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Belt & Road Initiative

China's Energy Security: Reality Roadblock in Ethiopia

By Alessandro Arduino

Synopsis

Massive Chinese infrastructure investments across the Eurasian landmass and Africa, together with the influx of Chinese personnel, are targeted by insurgents, rebels, and militants. The uncertainty in Ethiopia undermines China's efforts to boost economic links with the African continent via the One Belt One Road Initiative.

Commentary

ETHIOPIA, SITUATED in the Horn of Africa and next to Djibouti where China is building its first ever foreign military base, is a key node along the proposed route of the One Belt One Road, now known as the Belt & Road Initiative (BRI). This ambitious project to reshape the world through infrastructure connectivity, however, is hampered by domestic conflicts and local opposition.

Early this year, Chinese state-owned companies (SOEs) scored a success when they completed the construction of a 750 km Addis Ababa-Djibouti electrical railway. The railway has prompted Ethiopia to engage China in its efforts to maintain economic growth at eight per cent a year.

Ethiopia's Economic Plan and China's Role

In 2015, Addis Ababa inked an agreement with Beijing to develop a 550 km refined petroleum pipeline. A US\$4 billion natural gas project connecting Ethiopia with neighbouring Djibouti is next in line. Poly GCL Petroleum Group Holding Ltd is in charge of the project. It includes a liquefaction plant, a 770 km natural gas pipeline, and an export terminal in Djibouti with an expected capacity of 12 billion m³ of

natural gas per year. Poly CGL is the energy arm of China Poly Group which includes Poly Technologies, one of the most sophisticated defence manufacturers among Chinese companies.

Ethiopia's instability and risks faced by Chinese investors originate from its government's aggressive economic policy of farmland expropriation. In a country whose 80 per cent of GDP is generated by agriculture, opposition against farmland expropriation fuels ethnic tensions, independence movements, and militant actions such as neighbouring Somalia's al-Shabab's cross-border incursions.

On 15 March 2017, armed militia from South Sudan killed 28 people and kidnapped 43 children in neighbouring Ethiopia. On 23 March SITE Intelligence Group announced that al-Shabab claimed the killing of 17 soldiers in an attack in the coastal city of Barawe in southwestern Somalia.

Ethiopia is not only affected by the spillover of the South Sudan civil war but also by latent belligerence along the Eritrean border and terrorist incursions from neighbouring Somalia. To complicate matters, Addis Ababa's grip on independent ethnic movements from peripheral regions created a constant source of friction.

Insecurity along One Belt One Road

China's footprint in Ethiopia and elsewhere in Africa has, however, not gone unchallenged.

Nine Chinese oil and gas prospectors were killed in 2007 in south-eastern Ethiopia. Another seven were subsequently kidnapped and later released by the Ogaden National Liberation Front in a bid to force foreign oil companies to leave. Poly GCL is also likely to be vulnerable to politically and criminally-motivated attacks.

After the establishment of diplomatic relations with China in 1970, Ethiopia enacted a series of bilateral agreements to deepen economic and technological cooperation with Beijing. Despite long-standing ideological affinity during the Derg regime, whose revolutionary officers toppled Emperor Haile Selassie in 1974, trade between Ethiopia and China gained momentum only in 2006. By 2014, the cumulative value of Chinese-contracted projects exceeded \$22 billion.

Chinese SOEs built the Tekeze Dam, highways, and roads. Chinese ICT companies such as ZTE and Huawei dominate the Ethiopian telecommunications sector. Chinese industrial parks have mushroomed with Chinese enterprises' investment in industries ranging from textiles to electronics. At the same time, Poly GCL is not the first foreign company interested in Ethiopian natural gas resources as oil companies from Russia and Malaysia have already left the country empty-handed.

Controversy Sparks Instability

Structural reforms designed to move Ethiopia away from "agricultural dependence" to "development-driven by industry" have fuelled not only economic growth but also opposition and instability. Expropriation of huge tracts of farmland sparked protests that fed anti-Chinese sentiment.

Continued unrest could threaten China's economic cooperation in the region. Ethiopia, like Pakistan, has promised to deploy its military to protect the pipeline projects. While Islamabad's pledge includes positioning 15,000 soldiers along the Sino-Pakistan Economic Corridors, Addis Ababa is still evaluating options. At the same time, the ban on international private security corporation interested in providing armed contractors in Ethiopia is still in effect.

Military and private armed protection is unlikely to be all that is needed. Chinese insurance companies and private security companies are likely to be called in to assess threats, monitor local stakeholder attitudes towards Chinese personnel, and provide crisis management when required.

Reality Check to Come?

Yet, even that may not offer a sense of comfort and security. Chinese private security companies play different roles from Western operators in Iraq and Afghanistan. They face challenges whenever their Chinese clients underestimate threats, over-rely on security arrangements negotiated by their government, and ineffectively deal with the host country's armed security.

In addition, they fail to take into account anti-Chinese sentiments fuelled by the influx of Chinese workers and companies and subsequent disruption of power arrangements and redistribution of wealth. It is a recurring pattern across Southeast and Central Asia. The Chinese SOEs' ability to provide accurate on-going risk assessment and contingency planning does not match their ability to acquire preferential credit line from the Chinese banks and constructing macro infrastructural projects.

The BRI has yet fulfilled its promise of a win-win situation for all parties involved. Very likely, increasing numbers of Chinese workers drawn to the BRI massive projects will sooner than later provide a reality check and force governments to review policies.

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