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CHINA'S RISK MAP IN THE SOUTH ATLANTIC

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On the cover: Chinese President Xi Jinping meets with Angolan President Jose Eduardo dos Santos in Johannesburg, South Africa, December 3, 2015. ©Xie Huanchi/Xinhua Press/Corbis

China's Risk Map in the South Atlantic

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1 Executive Summary

China faces increased risks to its nationals and investments abroad as it becomes more active internationally. In the South Atlantic, it faces what can be called a Risk Map that highlights China's political risk exposure in financially and politically fragile states. Venezuela and Angola, which this paper explores as examples, figure prominently on the Risk Map. The backdrop is that China's "going-out policy," adopted in 2002 to encourage its companies to internationalize, has led to significantly greater exposure of its nationals, state-owned enterprises (SOEs), and finances to the whims of domestic politics and local unrest in foreign countries.

"Protecting nationals abroad" has become part of the official foreign policy priorities of China, yet the sheer number of Chinese nationals in unstable areas makes this a daunting task. The fate and well-being of millions of Chinese citizens abroad has also become part of the Chinese national interest, in part due to intense media and public scrutiny. There is now a tension in Chinese policy between the risk-averse government, which emphasizes non-interference, and the interests of risk-prone state-owned enterprises (SOEs) with large numbers of workers abroad. In short, it means that China is becoming more entangled in a messy geopolitical world.

2 Introduction

The Chinese government's more active policy on protecting Chinese nationals is due to the search by Chinese companies and nationals for commercial opportunities abroad. Consequently, China is becoming more entangled in a messy geopolitical world.

This paper shows how China faces what can be labelled a new global risk map for its nationals and business interests. That is the story of the last decade, with 2015 being a particularly turbulent year. Chinese business executives were killed in a terror attack in Mali in November. Meanwhile, the self-proclaimed Islamic State group (ISIS) executed a Chinese hostage. In March 2015, two Chinese frigates evacuated 629 Chinese citizens and 279 other foreign nationals from war-torn Yemen. It was a historic move for China and the Chinese navy. This demonstrated China's growing capacity to protect its nationals in faraway places. The Chinese ambassador to Yemen, Tian Qi, told the Xinhua news agency that the Noah's Ark evacuation, as it was labelled, "reflected a significant growth in China's comprehensive national power."[1]

China can be said to have adopted its own version of a "responsibility to protect" its own citizens overseas, as my colleague Mathieu Duchâtel and I put it in *China's Strong Arm*.[2] Estimates put the number of Chinese nationals overseas at more than 5 million, including up to 2 million in Africa. The concept of "protecting nationals abroad" (haiwai gongmin baohu) was added to the Communist Party's priority list at the 18th Party Congress in 2012, when President Xi Jinping and Premier Li Keqiang assumed control of the Chinese government and military apparatus. In 2013, the White Paper on Defense mentioned the protection of nationals and interests overseas for the first time, and defined providing reliable security support for China's interests overseas as one of the People's Liberation Army's missions. Admiral Sun Jiangou, leading the Chinese delegation at the 2015 security conference in Shangri-La, Singapore, also highlighted the successful evacuation in Yemen, including the rescue of foreign nationals, as an illustration of the benefits of China's increasing out-of-area military presence.

The Chinese government's more active policy on protecting Chinese nationals is due to the search by Chinese companies and nationals for commercial opportunities abroad. Consequently, China is becoming more entangled in a messy geopolitical world. When the Chinese Communist Party officially endorsed the "going-out policy" in 2002, encouraging Chinese companies to invest overseas, the strategic magnitude and the ensuing political risk aspects of the decision might not have been fully appreciated.

Size matters, and China is now among the world's most significant foreign investors. According to the Ministry of Commerce of the People's Republic of China, outward foreign direct investment (FDI) reached a record high of $102.9 billion in 2014, increasing 14.1 percent from 2013.[3] Forecasts suggest this could reach $1 trillion in 2020.[4] Chinese companies are in hot pursuit of oil and natural resources abroad, particularly in countries in Africa and South America.

Even the current slow-down in the Chinese economy has not reduced the Chinese leadership's ambitions in their outward-reaching plans. China is now promoting the construction of its "Belt and Road" initiative, connecting Asia to foreign markets in Europe and eastern Africa. Similarly, the China-Africa Forum (FOCAC) held in December

[1] "Interview: Successful Yemen evacuation shows China's strength, internationalism," *Xinhua,* April 6, 2015, http://news.xinhuanet.com/english/2015-04/06/c_134127540.htm.

[2] Jonas Parello-Plesner and Mathieu Duchâtel, *China's Strong Arm: Protecting Citizens and Assets Abroad* (New York: Routledge, 2015). This article draws on the book and the research contained therein.

[3] "Regular Press Conference of Ministry of Commerce on January 21, 2015," *Ministry of Commerce of the People's Republic of China Press Release*, January 21, 2015, http://english.mofcom.gov.cn/article/newsrelease/press/201501/20150100878729.shtml.

[4] Thilo Haneman and Daniel H. Rosen, *China Invests in Europe: Patterns, Impact and Policy Implications* (Rhodium Group, June 2012).

2015 heralded even larger Chinese investments and development aid on the continent. China initiated that summit process in 2000 in Beijing, and it is now held every three years.

There is now a tension in Chinese policy between the risk-averse Chinese government, which emphasizes non-interference, and the interests of risk-prone state-owned enterprises (SOEs) with large numbers of workers. Many Chinese investments and contracts are in labor-intensive sectors such as construction, energy, and mineral resources. The government-run evacuation in Libya in 2011, pulling out more than 35,000 Chinese workers, showed the magnitude of the task and the risk involved in cases of instability. There are now several countries that — in terms of the number of Chinese citizens and assets there — are "too big to fail." This implies that the business-oriented "going out" strategy now has to be squared with broader strategic calculations.

3 China in the South Atlantic?

Both Africa and Latin America are important for China in its "South-South" diplomacy with developing countries. But so far, no official statements or documents seem to adopt the concept of the South Atlantic.

This article focuses on the Chinese Risk Map in the South Atlantic, understood as those countries in South America and Africa that border the southern part of the Atlantic Ocean (see Figure 1).

The South Atlantic as a concept or region does not appear in Chinese foreign policy definitions. China has strategies for cooperation with regional organizations like the EU as well as official Ministry of Foreign Affairs White Papers on regions like Latin America and Africa. Both Africa and Latin America are important for China in its "South-South" diplomacy with developing countries. But so far, no official statements or documents seem to adopt the concept of the South Atlantic.

China's Economic Presence in the South Atlantic

Though it does not use the South Atlantic as a concept in official policy, China maintains strong cooperation ties with the countries that make up the region. The 2008 official White Paper on Latin America expresses an ambition to develop economic linkages, including on energy and raw materials as well as political cooperation based on China's foreign policy tenets, including non-interference.[5]

In 2014, Chinese leader Xi Jinping went on a visit to Latin America in conjunction with the BRICS (Brazil, Russia, India, China, and South Africa) summit in Brazil. During his trip, he visited Argentina, Venezuela, and Cuba. It was Xi Jinping's second trip to the region since resuming office, demonstrating high-level commitment. China hosted the First Ministerial Meeting of China-CELAC (Community of Latin American and Caribbean States) in Beijing in January 2015 with the participation of the 33 member states of CELAC. The main aim of the organization is economic, with targets laid down to increase trade to $500 billion and the stock of reciprocal investments to $250 billion in the next decade.[6]

Around 87 percent of the Chinese companies involved in Latin America are state-owned, which reflect the role these companies play in China's economy as a whole. Additionally, 57 percent of FDI is in raw materials. A similar pattern is seen in loans and financing in Latin America, with Chinese commitments amounting to $118 billion. Venezuela takes up more than 50 percent of this. Fittingly, 70 percent of the loans went to energy and infrastructure.[7]

In debt-ridden Argentina, China rolled over debt through the China Development Bank amounting to $11 billion, partly for the construction of two hydroelectric dams and a railway project. The conditions included privileged access for Chinese companies and workers.[8]

In Africa generally, and in the African South Atlantic rim countries, in particular, the Chinese presence has also grown substantially.

According to Chinese Ministry of Commerce figures, Sino-African bilateral trade reached an all-time high of $222 billion in 2014, 21 times the level in 2000.[9] FDI flows from China to Africa reached $6 billion in 2014, accounting for 7 percent

[5] Enrique Dussel Peters, "China's Evolving Role in Latin America: Can it be a Win-Win?" *Atlantic Council report*, September 2015: 6, http://publications.atlanticcouncil.org/chinalatam//AC_CHINA090915DP.pdf.

[6] China-CELAC Forum, "Cooperation Plan (2015-2019)," January 23, 2015, http://www.chinacelacforum.org/eng/zywj_3/t1230944.htm.

[7] Dussel Peters, 10.

[8] Ibid., 13.

[9] "Join Hands to Set Out Once More with New Blueprint—Further Promote China-Africa Economic & Trade Cooperation at a Higher Level," *Ministry of Commerce of the People's Republic of China Press Release*, December 7, 2015, http://english.mofcom.gov.cn/article/newsrelease/significantnews/201512/20151201211399.shtml.

of total FDI into the region. Investments, which were distributed among 28 projects, represented an increase of 180 percent from 2013.[10] According to the Infrastructure Consortium for Africa, Chinese financing of infrastructure in Africa amounted to $13.4 billion in 2013.[11] This amount of financing exceeds the cumulative total provided by countries of North America and Europe, including what is being provided through various development banks.[12] At the December 2015 FOCAC summit in Johannesburg, China pledged $60 billion for African development.[13]

This last FOCAC also had a stronger emphasis on security issues. It followed China's announcement of an agreement with Djibouti to host a Chinese naval logistics hub. This was a novel step for China's usually much more hands-off foreign policy. Similar changes are also evident in China's more muscular peace-keeping engagement in Mali and South Sudan, where Chinese combat troops have been deployed in a foreign country for the first time since 1979, as well as naval engagement in the anti-piracy mission in the Gulf of Aden.

China's Human Presence in South Atlantic

As Chinese companies globalize, so do Chinese nationals. The fate and well-being of millions of Chinese citizens abroad has also become part of the Chinese national interest, in part due to intense media and public scrutiny.

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The Chinese government does not have a precise count of the number of Chinese nationals overseas for a variety of reasons. Governmental institutions have been slow in keeping up with the rapid global spread of Chinese companies and nationals. They struggle to keep track of numbers in a context of non-systematic consular registration; illegal immigration; lack of well-institutionalized communication between firms, the Ministry of Foreign Affairs, and the Ministry of Commerce in third countries; and the absence of accurate reporting to the government by Chinese labor service sub-contractors that place workers abroad. Furthermore, the rapid turnover of workers on international projects makes it difficult for consular services to capture an ever-evolving migration situation.

Another reason may be an official preference to downplay the number of Chinese nationals abroad in order to avoid a backlash in countries receiving large numbers of Chinese nationals. In the words of a Chinese academic, "everyone downplays and underreports real numbers for the sake of the country image," as there is fear in China that large numbers of emigrants can create local backlash against Chinese as has happened in Zambia and other countries.[14]

Research at the country level shows much higher numbers than the official count. For example, our research showed that the Chinese embassy had registered around 6,000 Chinese in Libya in 2011, but the actual number was closer to 37,000.

These Chinese expatriate workers, often in high-risk countries, are exposed to the risks of terrorist attacks, kidnappings, and local unrest. This tragic

[10] Courtney Fingar, "Western countries lead foreign direct investment into Africa," *Financial Times*, October 6, 2015, http://www.ft.com/intl/cms/s/3/fea83f20-6c2d-11e5-aca9-d87542bf8673.html#axzz3vs0ZqZb0.

[11] *Infrastructure financing trends in Africa — 2013* (African Development Bank, The Infrastructure Consortium for Africa, 2013), 11, http://www.icafrica.org/fileadmin/documents/Annual_Reports/ICA-Infra-Fin-Trends-Africa-2013-Final-WEB.pdf.

[12] Daniel Poon, "China Sets out Its FOCAC Focus in Africa," *East Asia Forum,* December 18, 2015, http://www.eastasiaforum.org/2015/12/18/china-sets-out-its-focac-focus-in-africa/.

[13] Peter Guest, "China Pledges $60bn in African Aid at FOCAC Summit," *Forbes*, December 4, 2015, http://www.forbes.com/sites/peteguest/2015/12/04/china-pledges-60bn-in-african-aid-at-focac-summit/#649e58745985.

[14] Parello-Plesner and Duchâtel, 24-25.

Estimates suggest that Chinese nationals in South Africa alone range from 200,000 to over 300,000, making it the largest Chinese immigrant population in the South Atlantic, followed by Angola.

record and future uncertainties demand new types of risk management by Chinese companies, as well as from Beijing.

A similar tendency of inconsistent numbers is reasonable to expect when considering the South Atlantic region. Still, estimates and break-downs for individual countries suggest that a high number of Chinese nationals are present in the region. Estimates suggest that Chinese nationals in South Africa alone range from 200,000 to over 300,000,[15] making it the largest Chinese immigrant population in the South Atlantic, followed by Angola.

The sheer number increases the probability of Chinese citizens coming into harm's way. In April 2015, Chinese nationals were caught up in a violent attack against foreigners in South Africa. During a visit by Chinese Foreign Minister Wang Yi to South Africa, acts of violence erupted, catching Chinese shopkeepers in the violence. Five people were killed and approximately 2,000 escaped to refugee camps in Durban. Chinese Foreign Ministry Spokesperson Hong Lei confirmed that some Chinese-owned shops had suffered damage during the attacks. He furthermore called on South African authorities to "take prompt and effective measures to guarantee the personnel and property security of Chinese citizens…"[16] This type of public Chinese exhortation has become a new refrain in Chinese diplomacy for protecting nationals abroad.

Other dangers lurk for Chinese nationals, including hostage-taking. In May 2014, unidentified gunmen, assumed to be members of the extremist group Boko Haram, attacked Sinohydro, an engineering firm that constructs hydropower projects in Africa, in Waza in the northern part of Cameroon,[17] a few miles from the Nigerian border. Ten Chinese hostages were taken in the attack. They were rescued in October 2014, without further information on the circumstances of the release or whether a ransom had been paid.[18]

[15] Shannon Tiezzi, "China's South African Ties Complicated by Recent Violence," *The Diplomat,* April 17, 2015, http://thediplomat.com/2015/04/chinas-south-african-ties-complicated-by-recent-violence/.

[16] "Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on April 16, 2015," *Ministry of Foreign Affairs of the People's Republic of China Press Release,* April 16, 2015, http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1255348.shtml.

[17] Michael Martinez, Christabelle Fombu, and Pierre Meilhan, "Boko Haram Attack on Chinese Firm in Cameroon; Soldier Reported Killed," *CNN,* May 17, 2014, http://www.cnn.com/2014/05/17/world/africa/cameroon-china-boko-haram/.

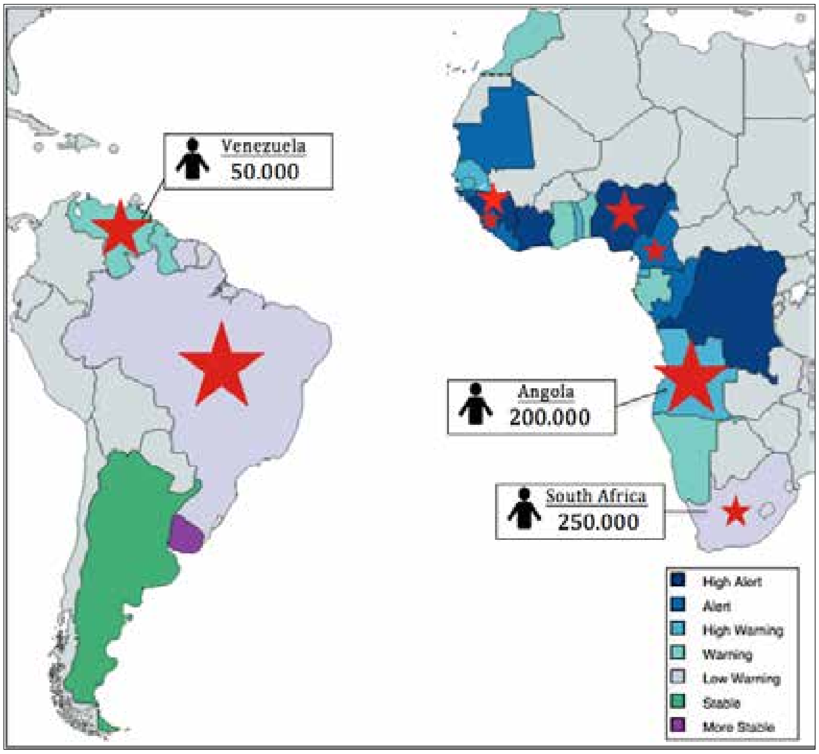
[18] "Cameroon Flies Freed Boko Haram Hostages to Capital," *BBC*, October 11, 2014, http://www.bbc.com/news/world-africa-29581495.

4 Case Studies of China's Risk Map in the South Atlantic

The Risk Map created for this paper combines data on Chinese investment (the size of the star is a reflection of the level of investment), nationals, and data on fragile states. It shows a combination of fragile and risky states with sizeable presence of Chinese investments and nationals (see Appendix for more detailed data). Consequently, Chinese commercial interests are highly exposed to political and social instability in several of these countries.

Angola and Venezuela both flash red on China's Risk Map in the South Atlantic and demand specific attention as case studies.

Figure 1: China's Risk Map in the South Atlantic: Danger Spots for Nationals and Assets



China's Risk Map in the South Atlantic is drawn from data in "The China Global Investment Tracker," published by the American Enterprise Institute and the Heritage Foundation (total Chinese investments and contracts, 2005-14); and the "Fragile States Index 2015," published by The Fund for Peace. For more detailed numbers, see Appendix.

Angola: Resources, Nationals, and Political Risk

Angola's history is scarred by Portuguese colonialism and the civil war that followed independence. In 2002, the civil war ended. Since then, it has developed into a one-party system under MPLA with the same president, José Eduardo dos Santos. Freedom House classifies Angola as "not free."[19] The Risk Map gives the country a warning label on risk and stability. Angola is poor, with a large part of the population living with less than one dollar per day, although it has substantial oil and other natural resources. Experts cite corruption in extractive industries and wealth concentration within the ruling elite as reasons for the unequal wealth distribution, even though Angola has posted double-digit growth over the last decade.[20]

China is heavily engaged financially and economically in Angola. In the words of Dos Santos, "China needs natural resources and Angola

[19] See Freedom House classification at https://freedomhouse.org/country/angola.

[20] Steve Hess and Richard Aidoo, *Charting the Roots of Anti-Chinese Populism in Africa* (Cham, Switzerland: Springer, 2015), 109-132.

In 2009, the BBC ran headlines about the "Angolan mafia targeting Chinese." It prompted the Chinese embassy in Luanda to issue a warning on its webpage for Chinese to avoid staying out at night.

wants development."[21] The relationship really took off when Angola's ties with Western institutions such as the World Bank faltered. China came in as an alternative source of financing with a $2 billion loan through the Export-Import Bank of China in 2004 — an "Angola style" oil-for-infrastructure deal.[22] These deals have continued since, making China a major player in Angola while receiving oil in return through its state-owned companies Sinopec and CNOOC. Chinese state banks have lent at least $14.5 billion to Angola, according to Angola-China expert Lucy Corkin.[23] Another estimate puts it at $20 billion.[24] Angola is China's largest provider of oil from Africa, particularly since deliveries from Sudan and South Sudan have slumped due to conflict there.

The on-going slump in oil prices has been taking a toll on the Angolan economy since oil generates most of the country's exports and revenue.[25] It has made political relations with China and the financial lifeline it provides to Angola even more important for Dos Santos. In June 2015, he visited China to meet Xi Jinping. The leaders also met at the margins of FOCAC in Johannesburg in December 2015. Dos Santos' main interest in visiting Beijing was to secure additional loans, which was successful according to press reports.[26] This demonstrates Angola's significant dependence on China for financing the state's budget. It also points to the inherent political risk for China since social tension has been rising in Angola. The regime's dependency on Chinese loans without great public scrutiny or transparency has become more controversial. For example, prior to Dos Santos' trip to China, a number of arrests were made to subdue potential protests.[27] This points to greater tension and risk regarding Chinese loans to Angola.

The inflow of Chinese companies in Angola building large-scale housing units, the Benguela railway connecting Lobito to Luau, sport stadiums, and networks in telecommunications has led to a large Chinese presence, particularly in the infrastructure projects, where 70 percent of workers can be Chinese, and in some cases higher numbers have been reported.

The number of Chinese in Angola is based on estimates. The Chinese Ministry of Commerce, which ensures a minimal registration, only counted 31,905 workers at the end of 2012.[28] Still, during the high-level visit by Premier Li Keqiang to Angola in May 2014, the number of 200,000 nationals was the baseline for discussions with local Chinese associations.[29]

The safety of Chinese nationals is an issue in Angola. Their large numbers attract local attention, including crime. In 2009, the BBC ran headlines about the "Angolan mafia targeting Chinese." It prompted the Chinese embassy in Luanda to issue a warning on its webpage for Chinese to avoid staying out at night. This was "bad for business

[21] Ibid., 109.

[22] Ibid., 122.

[23] Personal correspondence with Lucy Corkin.

[24] Herculano Coroado and Joe Brock, "Angolans Resentful as China Tightens Its Grip," *Reuters*, July 9, 2015, http://www.reuters.com/article/2015/07/09/us-angola-china-insight-idUSKCN0PJ1LT20150709.

[25] Patrick McGroarty, "Angola's Boom, Fueled by China, Goes Bust," *The Wall Street Journal*, October 28, 2015, http://www.wsj.com/articles/angolas-boom-fueled-by-china-goes-bust-1446072930.

[26] "Angola's dos Santos in China Seeking Cash for Ailing Economy," *Reuters*, June 9, 2015, http://www.reuters.com/article/angola-china-idUSL5N0YV1R220150609.

[27] Coroado and Brock.

[28] "China Statistical Yearbook 2013," *National Bureau of Statistics of China*, 2014, http://www.stats.gov.cn/tjsj/ndsj/2013/indexeh.htm.

[29] "李克强在安哥拉召开海外民生座谈会" ["Li Held Livelihood Forum in Angola"], *Xinhua*, May 9, 2014, http://news.xinhuanet.com/world/2014-05/09/c_1110606390.htm.

between Angola and China," said Eddie Zhang, who was heading the construction of a football stadium at the time.[30] The risk has continued. In 2015, there were reports of waves of kidnappings that startled the local Chinese business community.[31]

A new element is that there have been cases of investigations of crimes committed by Chinese nationals against their compatriots, with Chinese Ministry of Public Security (MPS) agents operating abroad with agreement from host governments. In 2012, the MPS repatriated a gang of 37 Chinese criminals operating in Angola and targeting wealthy Chinese.[32]

On a more political level, protests by Angolans against Chinese interests can serve as a vehicle for criticizing the Angolan government. As human-rights activist Silvano Mazunda explains it, "people fear the government, so they protest against the Chinese instead."[33]

As another political risk factor, there is the enclave of Cabinda nestled just outside Angola proper between the Republic of Congo and the Democratic Republic of Congo. Off-shore oil fields dominate the region. The enclave houses a local separatist group, the Front for the Liberation of the Enclave of Cabinda (FLEC), which has been vocal in portraying the Chinese presence as an arm of the Angolan government. Rodrigues Mingas, a spokesman for an FLEC faction states that the Chinese "…are not our guests. They work for the Angolan government."[34] FLEC has taken responsibility for attacks on Chinese workers in the oil industry. This anti-Chinese campaign seems to have intensified in 2015, as the Angolan government grows more dependent on Chinese financing to offset the drop in oil prices. In July 2015, FLEC talked about China having to withdraw all its citizens from Cabinda or be "severely punished."[35]

Chinese oil companies and state-run banks have been on the forefront of developing relations with Angola. It is clear that China has privileged the political relations with the current regime without necessarily hedging political risk of sudden changes. The current situation with low and falling oil prices could increase social unrest.

Venezuela: Oil, Loans, and Political Risk

Venezuela-China relations share similarities with Angola-China relations. Venezuela is dependent on revenue from oil. Former President Hugo Chávez and current President Nicolás Maduro cultivated the relationship with China. Courting China has been part of Venezuela's anti-U.S. foreign policy under Chávez and now Maduro — part of their resistance to the long-time hegemonic power in the Americas. For China, access to oil has been the main motivation since it has become the world's largest importer.

The China Development Bank has been providing large-scale oil loans to Venezuela. According to news sources, the China Development Bank and Venezuela have established more than ten funds since 2008 at a value of approximately $37

A new element is that there have been cases of investigations of crimes committed by Chinese nationals against their compatriots, with Chinese Ministry of Public Security (MPS) agents operating abroad with agreement from host governments.

[30] "Angolan 'Mafia Targets Chinese,'" *BBC*, November 14, 2009, http://news.bbc.co.uk/2/hi/africa/8358919.stm.

[31] "China Asks Angola to Tighten Security as Kidnappings Rise," *Reuters*, November 10, 2015, http://news.yahoo.com/china-asks-angola-tighten-security-kidnappings-rise-132302009.html.

[32] Tom Phillips, "Chinese Gangsters Repatriated from Angola," *The Telegraph*, August 26, 2012, http://www.telegraph.co.uk/news/worldnews/asia/china/9500517/Chinese-gangsters-repatriated-from-Angola.html.

[33] Benoit Faucon and Sherry Su, "Hostility toward Workers Cools Angola-China Relationship," *The Wall Street Journal*, August 10, 2010, http://www.wsj.com/articles/SB10001424052748704388504575418990791137242?cb=logged0.006630356656387448.

[34] Hess and Aidoo, 130.

[35] Coroado and Brock.

The political changes in Venezuela following the elections in 2015 could create pressure to challenge the oil deals.

billion.[36] Other estimates put the total Chinese loan commitments from 2005 to 2013 at $56.3 billion.[37] In 2015, Maduro sought renewal and expansion of Chinese loans for 2016 to cushion the windfall from falling oil prices.[38] Chinese funds are channeled into Venezuela's National Development Fund where the government can use them for construction or social projects, which has been described as a tool to placate popular discontent.[39]

Furthermore, Chinese companies have been engaging in construction and infrastructure, such as rail roads. For example, Citic Construction Engineering Company built 5,360 apartment units, with 43 percent of the workers being Chinese.[40] The number of Chinese nationals in Venezuela is estimated at 50,000, but no major threats to them have been reported. In Latin America in general, and Venezuela specifically, the political risk for China comes from poor governance that could lead to default and non-performing Chinese loans rather than from failed states, as in Africa.

The China Development Bank has been a frontrunner in the relationship with Venezuela, leading to what China expert Matt Ferchen has called a "nationalization" of corporate risk.[41] It is also a significant bet on the durability of the existing regime, which has negotiated the current agreements with Chinese stakeholders. There is the risk of greater social instability.

Additionally, the political changes in Venezuela following the elections in 2015 — which swept the opposition into the National Assembly — could create pressure to challenge the oil deals. In fact, a Chinese think tank in a new study ranked Venezuela the most risky among 57 countries for Chinese investments.[42] It shows that there is a growing awareness inside China of Venezuela's political risk, although the Chinese loans keep flowing.

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36 Prudence Ho, "Venezuela Oil Loans Go Awry for China," *The Wall Street Journal,* June 10, 2015, http://www.wsj.com/articles/venezuela-oil-loans-go-awry-for-china-1434656360.

37 Bettina Gransow, "Chinese Infrastructure Investment in Latin America—an Assessment of Strategies, Actors and Risks" *Journal of Chinese Political Science*, vol. 20, no. 3 (September 2015).

38 "Venezuela to Borrow US$10b from China in Financing and Oil Deal," *South China Morning Post*, March 20, 2015, http://www.scmp.com/business/china-business/article/1743263/venezuela-borrow-us10b-china-financing-and-oil-deal.

39 Brian Ellsworth and Eyanir Chinea, "Special Report: Chavez's Oil-fed Fund Obscures Venezuela Money Trail," *Reuters,* September 26, 2012, http://www.reuters.com/article/us-venezuela-chavez-fund-idUSBRE88P0N020120926.

40 Charlie Devereux, "China Bankrolling Chavez's Reelection Bid with Oil Loans," *Bloomberg*, September 26, 2012, http://www.bloomberg.com/news/articles/2012-09-25/china-bankrolling-chavez-s-re-election-bid-with-oil-loans.

41 Matt Ferchen, "China and Venezuela: Equity Oil and Political Risk," *The Jamestown Foundation China Brief*, vol. 13, no. 3 (February 1, 2013), http://www.jamestown.org/single/?tx_ttnews%5Bswords%5D=8fd5893941d69d0be3f378576261ae3e&tx_ttnews%5Ball_the_words%5D=Venezuela&tx_ttnews%5Bcategories_1%5D=8&tx_ttnews%5Btt_news%5D=40404&tx_ttnews%5BbackPid%5D=7&cHash=2052ce9e7f15ddc3cec32b4c59f3ead7#.VonTE7YrKM9.

42 Zhou Xin, "Where Are the Riskiest Places in the World for Chinese to Do Business? This map tells you," *South China Morning Post*, December 31, 2015, http://www.scmp.com/news/china/economy/article/1896898/where-are-riskiest-places-world-chinese-do-business-map-tells-you?utm_source=&utm_medium=&utm_campaign=SCMPSocialNewsfeed.

5 Conclusion

China's new global footprint exposes its companies to greater risks, and the Chinese government has in many ways been compelled to "go global" to protect these new-found interests abroad. Never before have geopolitical risk and conflicts overseas so affected Chinese economic and security interests.

In the South Atlantic countries, China has not yet had to undertake a large-scale evacuation of workers as in Libya in 2011. Similarly, it has not been necessary to demand the same level of protection from host governments as China has in Pakistan, where special military units are poised to guard Chinese workers. So far, China also has not had to engage in conflict-mediation combined with UN-peacekeeping as it has done in South Sudan to keep the country stable and the oil pumps running.

Nevertheless, the cases of Angola and Venezuela highlight the challenges for risk management and for settling liability between companies and government. Angola has given name to the "Angola model" of bundling loans-for-resource deals. Some Chinese experts talk about the "corporatization" of Chinese foreign policy since most Chinese companies going abroad are state-owned enterprises, which are part of the Communist party system but have shown commercial willingness to take on great risk for their assets and nationals.

In contrast, the Chinese government apparatus is inherently risk-averse in its strategic posture. When things go wrong that create danger for assets and nationals, who is responsible? Is it the individual companies or is it the Chinese government, which ultimately owns them? There is a certain historical analogy to the manner in which the British Empire was pulled out by the business adventures of the East India Company. Chinese companies, through their risk-willingness in fragile states, pull the risk-averse Chinese government into new and unwanted risk and conflict zones.

This is evident in the South Atlantic where Chinese companies are heavily engaged, from securing oil to providing loans and building infrastructure. But with this follows human presence and Chinese assets to protect. As the case studies have demonstrated, both Angola and Venezuela are danger spots for Chinese interests on the Risk Map in the South Atlantic, with their large-scale Chinese nationals and assets at stake.

Both countries currently suffer from low oil prices, which lead the governments to demand even more loans from China. Both countries could also potentially be affected by political change. This could pose vulnerabilities for China, which has mainly cultivated state-to-state ties with the current power-holders. As the Chinese governmental advisor and expert Shi Yinhong put it in conversation about China's involvement in Libya: "In 1979 we lost on dealing only with the Shah in Iran, in 1989 on Ceacescu's Romania when his rule crumbled, and in 1999 with Milosevic's Serbia. In 2011, China has got to be smarter."[43] In Angola and Venezuela, China seems to have followed the classic approach and put all its eggs in one basket with the current regime.

A possible default in Venezuela would suddenly put China, the main bilateral creditor, in the spotlight to secure its assets. This might then include Chinese demands for economic reforms by the Venezuelan government, which would be a new departure for China's already very flexible non-interference policy. China would need to develop standards for what it would consider good governance in another country.

In case of significant social instability, it could also create additional risks for Chinese nationals present in the two countries. The Cabinda enclave's targeting of Chinese nationals could spiral into

Chinese companies, through their risk-willingness in fragile states, pull the risk-averse Chinese government into new and unwanted risk and conflict zones.

[43] Parello-Plesner and Duchâtel.

hostage-taking or further attacks. Similar things have happened in the Sudans, where the Chinese government's tight links with the government in Khartoum made Chinese interests the target of rebel groups.

Even though Chinese foreign policy remains cautious, with Chinese citizens increasingly at risk when civil conflicts spin out of control, China is more likely to lend stronger support for multilateral interventions — if its own interests are at stake. Angola, with around 200,000 Chinese nationals, huge investments, and loans, looks like a perfect candidate. If the country were hit by internal instability, China would be scrambling to find solutions, including through multilateral action. China could suddenly be the main power in the Security Council clamoring for an international response.

In the coming years, China does face genuine risk in the South Atlantic.

6 Appendix

Figure 2: Annual Chinese Investments and Contracts in the South Atlantic ($ millions)

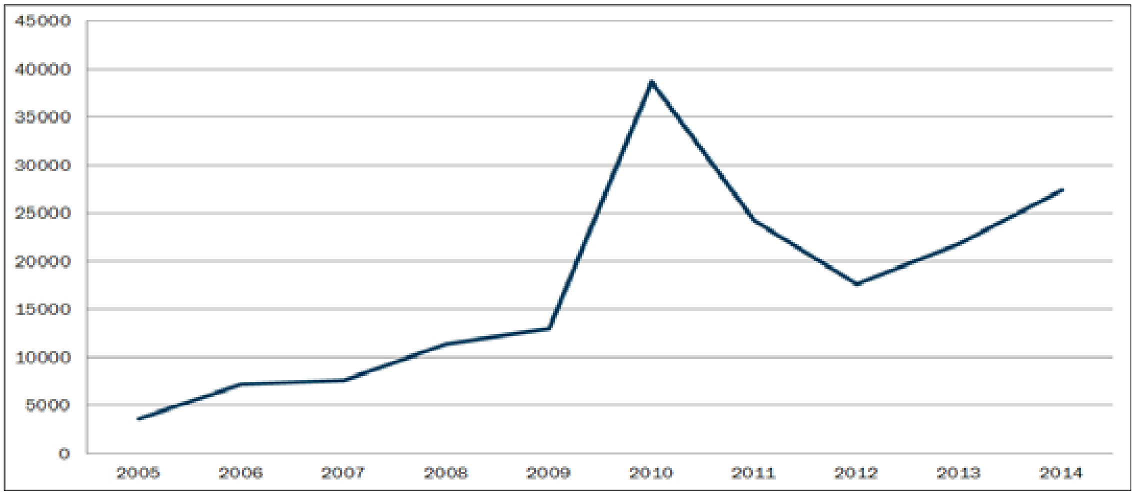

Figure 3: Total Chinese Investments and Contracts in the South Atlantic

Africa (2005-14)

Country	Amount
Nigeria	$28.75 billion
Angola	$13.75 billion
South Africa	$9.55 billion
Guinea	$8.71 billion
D.R. Congo	$7.98 billion
Cameroon	$5.83 billion
Ghana	$5.66 billion
Republic of Congo	$4.39 billion
Sierra Leone	$4.35 billion
Namibia	$2.85 billion
Equatorial Guinea	$2.3 billion
Gabon	$1.52 billion
Côte d'Ivoire	$1.43 billion
Mauritania	$1.32 billion
Morocco	$1.04 billion
Senegal	$950 million
Togo	$750 million
Benin	$240 million
Liberia	$110 million

Latin America (2005-15)

Country	Amount
Venezuela	$22.11 billion
Brazil	$33.94 billion
Argentina	$14.31 billion
Guyana	$860 million

Source: Author's compilation from "The China Global Investment Tracker," published by the American Enterprise Institute and the Heritage Foundation.

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