. With a loyal and reliable team and professional and efficient services, HXZA's maritime escort team has won wide acclaim from both domestic

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<sup>131</sup> "Group Introduction." Huaxinzhong Group, <http://www.hxza.com/group.html>. Accessed 13 May 2023.



and international clients. HXZA Maritime Armed Escort covers the entire north-central Indian Ocean coastal countries, the North Indian Ocean eastward to the Strait of Malacca and extends to the waters around the Sulu Sea in the Philippines, East Malaysia and Indonesia.

As of March 2022, HXZA's maritime escort team has provided more than 7,600 escort missions for 28 Chinese state-owned shipping companies, 27 Chinese private shipping companies and more than 10 foreign shipping companies, driving away pirates 191 times and firing 129 shots to repel pirate attacks, maintaining a "zero failure" and "zero complaint" record<sup>132</sup>.

#### **4.2.2 Overseas Land Security Service**

After successfully expanding its maritime armed escort business overseas, HXZA started to explore overseas land security business in 2015. After nearly ten years of development, HXZA's overseas land security business relies on branches and offices in 21 countries and regions such as Malaysia, Pakistan, Egypt, São Tomé and Príncipe, Uganda, Malta, and Hong Kong to provide customers with more than 100 service items, mainly including:

(1) Security risk assessment and security consulting services for Chinese enterprises abroad.

HXZA has its own open source data center, which detects and analyzes security-related information obtained from news and social media open source data through the Natural Language Processing (NLP) intelligent processing technology and big data analysis. At the same time, the Group provides Chinese enterprises with daily information briefings, weekly special reports, country or regional situation analysis reports, industry background research reports, and project security risk assessment reports in combination with intelligence information collected from other resources.

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<sup>132</sup> "The 10th Anniversary Celebration Ceremony of HXZA Maritime Armed Escort was grandly held." Weixin, <https://mp.weixin.qq.com/s/0C1cDUYFk8UbUk1EtIz5Tw>. Accessed 13 May 2023.

In terms of personnel, the company established a security risk assessment center in 2012, with team members holding professional international security and risk management certificates. In addition, the company also employs top experts in the fields of military, anti-terrorism, law, international relations, risk and emergency management, etc. to provide security consulting services customers with the company team.

(2) Security and protection services for Chinese government and Chinese enterprises abroad.

HXZA provides security and protection services for Chinese government agencies and Chinese enterprises abroad, including project site and facility security, anti-kidnapping and ransom negotiation and rescue, crisis management and emergency response.

In some countries with a high concentration of Chinese enterprises, the company enters the local market through joint ventures with the security companies in the host countries to provide residential security and other services for the local Chinese enterprises.

For example, in July 2022, when the economic crisis broke out in Sri Lanka, a large number of people took to the streets to hold demonstrations and stormed the President's official residence. In the background of Sri Lanka's social and political turmoil, HXZA provided security solutions and emergency plans for Chinese enterprises and citizens in Sri Lanka. It has also provided security support to the Chinese Embassy in Sri Lanka.

(3) Security training and exercises for government and corporate personnel stationed abroad.

HXZA has a modern international security training base, which has a variety of simulation training places, such as explosion-proof training, alley warfare confrontation, merchant ship anti-robbery and fire training. The company employs the first-class experts in the field of security at home and abroad as instructors to

provide more professional and systematic security skills training for all kinds of personnel stationed overseas.

In addition, in countries such as Pakistan, where foreign private security companies are not allowed to operate directly, HXZA cannot directly send security personnel to guard Chinese enterprises. So the company cooperates with local PSCs to take the responsibility of security training for local security personnel, who will carry out the security work there.

Since HXZA successfully completed the maritime armed escort business for the first time in 2012, the company has become a leading China's PSC capable of operating overseas business in the past ten years. Even better, HXZA has obtained ICoCA certification and has a certain reputation internationally. Its clients have also expanded from domestic to foreign one and its services have been extended from maritime armed escort to overseas land security.

### **4.3 SWOT Analysis of HXZA in Overseas Business Market**

In the international private security market, HXZA not only faces overseas security counterparts who have developed much earlier and stronger than them, but also has competition from counterparts who are also from China, such as China Security and Protection Group Co., Ltd. (中安保实业集团有限公司)(CSP). Therefore, the company must build on its strengths and avoid its weaknesses, seize opportunities and resolve threats in order to achieve better business development in the private security market at home and abroad.

#### **4.3.1 Strengths**

##### **(1) ICoCA-certified Member**

Currently, HXZA is the only ICoCA-certified member among PSCs in China.

ICoCA was established in Switzerland in 2013 as an initiative of government, business and community representatives, as described in Chapter 3, to promote compliance by PSCs with industry codes of conduct. ICoCA has now become the universally recognized international organization for private security. Becoming a

certified member of ICoCA is an important sign of a PSC's international capabilities. In ICoCA's Procurement Guide for clients purchasing the services of a PSC, ICoCA recommends that clients hire an ICoCA-certified PSC with a monitoring and accountability mechanism to ensure that certified members act in accordance with the Code of Conduct<sup>133</sup>.

HXZA is the only Chinese private security company certified by ICoCA. This credential helps it to compete with its Chinese counterparts for overseas business and is also essential to attract the attention of foreign clients.

## (2) Experience & Price

HXZA is the first China's PSC to carry out armed escorts overseas, with enough experience and affordable prices to be more competitive in the armed escort sector in Asia.

Until 2012, the armed escort business in the Indian Ocean was monopolized by British companies. After 2012 HXZA broke the monopoly of British companies in this market, reducing the expenses of Chinese merchant ships on the East African coast, between the Arabian Sea and Sriram, by more than 14 million dollars in 2013 alone<sup>134</sup>. As mentioned earlier, the company has carried out more than 7,600 escort missions in ten years with no failed missions.

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<sup>133</sup> The International Code of Conduct for Private Security Service Providers' Association (ICoCA)- Private Security Services - Procurement Guide." ICoCA, <https://www.securityhumanrightshub.org/sites/default/files/2022-01/ICoCA-A-Procurement-Guide-for-Contracting-Responsible-Private-Security-Providers.pdf>. P.14.

<sup>134</sup> Shan, Xu et al. "Demystifying Chinese-funded overseas security: Most of the personnel are veterans from elite troops." Sina, <http://finance.sina.com.cn/chanjing/cyxw/20140623/104919492762.shtml>. Accessed 10 May 2023.

The vast experience and low prices have attracted not only Chinese ship companies to buy its armed escort services, but also a large number of foreign clients in the region<sup>135</sup>.

### (3) Corporate Management & Corporate Culture

HXZA unique corporate management style and emphasis on corporate culture have created security personnel with charismatic personalities.

Most of the company's team members engaged in overseas armed escort are veterans. In the daily management the company pays attention to cultivating the patriotic consciousness, military consciousness, self-love consciousness and company consciousness of the crew members. Under this cultivation, the personality of HXZA security personnel exceeds that of foreign security personnel. Unlike foreign security personnel, HXZA security personnel do not make special requests, take care of the crew members as if they were family members, and treat their foreign colleagues with considerable respect<sup>136</sup>.

In corporate management, HXZA Group has developed a mentor-apprentice management system to strengthen the improvement of staff skills and the inheritance of corporate culture<sup>137</sup>. The first lesson for new employees must be the learning of corporate culture. The company focuses on cultivating the qualities of loyalty, responsibility and trustworthiness among employees. The author searched the websites and related reports of HXZA's domestic counterparts, such as ZJJH,

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<sup>135</sup> Del Rey Revilla, Ana Rosa et al. "Private Security Companies (PSCs) in Southeast Asian Maritime Security." The Counterterrorism Group, <https://www.counterterrorismgroup.com/post/private-security-companies-pscs-in-southeast-asian-maritime-security>. Accessed 13 May 2023.

<sup>136</sup> Shan, Xu et al. "Demystifying Chinese-funded overseas security: Most of the personnel are veterans from elite troops." Sina, <http://finance.sina.com.cn/chanjing/cyxw/20140623/104919492762.shtml>. Accessed 10 May 2023.

<sup>137</sup> "The first 'mentor-apprentice and craftsman inheritance' ceremony was held in HXZA." Huaxinzhongan Group, <http://www.hxza.com/cmscontent/861.html>. Accessed 13 May 2023.

HUAWEI and CSP, and found that their domestic counterparts paid relatively limited attention to corporate culture<sup>138</sup>.

#### **4.3.2 Weaknesses**

##### **(1) Countries Covered**

The overseas business coverage of HXZA is relatively limited.

Both the company's maritime armed escort business and its overseas land security services are located in Asia and Africa, with a particular focus on Southeast Asia and the Indian Ocean coast.

But in the international security market, the company's overseas counterpart, G4S, which also has operations in Asia and Africa, provides security services in more than 90 countries and regions around the world<sup>139</sup>. The UK's control risks has performed assignments in more than 150 countries and regions worldwide<sup>140</sup>.

While it is understandable that HXZA lags behind these world-leading counterparts, but its domestic security counterparts clearly outperform it in terms of country coverage too. CSP has established branches in the United States, Kyrgyzstan, Cambodia, Malaysia, and the United Arab Emirates, with overseas security services throughout the Americas, Asia, Europe and Africa<sup>141</sup>.

##### **(2) Overseas Land Security Service**

Although HXZA started its maritime armed escort business earlier, its overseas land security business started relatively late and the quality of service is difficult to assess.

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<sup>138</sup> For example, less corporate culture education for employees and put developing corporate culture last in work planning.

<sup>139</sup> "Where we operate." G4S, <https://www.g4s.com/>. Accessed 13 May 2023.

<sup>140</sup> "Global Offices: locations & contact details." Control Risks, <https://www.controlrisks.com/contact-us/office-search>. Accessed 13 May 2023.

<sup>141</sup> "Overseas security business." CSP, <http://www.csbj.com/OurService/index/411>. Accessed 13 May 2023.

After the success of overseas armed escort in 2012, the company did not start to try land security business until 2015. After searching the company's overseas business in Chinese and foreign news media reports and the official website of HXZA, the author found that both the news media and the company's own publicity focus more on the company's armed escort services, with very few successful cases of overseas land security business introduced. Therefore, it is difficult for the author to estimate its overseas land security business capability.

However, based on the time when HXZA started its land-based security business, it is inferred that the company has limited ability to compete in overseas land-based security. After all, its domestic security counterpart, CSP, has been providing land-based security services since 2003 and has a lot of experience and stable customers. By the time HXZA entered the field in 2015, the market was already dominated by its Chinese counterparts.

### **4.3.3 Opportunities**

#### **(1) Security Needs**

The growing security needs of overseas Chinese enterprises provide an opportunity for HXZA to develop its overseas business.

After the BRI was put forward in 2013, more and more Chinese enterprises are doing business in countries and regions along the B&R. However, on the maritime Silk Road Chinese shipping companies face piracy and maritime terrorism attacks, and on the land Silk Road Chinese companies are mostly located in medium and high-risk countries. The COVID-19 epidemic has in turn aggravated the political, economic and social instability and increased anti-Chinese sentiment in these countries and regions, which requires professional security personnel to protect Chinese enterprises along the B&R.

The types of services and the countries and regions covered by the overseas business of HXZA can just meet the increasing security needs of Chinese enterprises overseas on land and at sea.

## (2) Customer Preferences

The preference of overseas Chinese companies for China's PSCs provides a stable source of clients for HXZA to develop its overseas business.

Overseas Chinese companies are often reluctant to spend a lot of money on security, and for the sake of protecting business secrets and improving communication efficiency, Chinese PSCs with low price, common language and culture, and strong sense of confidentiality are the first choice for these companies.

HXZA should capitalize on the preference of Chinese companies for China's PSCs to develop more loyal clients like China Cosco Shipping Corporation Limited.

## (3) New Global Technology Revolution

The new round of global technology revolution and the booming development of China's domestic software and information technology service industry bring technological opportunities for HXZA to develop its overseas business.

The current trend in the world of security services is to increase the proportion of technology in the service. It is difficult to fight against the intelligent and diversified crimes by traditional human defense service alone<sup>142</sup>.

HXZA should seize the deepening of the global technology revolution and China's Internet Power Strategy (网络强国战略) to integrate high technologies such as artificial intelligence, big data and cloud computing with security services to improve the attractiveness of its security services to customers<sup>143</sup>.

### 4.3.4 Threats

#### (1) Shortage of High-quality Personnel

HXZA may be facing difficulties in recruiting highly qualified security personnel in the future.

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<sup>142</sup> "The future development of traditional security services." Sohu, [https://www.sohu.com/a/425969799\\_796407](https://www.sohu.com/a/425969799_796407). Accessed 13 May 2023.

<sup>143</sup> Li, Shifu. "Private security industry must seek development through innovation." *Chinese & Foreign Entrepreneurs*. 04(2019):226. doi:CNKI:SUN:ZWQY.0.2019-04-194. P.226.



Take the maritime armed escort service that the company is best at as an example. The author searched the company's recent job postings and found that the company's qualifications for maritime escort security officers have decreased compared to the past, requiring only young veterans with more than five years of military experience who can use infantry light weapons, and there is no requirement for foreign language skills. In the early days of this business, the company only recruited personnel who were all retired soldiers from special forces, marines and other elite forces, and who were able to master foreign languages<sup>144</sup>.

Combined with the fact that the company is stationed in a country with difficult living conditions and the traditional Chinese disdain for the security profession, the company may face a shortage of highly qualified personnel in the near future.

## (2) Misunderstandings from Foreign Customers

Misunderstandings among foreign clients about HXZA may affect the company's ability to gain more foreign clients.

Chinese PSCs are often perceived to have ties to the PLA and the Chinese government. HXZA is no exception. Foreign security counterparts believe that HXZA is able to have China's largest state-owned shipping group as a client because of HXZA's close relationship with the government<sup>145</sup>.

In addition, foreign clients believe that the guiding principles and nationalistic tendencies of Chinese PSCs may lead Chinese PSCs to prioritize the protection of Chinese assets over the security of foreign clients<sup>146</sup>. As a result, skepticism from potential foreign clients has limited HXZA's ability to get more clients.

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<sup>144</sup> Luo, Lan. "Chinese private security guards venture into overseas armed escort field." Xinhuanet, [http://www.xinhuanet.com/mil/2017-04/27/c\\_129577447.htm](http://www.xinhuanet.com/mil/2017-04/27/c_129577447.htm). Accessed 12 May 2023.

<sup>145</sup> Clover, Charles. "Chinese private security companies go global." *Financial Times* 26 (2017).

<sup>146</sup> Del Rey Revilla, Ana Rosa et al. "Private Security Companies (PSCs) in Southeast Asian Maritime Security." The Counterterrorism Group, <https://www.counterterrorismgroup.com/post/private-security-companies-pscs-in-southeast-asian-maritime-security>. Accessed 13 May 2023.

### (3) Ambiguous Chinese Domestic Laws

Ambiguous Chinese domestic laws and regulations may even call into question the legality of HXZA's engagement in the overseas armed escort business.

As mentioned earlier, the Regulation is the most systematic law regulating PSCs in China. Although the Regulation was amended in 2020 and 2022, it still does not include PSCs conducting overseas business. According to the Regulation, companies engaged in armed escort must be state-owned or state-controlled enterprises. If HXZA were to apply the Regulation directly, it would not be able to engage in armed maritime escort business at all.

Even if for some reason the Chinese government now tacitly allows HXZA to operate armed maritime escort business, it remains to be seen whether its attitude will change in the future.

In summary, with the growing security needs of overseas Chinese companies and the preference for Chinese PSCs, HXZA has to use its professional qualifications to consolidate its domestic leadership in the field of maritime armed escort in the future. While promoting its corporate culture, it is also necessary to pay attention to the mistrust of potential western foreign customers on the company's overly strong patriotic sentiment. The Group should seize the technology brought by the information technology revolution in its relatively weak field of overseas land security to improve its service quality and form its core competitiveness. In addition, the company can continue to develop cooperation with domestic colleges and universities that offer security programs to ensure its personnel pool.

SWOT Analysis of HXZA

	Helpful	Harmful
Internal Origin	<p><b>Strength</b></p> <p>(1) ICoCA-certified Member</p> <p>(2) Price and experience</p> <p>(3) Corporate Management &amp; Corporate Culture</p>	<p><b>Weaknesses</b></p> <p>(1) Countries Covered</p> <p>(2) Overseas Land Security Service</p>
External Origin	<p><b>Opportunities</b></p> <p>(1) Security Needs</p> <p>(2) Customer Preferences</p> <p>(3) New Global Technology Revolution</p>	<p><b>Threats</b></p> <p>(1) Shortage of high-quality personnel</p> <p>(2) Misunderstandings from Foreign Customers</p> <p>(3) Ambiguous Chinese Domestic Laws</p>

## Conclusion

The rise of China's comprehensive power and the implementation of the BRI in recent years has prompted an increasing number of Foreign scholars to observe China's foreign behaviors.

China's PSCs, a new actor, have come to the attention of scholars. Scholars have debated whether the Chinese government's acquiescence to the overseas operations of China's PSCs means that it is considering abandoning the principle of "non-interference in the internal affairs of other states". It is fair to say that China's PSCs that operating abroad have become a peephole for scholars to see whether China's foreign policy is shifting.

In order to answer this question, this paper takes China's PSCs, which have been the focus of foreign scholars, as the target of the study. This article reviews the development history of China's PSCs and why they do business overseas. The huge demand for overseas security from Overseas Chinese enterprises should have prompted a large number of China's PSCs to do business overseas. However, on the contrary, there are only 40 to 50 China's PSCs doing overseas business, which leads to the central question of this paper: Why are there so many Chinese PSCs, but so few companies can do overseas business? Some foreign scholars have argued that this is because Chinese PSCs are merely pawns of the Chinese government to share some of its domestic security functions and to accomplish political tasks unnoticed abroad. Therefore, the government can decide whether to develop Chinese PSCs for its own needs. Therefore, this paper also examines the question of whether Chinese PSCs are tools of the Chinese government. To solve the above two questions, the author focuses on the relationship between Chinese PSCs and their clients and the factors that hinder Chinese PSCs from doing business overseas. The following conclusions were drawn:

China's PSCs are not an extension of the Chinese government. It is true that for a long time Chinese security companies were monopolized by the PSBs. However,

with market-oriented reforms and the partial acceptance of the concept of security privatization by the government, China's PSCs that were formerly part of the PSBs have changed ownership and operated autonomously. After the implementation of the Regulation in 2010, the newly established security companies in the market were created by private individuals in pursuit of profits. Some scholars argue that the military background of many China's PSCs founders is evidence of the government ownership of PSCs in China. But the truth is that in China, where there is a lack of professional education in security, only retired soldiers have security-related training and are therefore more likely to work in PSCs.

China's PSCs are regulated by the Chinese government. However, due to the lack of specific laws, the government has limited supervision of China's PSCs when they conduct overseas business. The Regulation implemented in 2010 has regulated the private security market and established the government's responsibility for supervising security companies. However, due to the lack of regulations for PSCs to do overseas business, China's PSCs mostly rely on industry self-discipline when doing business overseas.

The primary purpose of China's PSCs is to make a profit. However, because they share some of the government's public security functions in a socialist state, these companies are expected to be somewhat more socially responsible than other industries. In recent years the Chinese government has begun to focus on the pursuit of international reputation. Although China's PSCs are not an extension of the government. However, most of their clients for overseas services are Chinese government or China's SOEs, so China's PSCs also represent the image of the country when they do overseas business. In addition, many of the founders and employees of China's PSCs that are able to operate overseas are ex-soldiers, a group that is naturally more patriotic than the general population. Therefore, China's PSCs operating overseas have a responsibility to present a state image while pursuing economic interests. As noted in the article, the Regulation require that security

companies performing armed escort work must be state-owned or state-controlled enterprises. Apparently, all China's PSCs doing armed escort work overseas are in violation of this law. But the current attitude of the Chinese government is apparently tacit approval of these companies' armed escort services overseas. But if it is bent on pursuing only economic interests, the government is likely to change its laissez-faire attitude.

The reasons for the extremely large number of China's PSCs, but the very small number of companies doing overseas operations are as follows: Competition from advanced foreign counterparts, restrictions of laws in the host countries, inadequate domestic laws in China, and limitations of their own capabilities. At the international level, China's PSCs face competition from their more experienced foreign counterparts, who have been established earlier and have a wide range of clients worldwide. China's PSCs, on the other hand, are late to the game and do not focus on brand cultivation, which makes them uncompetitive internationally. At the country of presence level, Chinese PSCs must accept the reality that many countries do not allow foreign PSCs to operate on their territory. So they have to cooperate with local PSCs. When working with them, Chinese PSCs should check the loyalty of the local PSCs. In countries where they can operate directly, Chinese PSCs must also respect the local community and never carry weapons into the local community. At the domestic level, the lack of relevant domestic laws in China is an important reason that prevents China's PSCs from developing overseas business. On the one hand, many China's PSCs are afraid to expand their business overseas due to domestic laws. On the other hand, some incompetent PSCs have entered the international security market freely due to the lack of domestic regulation, which has affected the reputation of the Chinese private security industry. At the corporate level, Chinese PSCs' security personnel have limited capabilities and some do not even speak English. Today, with the increasing importance of technology in the private security services, China's PSCs

have not yet been able to apply the latest technology to their work to improve their analysis capabilities and intelligence-gathering capabilities.

After answering the questions “Why is the number of China’s PSCs extremely large but the number of companies doing business overseas is very small” and “Are China’s PSCs a tool of the Chinese government”, this paper provides policy recommendations for the Chinese government and China’s PSCs on how to better do business overseas at the international, host country, home country, and company levels respectively. At the international level, the Chinese government should actively participate in international private security governance and improve its discourse right to speak in international private security governance. China’s PSCs need to actively cooperate with their foreign outstanding counterparts and adapt to the international industry standards as soon as possible while learning from them. At the host country level, the Chinese government can minimize legal obstacles for China’s PSCs to operate in the host country. The government can also use cooperative organizations to establish a government-to-government framework for private security governance. Chinese private security companies must respect local laws and social customs when they do business abroad. They should work in a disciplined manner to avoid getting into unnecessary trouble. At the Chinese national level, the government must solve the “lack of specific laws regulating PSCs’ overseas business” and the “inability of PSC personnel to carry lethal weapons while operating overseas”, two factors that limit Chinese PSCs’ overseas operations. This requires the Chinese government to actively amend the regulation to clarify the legality of China’s PSCs operating overseas. At the same time, restrictions on the possession of firearms by PSCs operating overseas should be appropriately reduced to enable China’s PSCs to defend themselves and their clients in case of emergency. In addition, in response to the chaotic overseas private security market, the Chinese government must regulate China’s PSCs doing business overseas to avoid the incapable companies from corrupting the market. At the corporate level, the Chinese government should try to

improve the Chinese tradition of underestimating security personnel. The Chinese government can offer specialized security majors in more universities to provide personnel for private security companies. For their part, China's PSCs should seize the opportunity of the information and technology revolution to increase the share of technology in security services and develop their core competencies.

Finally, this paper uses HXZA as a case study to specifically analyze the advantages and obstacles for China's PSCs to develop overseas business in real practice. As the first China's PSC to carry out maritime armed escort work, HXZA is relatively leading in the Chinese private security industry, but has not yet had much influence in the international private security market. HXZA is the only China's PSC that is now a certified member of ICoCA, a certification that helps it attract foreign clients. The company's experience in armed escorts in the Indian Ocean and its lower prices compared to its foreign counterparts have also brought in foreign clients. In terms of corporate management and corporate culture, HXZA has developed loyal and responsible employees who have been well praised by its customers. However, HXZA seems to have concentrated too much on the maritime armed escort. Its achievements in overseas land security are not outstanding enough and the scope covered by its services is limited too. Given the growing security needs of overseas Chinese companies and personnel, HXZA employees speak the same language as Chinese clients and are more popular with Chinese clients. Meanwhile, with the continuous development of contemporary technology, HXZA needs to seize the opportunity of the information revolution and integrate high-tech such as artificial intelligence into its security services to improve its core competitiveness and gain more foreign customers. However, HXZA may face a shortage of highly qualified personnel. When conducting overseas business, the ambiguous laws in China are always a time bomb for the company's development. In addition, some foreign clients believe that the company has some kind of connection with the Chinese government and are therefore reluctant to purchase its services.



This paper does not focus on a particular region or country, but rather on overseas in general terms, so the generalized conclusions reached may not correspond to a company's specific practices in a particular region. For example, in using the HXZA as a case study, it is found that the company is in fact in a relatively leading position in the field of armed escort in Southeast Asian sea, and that the four major factors that bother China's PSCs in developing their overseas business are in fact overcome by the company.

In addition, there is a lack of specific statistics on China's PSCs conducting overseas business. Both domestic and international news reports and PSCs' websites only present individual cases without specific data statistics. So the authenticity and reliability of some data are yet to be tested.

Finally, the author found that neither Chinese nor foreign literature has not yet paid attention to the impact of the Covid-19 epidemic on the development of China's PSCs, which may be a further concern in the future.

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## Summary

Since the reform and opening up in the 1980s, more and more Chinese enterprises and personnel have gone abroad. Lucky companies and personnel go to safe and developed countries to do business. However, there are still a considerable part of enterprises and personnel can only seek new resources and markets in less developed countries, especially after the BRI, more and more Chinese enterprises and personnel are developing business in countries along the B&R. Most of these countries are located in medium to high-risk areas, and Chinese enterprises and personnel are exposed to the risks of war and armed attacks, which are serious threats to their personal and property security. It is true that China can protect these overseas Chinese companies and personnel with traditional consular protection, but the large number of overseas security needs strains the limited number of diplomatic and consular personnel. The Chinese government expects that the governments of the countries where Chinese companies are located can protect them. However, these governments are usually weak and even unable to protect themselves, let alone protect foreign companies. In addition, since the founding of the PRC, China has adhered to the principle of non-interference in the internal affairs of other countries. Therefore, sending the military overseas to protect Chinese companies and personnel becomes very unlikely. Although there was the evacuation of Libyan nationals, the Chinese government would never send the PLA overseas as a last resort. This raises the question: Who will fill the security needs of Chinese companies and personnel that cannot be met through traditional means?

In China, many companies and apartment complexes hire security guards from security companies. These security guards share the security functions of the PSBs and are responsible for guarding the safety of people and property within a certain area. So, can overseas Chinese companies also purchase services from security companies to protect their security? The answer is yes, in 2004, the construction site of China Railway 14<sup>th</sup> Bureau in Afghanistan was attacked by militants and suffered

heavy losses. Afterwards, the company hired a security company to protect its security and reduced the damage in the two subsequent attacks. After this attack, many domestic security companies in China began to think about whether they could provide security services for Chinese enterprises overseas. A decade later, the BRI has led more and more Chinese security companies to turn their thinking into practice and begin to provide security services overseas to fill the security gap that the Chinese government cannot meet.

The practice of China's PSCs overseas has also attracted the attention of a growing number of foreign observers, who inevitably compare China's PSCs to Blackwater in the United States and the Wagner Group in Russia. Some scholars even argue that China's PSCs are not private and that they are actually tools of the Chinese government to cover up certain secret missions. So are China's PSCs really tools of the Chinese government, as these scholars claim. To answer this question, this paper takes China's PSCs as the research subject of this study and investigates their security services overseas.

In the introductory part of this paper, the author surveys the current status of the research on Chinese private security companies by scholars at home and abroad. After literature collection and organization, the author found that the research on China's PSCs by Chinese and foreign scholars mainly revolves around the following four issues: First, the introduction of a specific China's PSC. Studies by foreign scholars are more basic. They simply present information about the date of establishment and number of employees of a China's PSC. It is also common to find that scholars have duplicated statistics for a particular security company. Chinese scholars have been more detailed and have attempted to analyze the problems faced by a specific PSC when doing business overseas. However, these studies are still relatively basic and the problems listed are more like the challenges faced by all Chinese security companies when doing business overseas and are not specific to this

company. This paper makes such an attempt in Chapter 4, attempting to analyze the development of a specific China's PSCs in a more focused way.

Second, the debate over whether China's PSCs are under the control of the Chinese government. Some foreign scholars argue that Chinese PSCs are in fact controlled by the Chinese government based on the fact that the founders and employees of Chinese PSCs are mostly ex-soldiers and the clients they serve are mostly large Chinese SOEs. Some scholars argue that Chinese private security companies were initially controlled by the Chinese government, but that this control has gradually decreased over time. In response to this view, the author reviews the historical development of PSCs in China in Chapter 1. Other scholars have argued that China's PSCs are indeed only private enterprises and can also be allies of large SOEs to influence government decisions. Chinese scholars address this issue by arguing that PSCs represent a trend toward the marketization of security, which also coincides with the views of some foreign scholars. The question of whose interests PSCs defend in China is discussed in Chapter 2.

Third, an introduction to the development of China's PSCs in a specific region. After the BRI, China's PSCs also started to enter Central Asia and Africa along with other Chinese enterprises. Foreign scholars have discovered this phenomenon by describing China's PSCs operating in a particular region. However, these studies were highly repeatable. And there was no obvious regional difference between them. Chinese scholars, on the other hand, have conducted more targeted analyses, pointing out the specific problems of China's PSCs developing in a particular region. This paper does not specifically analyze the specific development of PSCs in China in a particular region, but rather draws some more general conclusions from a more macro perspective. Of course, the analysis will inevitably also involve an exploration of China's PSCs operating in a certain country or region.

Fourth, the introduction of laws related to China's PSCs. Foreign scholars generally believe that the biggest problem hindering China's PSCs from developing

overseas business is the imperfect domestic laws in China, so they have introduced these laws. However, these introductions are relatively basic, do not identify which specific laws prevent China's PSCs abroad from developing which types of business, and focus on a limited number of laws. Only the original versions were analyzed, too, with no follow-up on subsequent revisions. Chinese scholars have apparently reviewed more of the legal literature, specifically pointing out how existing laws impede China's PSCs from doing business abroad. However, these studies are distributed in different articles by different scholars. So the author tries to present them systematically, comprehensively and purposefully in this paper. The introduction of the relevant laws is mainly concentrated in Chapter 1 and Chapter 3.

The first chapter of this paper mainly clarifies the definition of PSCs, studies the development of PSCs in China, and summarizes the driving forces that drive the development of private security companies. There is no uniform answer to how to call this kind of companies in domestic and foreign academia. Scholars mostly choose suitable names according to their research purposes. In view of this, the author chose to call this kind of companies in China by PSC. The main reason is that Chinese PSCs only provide passive security services and do not provide active services, such as direct involvement in military combat. Instead, the definition of a Chinese PSC is "a non-state run corporate entity that provides non-military security services".

In reviewing the birth and development of PSCs in China, it is worth noting that there were no PSCs in the legal sense in China before 2010 because the PSBs had a monopoly on the security market. After 2010, the Chinese private security market was free of legal restrictions and grew rapidly, with a large number of PSCs appearing, some of which began to try their hand at overseas business because of the following reasons: the large demand for overseas security provided a market for China's PSCs to do business overseas.

More and more Chinese companies and citizens are going abroad. A significant number of them are located in countries with weak governments and unstable



societies, needing professionals to protect their lives and property. But the limited number of diplomatic personnel means that traditional consular protection cannot meet the large number of overseas security needs. The countries where these overseas companies are located are also unable to provide security for foreign companies and personnel due to their own weak security forces. The large number of overseas security vacancies has prompted China's PSCs to develop their overseas security services.

The second chapter of this paper then focuses on the relationship between China's PSCs and the Chinese government. It first surveys the security privatization theory. Traditional realist security theory often focuses only on the security of the state and non-state actors such as individuals and enterprises are simply outside the scope of traditional realist security theory. Therefore, the traditional security theory that focuses only on the state must be improved to focus on human security in order to achieve a real state security. Despite the frequency of non-traditional security incidents, most states have generally disarmed or reduced military spending, which requires non-state actors to enter the security sphere and share security functions with the state. The neoliberal revolution of the 1970s led governments to willingly share their monopoly of public security functions with corporations. All in all, the human security theory, the security vacuum theory, and the neoliberal revolution have collectively contributed to the government's acceptance of the idea of security privatization.

Secondly, the chapter analyzes the relationship between the main clients of China's PSCs and them: Chinese government agencies abroad purchase services from China's PSCs to cover the dangers of their security personnel shortages. Overseas Chinese companies, especially large SOEs, are the main clients of China's PSCs operating abroad. The Chinese government has more than once emphasized the responsibility of companies to maintain their own security and the need for companies to use multiple resources to protect themselves, making Chinese private security

companies the guardians of their own security. Most China's PSCs can only operate domestically. A major source of their clients is individuals with a propensity for luxury. The main customers of the overseas business of China's PSCs are Chinese enterprises and government agencies stationed abroad. In China, China's PSCs also serve individuals.

Just because a China's PSC serves the government does not mean that it is a tool of the government. It is clearly stated in the Regulation that the government cannot intervene in any way in the running of China's PSC. Except for security companies engaged in armed escort work, all other Chinese security companies are privately owned. However, those engaged in armed escort work overseas are all private security companies, which demonstrates that domestic security laws do not actually apply to China's PSC conducting overseas operations. Therefore, the Chinese government purchases overseas security services from China's PSCs for another purpose too, which is to supervise China's PSCs engaged in overseas business. The relationship between large Chinese SOEs and the government also makes China's PSCs to be regulated when providing services to SOEs. As a result, China's PSCs have to pay more attention to social responsibility while pursuing their own economic goals. China's PSCs have been indirectly regulated by the Chinese government when carrying out overseas business.

The third chapter of this article mainly answers the core question of this article: that is, why there are a large number of private security companies in China, but only forty or fifty are able to conduct overseas business, and very few have a certain reputation. In the first chapter of the study, it can be found that there is a large demand for security from overseas Chinese companies. This large demand is supposed to stimulate a large number of China's PSCs to conduct overseas security business. However, this is not the case, in fact only a small number of China's PSCs have overseas operations.

Before discussing what prevents China's PSCs from doing business overseas, this chapter first reviews the advantages of China's PSCs doing business overseas: The low prices of China's PSCs meet the needs of overseas Chinese companies with limited profit potential and low security awareness. These companies are actually more concerned about the price of security services than the quality of security services. At the same time, China's PSCs speak the same language and share the same culture as their clients. All in a word, compared with other foreign private security companies, China's PSCs are obviously much more trusted by overseas Chinese enterprises. As discussed in Chapter 2, the main customers of Chinese PSCs' overseas business are Chinese SOEs and Chinese government agencies abroad, which makes it easier for PSCs to gain access to political events and business secrets. Therefore, Chinese government agencies abroad and Chinese SOEs must be careful in choosing their providers when they need a security services. China's PSCs are more likely to gain their trust.

Even though China's PSCs have the advantages of price, language and culture, and confidentiality, the number of these PSCs able to do business overseas is extremely limited and still not very competitive in the international security market for the following reasons:

At the international level, China's PSCs do not have the experience, service capabilities, etc. of their international counterparts in overseas operations. The experience, equipment, personnel and services of leading international companies such as G4S far exceed those of China's PSCs. When funds permit, foreign clients will clearly purchase the former's high-quality services.

At the host country level, Chinese PSCs face different legal and social issues than in their home countries. While Chinese laws do not prohibit Chinese PSCs from operating overseas, in some countries, foreign PSCs are not allowed to enter the security market. This leaves Chinese PSCs to find other ways to protect their clients, namely by partnering with local security companies. Even in countries where security

services from foreign PSCs are allowed, China's PSCs face other problems: some host countries have a natural resistance to foreign PSCs. Some countries have more serious anti-Chinese sentiments.

At the Chinese national level, the lack of laws specifically regulating China's PSCs operating overseas and the harsh restrictions on firearms hinder China's PSCs from doing business overseas. The Regulation do regulate the domestic private security industry, but are silent on whether China's PSCs can do business overseas, which deters many China's PSCs from doing so. Those Chinese PSCs that do have the courage to operate overseas are again caught in the dilemma of not being able to possess anti-personnel weapons, an essential tool for PSCs to carry out escort missions in dangerous areas. Not having a firearm means that they may not be able to effectively protect their clients and themselves. Clients are not willing to pay for ineffective services.

At the corporate level, Chinese PSCs are lagging behind in terms of both human and intellectual resources. In terms of human resources, many Chinese PSCs' employees are not professionally trained and do not have practical experience in this field. In terms of intellectual resources, Chinese PSCs have relatively limited intelligence acquisition and analysis capabilities, which makes them unable to provide advance warning.

With these four constraints, very few China's PSCs have chosen to expand their business overseas, and even fewer have been able to obtain orders from foreign clients. In order to solve these problems, the Chinese government and China's PSCs must work together:

At the international level, the Chinese government needs to actively participate in private security governance, changing its previous indifferent attitude and fighting for the interests of its domestic companies. For their part, China's PSCs need to use existing international norms as a standard and improve themselves in strict compliance with them.

At the host country level, the Chinese government can strengthen legal and ethical training for China's PSCs before they start operations overseas, so that China's PSCs can understand the host country as much as possible in advance. In addition, the Chinese government can try to communicate with the host government so that the host country maybe allows China's PSCs s to enter its security market. China's PSCs must learn the legal, social and cultural knowledge of the country before entering the host country and maintain good relations with local security companies and local communities after entering the host country.

At the Chinese national level, the Chinese government must improve the relevant laws as soon as possible so that China's PSCs will dare to conduct business overseas. The Chinese government should also understand the difficulties of China's PSCs in conducting business overseas and moderately reduce the restrictions on firearms. In addition, the Chinese government can consider setting up a special department to manage China's PSCs in a unified manner to avoid shifting responsibilities between departments.

At the company level, in response to the low quality of personnel in China's PSCs, the Chinese government can improve the quality of this profession by setting up security majors and setting up special qualification exam for overseas security personnel. China's PSCs should strengthen their own sense of innovation and integrate advanced technologies such as cloud computing and artificial intelligence into their security services.

Chapter 4 of this paper then analyzes the development prospects of a specific China's PSC in the context of its specific practice. HXZA is chosen as the case study because it is the leading China's PSC in overseas business and is definitely mentioned by foreign scholars when they do research on China's PSCs.

This chapter first introduces the birth and development of HXZA, which focused on domestic business in the early years of its establishment. It began to experiment

with overseas business ten years ago and has achieved certain development in the past ten years

Secondly, this chapter analyzes the main customers and business scope of the overseas business of HXZA, which firstly started to try the maritime armed escort service and gained a number of Chinese and foreign ship dealers as customers. After the success of maritime armed escort, HXZA tried to conduct overseas land security service, providing security consulting, project site protection and other kinds of security services for Chinese overseas enterprises and Chinese government agencies abroad.

This chapter concludes with a SWOT analysis of the development prospects of overseas business carried out by HXZA: the company is currently the only ICoCA certified member in China. Its price and experience in the field of armed escort has attracted more domestic and foreign clients. And its unique corporate culture and corporate management style has produced security personnel who are widely praised by clients.

However, compared to its domestic and international security counterparts, HXZA's business can cover a limited number of countries. Moreover, its entry into overseas land security services was late. And the few remaining markets have been occupied by its domestic counterparts.

However, as more and more Chinese companies go abroad, more and more security needs will arise. HXZA can capitalize on Chinese clients' preference for China's PSCs and seize the opportunity of the new technology revolution to improve its core competencies.

However, limited highly qualified personnel, misunderstanding of the company by foreign clients and ambiguous Chinese domestic laws may be key factors limiting HXZA's overseas business in the future.