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2012-07-02
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The Growth of the International Private Security Industry: A Market Tool to Ensure Market-oriented Growth in sub-Saharan Africa's 'Petro-States?'

A political economy study of private security and military companies operating in oil-producing sub-Saharan African states: Who are the winners and who are the losers from greater oil-sector capitalisation, due to the bolstered security environments for commercial interests? What are the implications of this upon the institutional capacities of sub-Saharan African states?

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Research Report presented in partial fulfilment of the requirements for the degree of Master of Arts (International Relations) at the University of the Witwatersrand, Johannesburg.

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February 2011

Abstract

This paper considers the political economy of sub-Saharan African petro-states, by specifically examining the causal link between recent developments in private military and security provision and trends in the allocation and receipt of inward foreign direct investment to the region. It is argued that private military and security companies are playing an increasingly significant role in the political economies of these countries, by facilitating transnational oil and mining interests and effectively allowing foreign capital to circumvent prior concerns relating to security. To make these claims, this paper assesses a number of cross-national variables relating to institutional quality, economic security and political stability vis-'a-vis inward foreign direct investment. It is found that many of the most poorly governed states in the region are in fact the greatest recipients of inward foreign direct investment, on account of their large and exploitable reserves of crude oil. The growth of the international private security industry is then framed as an effective causal mechanism in this context. It is argued that the industry services the institutional deficiencies of such states, and therefore privately secures foreign investment, insofar that matters relating to good governance are being increasingly minimised vis-'a-vis global investment patterns to the region.

Acknowledgements

I thank my supervisor, Dr. Vishwas Satgar, for his advice and wisdom which have greatly aided me over the past year. I would like to thank Prof. Rod Alence for introducing me to many of the concepts which have inspired the mixed methodology of this paper. I would further like to express my gratitude to Dr. David Hornsby and Dr. Leaza Jernberg who have greatly fostered my post-graduate research interests in the fields of international political economy and security studies respectively.

Most of all, I would like to thank my parents for their endless support and encouragement of all my academic endeavours, and who have inspired me to persevere in the face of whatever life may throw my way. To my grandfather, S.H. Singh, who journeyed to a better place in the last two months of this paper being completed, your memory has, and always will, serve me well.

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Abbreviations

DSL	**Defence Systems Limited**
E.O.	**Executive Outcomes**
FAA	**Forcas Armada de Angola**
FDI	**Foreign Direct Investment**
GCR	**Global Competitiveness Report**
GDP	**Gross Domestic Product**
INGO	**International Non-Governmental Organisation**
MNC	**Multinational Corporation**
MPLA	**Movimento Popular de Libertacao de Angola**
MPRI	**Military Professional Resources, Incorporated**
NOC	**National Oil Company**
NGO	**Non-Governmental Organisation**
PMC	**Private Military Company**
PMSC	**Private Military Security Company**
PSA	**Production Sharing Agreement**
PSC	**Private Security Company**
PSI	**Private Security Industry**
SADF	**South African Defence Force**
Sonangol	**Sociedade Nacionao de Combustivies**
SRC	**Strategic Resources Corporation**
SSA	**Sub-Saharan Africa**
UNCTAD	**United Nations Conference on Trade and Development**
UNITA	**Uniao para a Independencia Total de Angola**
WGI	**World Governance Indicators**

Chapter I

Introduction

The emergence of private military and security companies as significant actors in the international system are a relatively recent development. The proliferation of these corporate entities are in many ways one of the defining features of the post-Cold War international political economy, and have been informed by a number of key geopolitical and ideational shifts in the contemporary international system. The effects of these actors upon the political economies of the countries and regions in which they operate are, however, a largely neglected field of study. This is generally not due to a lack of scholarly interest, but rather on account of the very limited information surrounding the activities and operations of such companies. Moreover, most research in this area has been largely concerned with legal issues, specifically in terms of transparency, accountability and endeavours to define the legal status of such entities. This preoccupation by academics on the legal discourse surrounding the modern international private security industry (PSI) is largely justifiable, due to the common, albeit generally misinformed, assumptions that the industry is simply a new form of mercenarism.

This paper, however, whilst touching upon these issues, examines modern private military and security companies from a political economy perspective. Specifically, this paper examines the potential influence these companies have upon augmenting the locational advantages of sub-Saharan African petro-states, by allowing these countries to more effectively secure the receipt of large sums of inward foreign direct investment (FDI), despite their exceptionally poor macroeconomic and institutional policy environments. The issues of economic security and political stability, within the broader framework of institutional theory, are therefore the primary issues with which this study deals with, by constituting the central pillars upon which environments conducive to foreign investment rest upon.

Noting sub-Saharan Africa's recent foray into international oil and security politics, and the subsequent rise in the international strategic value of the region - which has to a great degree coincided with the growth of the international private security industry - the region provides an ideal testing ground for this relatively new adventure of capitalist expansion. To this effect, the idea of

the Weberian state maintaining a monopoly over violence is placed at direct odds with the increasing growth and evolution of private military and security companies, which can be viewed as the imposition of the market to facilitate transnational interests in securing scarce, and strategically significant, commodities – such as crude oil. Furthermore, the findings of this paper credit certain ideas within political economy studies of the primary determinants of inward FDI (otherwise referred to as the study of locational advantage). By building upon the notion that institutions are a major locational advantage in international business as they represent one the few remaining significant and immobile factors in an increasingly globalised marketplace, this paper contends that the growth of the PSI in sub-Saharan Africa, over the past two decades, can be understood as the manifestation of the market to turn a traditionally immobile factor, which has not been conducive to the strategic interests of certain international actors, into something which is mobile. Whereas the security of foreign investments once rested solely upon the practices of good governance by host states, this function can now increasingly be outsourced and privatised in order to accommodate the interests of asset and resource seeking FDI in the region.

Such developments have had a remarkable effect upon the region in terms of the strengthening and proliferation of enclave-based economies as well as numerous associated security and political concerns which this has ultimately led to. Based upon these observations, this paper considers the political economy of sub-Saharan African petro-states, by specifically examining the causal link between recent developments in private military and security provision and trends in the allocation and receipt of inward foreign direct investment to the region. It is argued that private military and security companies are playing an increasingly significant role in the political economies of these countries, by facilitating transnational oil and mining interests and effectively allowing foreign capital to circumvent prior concerns relating to security. To make these claims, this paper assesses a number of cross-national variables relating to institutional quality, economic security and political stability vis-'a-vis inward foreign direct investment. It is found that many of the most poorly governed states in the region are in fact the greatest recipients of inward foreign direct investment, on account of their large and exploitable reserves of crude oil. The growth of the international private security industry is then framed as an effective causal mechanism in this context. It is argued that the industry services the institutional deficiencies of such states, and therefore privately secures foreign investment, insofar that matters relating to good governance are being increasingly minimised vis-'a-vis global investment patterns to the region.

In order to study the concept of good governance in opposition to other determinants of locational advantage, this paper draws upon a comprehensive dataset inclusive of a number of key aggregate indicators which further account for six broad dimensions of governance and institutional and policy related variables. Good governance, therefore, refers to how well sub-Saharan African countries score against these measures, whilst employing similar methods to capture all other independent and intervening variables relating to locational advantage.

By studying the relationship between key governance indicators and levels of foreign investment, this study seeks to question established views on what constitutes a suitable environment for the attraction of foreign capital, and the subsequent potential for investment-driven economic growth. The motivations underlying this study, stem from prior quantitative analyses whose findings contradict the liberalisation-democratisation panacea, by illustrating the fact that countries which – in conventional terms – are the most corrupt, least accountable and, in general, score very poorly on institutional and policy related matters often attract and secure very large sums of foreign investment. To this effect, this paper employs a mixed methodology inclusive of quantitative and qualitative methods, with the latter used to primarily determine the causal effect of the private security industry upon the locational advantages of sub-Saharan African petro-states. By doing so, this paper shall explain the emergence, role and impact of the private security industry on investment patterns in sub-Saharan African petro-states, as well as assessing the contribution of the securitisation of these states to the existing frameworks of the resource-curse and rentier state hypotheses, as well as the more general political economic prescriptions of institutional theory.

The primary aims of this paper are therefore:

i. To quantitatively examine the statistical association between institutional and policy related variables vis-'a-vis patterns of inward foreign direct investment to the sub-Saharan African region.
ii. To quantitatively examine the casual strength of such variables relating to good governance, upon inward FDI, in contrast to variables which account for oil-wealth.
iii. To qualitatively assess the extent to which the growth of the international private security industry enables, or contributes to, trends in the allocation of inward FDI to institutionally weak, politically unstable and economically insecure oil producing states in the region; and lastly,

iv. To examine whether the general prescriptions of institutional theory, relating to locational advantage, are relevant in explaining the political economies of sub-Saharan African petro-states.

There are three key reasons that warrant further research into the issues examined in this paper. Firstly, since the end of the Cold War, the privatisation of many core state functions has been on the increase. In Africa, specifically, the proliferation of international non-governmental organisations has stepped into almost every sector of the economy, the effects of which have been previously studied and reported to exacerbate the weakening of governmental accountability and capacity in a number of ways. Security, it seems is following this trend, with the global private security industry rapidly, and consistently, increasing in size over the past twenty years. The effects of this, however, are of much greater significance than other state functions which have been supplanted by either the market or other non-governmental actors, as security, and more importantly the state monopoly over violence, are issues that speak to the very heart of conventional understandings of the state, sovereignty, and the international system.

Secondly, Africa's continuing economic malaise, despite its natural resource wealth, is an issue that is never far off the top of any developmental agenda. While much literature has been generated, as well as countless statistical analyses conducted, around the resource curse and rentier state hypotheses, there still exists a vast gap in what is known, and what has been studied, in the political economy of resource rich African states vis-a'-vis the trilateral relationship between state, private security provider, and mineral-extractive commercial interests. Thirdly, views of the international private security industry are often juxtaposed against a new form of mercenarism. Such views need to be tempered by a greater understanding of private military and security companies, leading to better devised policies by governments, non-governmental organisations and the private sector, which can work to the benefit of all parties involved.

Chapter II

Literature Review and Theoretical Framework

This chapter shall provide an account of the key strands of literature, as well as the relevant theoretical models and paradigms, with which the analysis presented in this paper engages and builds upon. To achieve this, this chapter shall proceed in four parts by means of a review of the two distinct literatures which this study aims to reconcile, followed by a discussion on the theoretical dimensions which inform the broader aims of this paper. The first review considers the current debate regarding the international private security industry, by examining contemporary understandings of what exactly constitutes the provision of private security and military related services vis-'a-vis the industry's modern corporate guise.

The second strand of literature reviewed in this chapter concerns itself with an understanding of the political economy of sub-Saharan African petro-states. This section shall underscore the defining features of such states with regard to basic institutional development vis-'a-vis the large-scale government receipt of oil revenues. Specifically, this section shall introduce the concept of the sub-Saharan African 'enclave' economy, and the implications of these economies upon domestic and regional security concerns. Through this review, the *internal* market demand for security will be derived in order to not only bolster the growing legitimacy of the international PSI, but to dually compliment and emphasise the associated *external* market demand for private security in SSA – which shall be outlined in chapter four.

The third, section of this chapter introduces a theoretical dimension which deals specifically with the political economies of developing, resource-rich, states. The idea of a 'resource curse' shall be used as the primary framework in which to frame the arguments posited in the prior literature reviews, whilst touching upon the many associated theoretical variants of the so called 'curse'. The fourth, and final, section of this chapter examines the political economy of foreign direct investment inflows to the sub-Saharan African region, and provides much of the conceptual basis for the methodological choices employed in the following chapter. This section provides a theoretical insight into the certain factors which inform the locational choices of foreign actors, with respect to their investment decisions, concerning the SSA region. In this way, a greater understanding of the general prescriptions which inform foreign investment inflows, and the subsequent potential for market-

driven growth, in SSA countries vis-'a-vis established institutional and economic theories can be garnered – and made quantitatively (and qualitatively) testable.

2.1 A Review of the Debate Regarding the International Private Security Industry in sub-Saharan Africa

This section shall outline the key issues, and current debates, regarding the growth and operation of the international private security industry operating in sub-Saharan Africa. Particular attention shall be paid to the nature of the operations of certain private military and security contractors, and the implications of these entities with regard to the political economy of the region. The following review shall proceed in three parts: Firstly, a holistic definition which captures the many facets of the international private security industry will be discussed and worked toward, by drawing upon the ideas and subjective notions of what exactly constitutes, and distinguishes, one form of private security (or military) provision from another. Essentially, a working definition of what shall be referred to as the PSI (private security industry) and PMSCs (private military security companies), which shall inform the following quantitative and qualitative analyses of this paper, will be outlined and elaborated upon.

Secondly, the numerous independent and complimentary, international and regional, trends which have spurred the growth and development of the international PSI shall be highlighted, and discussed in relation to the growing demand for the services of the industry. Thirdly, this section shall explicate the theoretical grounds for the further legitimisation of the international PSI, through greater regulation, and policy development, such that PMSCs operating in SSA act with greater accountability and effectiveness. One of the primary aims of this endeavour will be to build upon the working definitions regarding the PSI and PMSCs, and to dually emphasise the distinction between these entities in opposition to the historical relationship shared by many of these states vis-'a-vis mercenarism – and the so-called 'dogs of war.' The prescriptions put forward in this section will, however, be tempered by a concurrent discussion outlining the primary causes for concern, with regard to the growth and operation of the industry.

2.1.1 Working Toward a Definitive Understanding of the International Private Security Industry: What is a Private Military/Security Company?

Within the contemporary parlance of international organisations and policy-circles, the international private security industry – and more specifically, international private military and security companies – remain largely contested and subjective units of analysis, primarily on account of

varying definitions which attempt to outline the nature, legitimacy and scope of operations of these actors within the international system. In order to better understand the industry and the effects of these actors upon the political economy of the sub-Saharan African region, a holistic definition which shall inform of the core aims of this paper shall be worked toward and outlined vis-'a-vis a review of the key divergences which currently exist within the greater debate surrounding the international PSI and PMSCs.

Firstly, it must be noted that the international *private security industry* – as referred to in this paper – is a term indicative of all private companies, of a transnational nature, which provide, in whatever form, services that offer prospective clients security-related and/or military-related services. This can therefore be understood as a very loose, illustrative, term to refer to the transnational interests and operations of all actors associated with the growth, development and evolution of private security and military related services. Subsequently, private military and security companies, or PMSCs, fall under the rubric the international PSI within the arguments presented, and prescriptions put forward, by this paper – and can be further understood as the key components and tangible manifestations of the interests of the international PSI. Furthermore, a clear distinction between PMSCs and the international PSI allows greater insight into the workings of this complimentary unit as a whole vis-'a-vis the effects they pose upon the political economies of sub-Saharan African states; as this permits two levels of analysis, one in which more theoretical and lofty arguments can be posited – noting certain trends and shifting discourses within the international system – with reference to the PSI, and the other allowing more a more detailed and practical of level of analysis with regard to PMSCs.

Secondly, much of the discourse surrounding the concept of what constitutes and defines the nature of the services provided by the international PSI concerns itself with the distinction between the scope and operations of private military companies (PMCs) and private security companies (PSCs).[1] Whilst this distinction is of notable significance, especially in terms of the debate around the legitimacy of the industry and in terms of issues of accountability and regulation, this paper shall primarily refer to the nexus of these two seemingly disparate concepts by drawing upon the more comprehensive notion of PMSCs. This shall allow a more nuanced approach to the analysis of transnational private security, as a whole, upon the political economy of the SSA region, needless to say that the distinctions between PMCs and PSCs will be covered in the following review.

[1] Singer, P.W., "Outsourcing War", Foreign Affairs, Vol. 84, No. 2, March/April 2005, pp. 120 - 123

As posited by Cilliers and Mason, noting the particular divergences in opinion and understanding of PMSCs, there does exist some margin of consensus based upon the broader mandates and operations of these actors. Key to this understanding is their acknowledgement that PMSCs offer services relating to risk assessment, personal and asset protection, as well as "... the sale, installation and maintenance of basic protection equipment, to high-technology protection and surveillance measures".[2] This notion is inclusive of both the PMC and PSC, as defined within their capacities as agents of the interests of the international PSI - as it is informed by an awareness of their respective offensive, intrusive, as well as defensive or passive capabilities. This distinction is more comprehensively captured by Tim Spicer, on the specific attributes of PMCs, on which he elaborates that:

> [PMCs] are defined as those organisations which do more than provide passive assistance in areas of conflict. They may provide training and equipment to extend the capabilities of their client's military resources, providing them with the strategic or operational advantage that is necessary to suppress their opposition or, going even further, play an active role alongside the client forces as force multipliers, deploying their own personnel in the field of conflict, but with the strict caveat that they are acting within the chain of command of the client's military hierarchy.[3]

Building upon the above conception of the PMC, Shearer goes on to elaborate that such entities are distinct from other forms of forms of *security* provision in terms of their design, which primarily concerns itself with an ability to have a strategic impact upon the "... security and political environments of weak states facing a significant military threat."[4] The core mandate of such actors is to therefore enhance a client's capability when facing a direct military threat, and to deter potential conflict.[5] PSCs, on the other hand, do not directly engage in warfare alongside a client's military forces (effectively acting as 'force multipliers'), as they focus upon softer security-related services such as pre-deployment training for peacekeepers by international humanitarian organisations for example, the protection of physical and economic assets within a foreign country, logistics and equipment servicing among many others; however, there is considerable overlap between the services offered by both PSCs and PMCs.[6]

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[2] Cilliers, J., "Private Security in war-torn African states" in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999, p. 2

[3] Ibid. p. 2

[4] Shearer, D., "Private Armies and Military Intervention", International Institute for Strategic Studies, Adelphi Paper 316, London, February 1998, p. 23

[5] Ibid. p. 23

[6] Singer, P.W., Op. Cit. p. 120 - 123

Subsequently, the PMC and PSC can be understood as the two extremes on opposite end of a continuum which represents the nature and scope of services on offer by the international PSI, with the PMC arguably offering the most controversial, aggressive and intrusive services, whilst the PSC offers far more passive and defensive provisions. Taken together, this continuum could be descriptively understood as a single unit of analysis, captured by the term "private military and security companies", or PMSCs. Whilst the particular services offered by PMSCs lend, to a considerable degree, a greater understanding of these entities, of further interest to the aims of this paper is the equally significant nature and behaviour of these actors, with special regard to their actions in sub-Saharan Africa.

As noted by a number of academics and commentators, the modern activities of PMSCs can often be found within political-economic environments characterised by close network associations between heads of state, multinational corporations and the upper management of the PMSCs themselves; furthermore, within SSA, these entities can often be found in the service of larger corporate interests which specifically revolve around transnational mining interests – and increasingly associated with base mineral exploration companies.[7] The latter trend is significantly pronounced in sub-Saharan Africa, primarily due to the very high-risk nature of the operations of mineral exploration companies, often conducting their affairs in politically sensitive and unstable parts of the world - subsequently leading to a great demand for security and protection.

Given these observations, a number of prescriptions can be put forward which attempt to highlight the role and relevance of the international PSI vis-'a-vis the political economy of the SSA region. As eloquently posited by Peter Lock:

> The PSI will thrive in the monetarised export-oriented pockets Africa's economies. Its services will be instrumental in positioning these sectors competitively in the world market, because security is a fundamental precondition required to attract the foreign capital required to realise the potential wealth of the region.[8]

This is an especially critical insight, provided by Lock, as it clearly lays the foundation for greater inquiry into the idea that one of the key components of the international PSI is that it acts to service the interests of transnational corporate entities, specifically within the mining industry and in the developing world, by bolstering the international competitiveness of certain economic *pockets* of

[7] Cilliers, J., Op. Cit., pp. 3 - 5

[8] Lock, P., "Africa, military downsizing and the growth in the security industry", in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999, p. 31

wealth through the provision of security – which previously rested, solely, upon the shoulders of national governments. In a way, the development and evolution of the PSI, has effectively over-ridden prior transnational corporate concerns regarding the safety and security of certain financial and physical assets and investments within politically unstable, or institutionally weak, offshore sovereign territories. The PSI therefore, works to fill a political-economic void, arguably a 'market-gap', in which otherwise too-risky environments can now be deemed potential hosts for inward foreign direct investment, and the ultimate adventure of the consolidation of transnational corporate interests, and global capitalism within the former marginal areas of the international system.

Indeed, as opposed to misconceptions of the modern PSI vis-'a-vis the mercenary companies of the 1960s and 1970s in SSA, certain fundamental features of these entities can be seen to be directly informed from the consolidation of global capitalism and transnational corporate interests. The modern PMSC, as elaborated upon by Khareen Pech, is characterised by not only by the transnational nature of their operations, but dually by notably complex corporate and military organisations – with the latter being indicative of PMCs specifically.[9] Furthermore, these entities have been consistently involved with international campaigns to gain credibility and effectively shake-off any pejorative conceptions of their business, whilst paradoxically maintaining some margin of secrecy in lieu of the numerous corporate and political powers which finance their operations.[10]

2.1.2 Accounting for the key Geopolitical and Ideational Shifts within the International System which have informed the Evolution and Development of the PSI

The international private security industry, as defined by many of the features outlined above, is, to a large degree, a very recent entity and actor within the international system. While forms of private-profiteering over conflict, and arms-for-hire type mercenary activity, can be found in texts dating to antiquity, private military and security companies, as legitimate providers of military and security assistance, in the form of well organised corporate entities with shareholders, managers, assets, liabilities and so on, is a very recent phenomenon. The relatively recent development and evolution of the industry can be attributed to a number of distinct *shifts* within the international system, dating, roughly, back to the end of the Cold-War – and the unique state of affairs which marked this system as a result. Specifically, three broad facets of the post-Cold War international

[9] Pech, K., "Executive Outcomes - A Corporate Conquest", in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999, p. 83

[10] Ibid. p. 83

order directly influenced and spurred the development of private military and security contractors, which in turn informed the greater industry as it is known today.

The first major impetus for the development of the PSI stemmed primarily from the years of global tensions produced by the Cold War itself, and the subsequent downsizing and demobilisation of military forces, throughout the world, which followed in its wake. By one estimate, the global number of individuals in national armed forces fell by six million, during the period 1987 to 1996, resulting in a flood of military and security related experience and expertise onto the international private, non-governmental, marketplace.[11] Further informing this situation, and giving rise to the development of a historically unique form of private military and security provision, was the realisation of many former serviceman that -due to the increasingly technical and managerial nature of modern militaries – their expertise and trade no longer became redundant in their transition into civilian life but could be applied and exploited in the private sector, which offered remuneration rates far above anything that was offered by service in the public sphere.[12] This culminated in a significant break from previous generations of retiring military personnel, who, due to certain historical differences, either lacked these opportunities or never gained the technical and managerial expertise to pursue profitable careers within the private sector *and* within a related field.

The second distinct, yet coinciding, feature of the early post-Cold War international system which informed the growth of the international PSI was the, arguable, triumph of the neo-liberal economic paradigm – and the subsequent effects that this imposed upon the concepts of statehood and sovereignty vis-'a-vis privatisation and restructuring.[13] With specific regard to sub-Saharan Africa, the post-Cold War period entailed a cumulative externalisation of state functions, following a decade of increasing pressure by, and subjugation to, international financial organisations (notably the World Bank and the International Monetary Fund) with regard to the imposition of the now notorious structural adjustment policies - which followed the region's debt crises of the 1970s.[14] The prevailing logic of the time advocated that the many of the woes confronting the developing world were directly attributable to large, inefficient and costly state bureaucracies which inhibited

[11] With regard to military downsizing and demobilisation in the post-Cold War period, Spearin comments that: *"Direct causal factors note states pursuing the peace dividend through military cutbacks and responding to agreements such as the Conventional Forces in Europe Treaty. Indirectly, a smaller armed force leads to less chance for promotion, which also influences people to leave the military."* Spearin, C., "Private Security Companies and Humanitarians: A Corporate Solution to Securing Humanitarian Spaces?" International Peacekeeping, Vol. 8, No. 1, Spring 2001, p.27

[12] Ibid. p. 27

[13] Ibid. p. 27

[14] Lock, P., Op. Cit. p. 18

the natural growth and evolution of market forces, which needed to operate freely with minimal state intervention and influence.[15] Remaining cognisant of these trends, much literature has been generated surrounding the issue of the African state being effectively *hollowed out* from within, referring to the implications upon governance and institutional development and quality vis-'a-vis the privatisation, outsourcing and externalisation of many functions of the state – which once remained the sole reserve of sovereign governments.[16]

By extending this logic, Lock posits that "... military functions and security services are simply the latest additions to the list of state functions that are increasingly being externalised and often privatised," building upon the notion of a 'project of external governance' in which there is little left for democratically-elected leaders to decide upon vis-'a-vis pressures emanating from foreign powers in the guise of international organisations, other states and even certain non-governmental organisations working within their respective countries.[17] An interesting argument put forward by Richard Cornwell refers to these processes as the 'reverse side of globalisation', in which he highlights that: "Transnational companies, having demanded a new set of global rules which have effectively undermined the state in certain of the world's margins, are now able to provide just as much of the apparatus usually reserved to the state, to carry out their businesses in relative safety and at great profit..."[18]

A third fundamental issue which has spurred the growth and evolution of the international PSI has been the failure of legitimate and effective international responses to African crises, with specific regard to the arguably 'lost' strategic value of the continent by major international powers in the aftermath of the Cold War – as well as the failures by international organisations in responding to the turbulent security demands of the SSA region. Mark Malan argues that a niche market for the provision of private security has emerged on account of these issues, to the extent that the demand for the services of the industry have evolved alongside the growth of the international humanitarian sector, in a complimentary fashion, which credits his notion of a growing contract culture and his

[15] Cornwall, R., "The Collapse of the African State", in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999 pp. 68 - 69

[16] Lock, P., Op. Cit. p. 19 *see also* Basedau, M. & Lacher, W., A Paradox of Plenty? Rent Distribution and Political Stability in Oil States, German Institute of Global and Area Studies, Working Paper No. 21, April 2008, p. 18: Authors argue that the Equato-Guinean government's oil-derived expenditure on foreign security firms demonstrates the greater privatisation of state functions, along with the exclusive safeguarding of state elites and the country's rentier (oil) sector.

[17] Ibid. p. 19

[18] Cornwall, R., Op. Cit. p. 76

argument that "... the burden of caring is being privatised".[19] Malan goes on to argue that of key concern to developing countries is the concept of stability, more so than security, in which he posits:

> Stability is a condition in which a whole variety of tasks can be executed as part of daily life, without undue threat to life and limb. It is this essential and elementary aspect of law and order that the international community has been unable to provide in African countries afflicted by civil strife and armed conflict. It is unlikely that this situation will improve simply through the devolution of responsibility to lower level multinational 'coalitions of the willing'. When the going gets tough, such coalitions become unwilling to take risks, unless their collective core interests are directly threatened.[20]

As outlined by Malan's argument, it is within this context of the failure of effective and legitimate international responses, with specific regard to the provision of stability on the African continent, that the provision of private security fills a void, and effectively evolves in order to service a niche market – one which is unique, in many ways, to the specific needs of the continent, and especially the SSA region. One of the unique aspects of this issue relates to the fact that many of the failures of peacekeeping on the African continent by INGOs, in the post-Cold War period, were primarily due to the tax imposed upon developing nations (with limited capacities) to provide their own troops during such operations – due to the increased reluctance of developed nations to intervene in the region's affairs.[21]

Such issues have indirectly paved the way for a renewed interest in the further legitimisation and acceptance of the crucial roles which PMSCs could potentially play in peacekeeping missions, spurring the demand for the services provided by the industry. Recent accounts of Peace Support Operations (PSOs) in Africa, have acknowledged that outsourcing is indeed a common occurrence insofar that PMSCs have worked alongside traditional militaries as force multipliers.[22] Compounding such demands placed upon the services, and relevance, of the international PSI, Malan goes on to add that within failing, or already failed, states, the function of stability has essentially been 'privatised' in any case; this is due to the means of violence and orchestrated coercion devolving to a factional level, and therefore remaining beyond the ambit of the state to control - thereby creating a

[19] Malan, M., "The Crisis in External Response", in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999, p. 55
[20] Ibid. p. 55
[21] Badong, P., "Keeping the Peace – Private Military and Security Companies in Peacekeeping Operations in Africa", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010
[22] Kuwali, D., "Private Corporations in Peace Operations – Keeping Peace with Peacekeeping", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010

situation in which it is extremely difficult for other international actors to intervene beyond the framework governed by state-centric international law.[23] What has subsequently emerged, especially within a sub-Saharan African context, is indeed a move toward peace-keeping and humanitarian operations by PMSCs, a trend which has been brought about due to the relatively limited capacities of certain states, and INGOs, to provide the necessary security and stability required by international humanitarian non-governmental organisations to fulfil their mandates.[24] In other words, the niche market for security, as explicated by Malan, is indeed being serviced by private security contractors – whilst dually bolstering the credibility and legitimacy of the PSI.[25]

2.1.3 The Need for Greater Regulation: Issues surrounding Accountability, Effectiveness and Developmental Concerns

Any attempt to outline the nature, growth and development of the international private security industry is never complete without a detailed understanding and discussion of the certain issues relating to the greater regulation of PMSCs, and peripheral concerns stemming from issues regarding accountability, effectiveness and developmental concerns. Accordingly, certain academics have hinted at a direct association between many of the underlying concerns of the expansion of the PSI, particularly within a sub-Saharan African context, and the risks they pose vis-'a-vis long-term state-building projects - and human security - to a lack of regulation and informed policy-making.[26] With specific regard to the SSA region, much of the, arguable, deficiencies of African governments to regulate, recognise and effectively account for the operations of PMSCs derives largely from the region's historical relationship with mercenaries in the early post-colonial period, and has subsequently informed a sense of hesitancy and negatively misinformed attitudes toward the contemporary international PSI.[27]

Exacerbating this situation is the fact that, in terms of international and regional legislation, notable gaps exist which fail to define and account for the contemporary international PSI; as legislation and policy is primarily centred upon the specificities of regulating mercenary activity – as highlighted by

[23] Malan, M. Op. Cit. p. 55
[24] Spearin, C., Op. Cit. pp. 21 - 22
[25] An interesting observation by Chris Kwaja is that the involvement of PMSCs in humanitarian missions is in itself a self-legitimising operation, as the mere need for their services in the first place already discredits the ability of states and external regimes to provide security and stability. Kwaja, C., "Private Military/Security Companies & Peace Building in West Africa – Challenges & Prospects", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010
[26] Omondi, P., "Privatisation of Security in Africa – Reflections on the Past, Present and The Prospects for the Future", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010
[27] Ibid.

the 1977 O.A.U. Convention for the elimination of mercenarism in Africa, as well as the 1989 U.N. International Convention against the recruitment, use, financing and training of Mercenaries.[28] Indicative of this void in PMSC regulation in the SSA region is the case of South Africa which, as of December 2011, is the only country on the continent which has put in place legislation to regulate the operations of PMSCs operating out of, and within, its borders.[29]

International efforts to regulate the international PSI have dually been mired by lack of initiative, clear leadership and pace. At present, the most comprehensive document, amongst state signatories, which identifies and attempts to account for the operations of PMSCs, albeit in an armed conflict scenario and in a non-binding capacity, is the Montreux Document on Pertinent International Legal Obligations and Good Practices for States Related to Operations of Private Military and Security Companies during Armed Conflict.[30] Whilst further attempts at international-level legislation and policy-making regarding the regulation and control of PMSCs is ongoing, the Montreux Document is significant insofar as it specifically delineates the pejorative ideational conceptions surrounding mercenarism vis-'a-vis the contemporary international PSI, by referring to PMSCs as legitimate private business entities, whilst further demonstrating that (despite a lack of industry-specific regulation at an international level) such entities do not necessarily operate within a legal vacuum as international humanitarian law and human rights law do have a bearing upon the operations of PMSCs.[31]

The need for the greater regulation of the international PSI stems primarily from concerns regarding the operations of these actors vis-'a-vis the short and long-term implications they pose upon the states they operate within, the risks they pose to human security, as well concerns stemming from the legitimacy of these entities, with particular reference to issues of transparency and accountability. The overarching concern for regulation, however, is derived from the crumbling philosophical foundations of sovereignty, particularly Max Weber's notion that the state should hold a monopoly on force, which is being steadily eroded by the growth and operation of the private sector in security and military related services.[32] As opposed to prior notions that the assurance of peace, security and democracy were essential, collective, state responsibilities, concerns over the concession of these responsibilities – to primarily private profit-driven entities – have multiplied

[28] Ibid.
[29] Ibid.
[30] Badong, P., Op. Cit.
[31] Gichanga, M., "Fusing Privatisation of Security with Peace and Security Initiatives in Africa", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010
[32] Kuwali, D., Op. Cit.

over the last two decades, underscoring a common desire for the effective international regulation of PMSCs.[33] Cilliers and Mason capture the implications of these developments, with particular regard to sub-Saharan Africa, by arguing that:

> ... while security outsourcing and even commercialisation are common practices in countries such as the U.S., Britain, France and others, it is often the core functions of statehood that are contracted out in Africa – due to the inability of the state to fulfil such functions. The purpose therefore is not to enhance cost-effectiveness, but to fill a vacuum left by the effective collapse, partisan nature or inefficiency of the national forces – or to make money for a small political elite...[34]

Whilst the position of Cilliers and Mason seems appropriate in outlining the dire prospects for the long-term national development of African states which play host to international PMSCs, it must be noted that while the PSI does indeed fill a void left by the institutional and physical short-comings of these states, the fundamental purpose of any PMSC is primarily due to the need of African governments and international investors to enhance the cost-effectiveness of their operations. This argument is grounded in the theoretical assumptions of institutional theory, which shall be presented at a later stage, needless to say that both arguments essentially underscore similar concerns, which inflate the crucial need for regulation and oversight of the PSI - especially in SSA as the stakes for long-term political and economic development are arguably much higher than anywhere else in the world.

Such concerns are especially pronounced within the humanitarian context as a number of international and regional humanitarian nongovernmental and intergovernmental organisations are increasingly entering into *business* arrangements and partnerships with PMSCs. Such recent developments call into question the legitimacy and accountability of these entities, with much debate revolving around the issue of the doubtless pragmatic appeal of the NGO/PMSC compact – tempered by the argument that the initial political issues which normally lead to humanitarian crises are likely to be left unaddressed by such forms of cooperation.[35] Indeed, there does exist notable agreement by academics that an *illusion of governance* is catered for by the PMSC supported humanitarian space, one which rests upon a short-term, externally imposed and artificially created stability, which does little to address long-term substantive issues - specifically relating to domestic governance.[36] These issues further spur debate regarding the humanitarian ethic vis-'a-vis the

[33] Kwaja, M., Op. Cit.
[34] Cilliers, J., and Mason, P., Op. Cit. p. 5
[35] Spearin, C., Op. Cit. pp. 29 - 30
[36] Ibid. pp. 31 - 35

neutrality and impartiality of international humanitarian organisations in conflict zones - by directly feeding into the politicisation of aid and assistance, whilst dually underscoring the need for effective regulation and definitive policy prescriptions of PMSCs within this context.[37]

Despite these short-term inadequacies of PMSCs, NGOs continue to rely on the services of the international PSI due to the inherent nature of the post-Cold War humanitarian space. Similarly, intergovernmental organisations have called upon the services of these entities, and increasingly view PMSCs as viable alternatives to traditional state-sponsored troops in peace and security operations. As posited by Omondi, multiple initiatives have been sponsored by the African Union, and various other African regional organisations, which sought to address issues of peace and security on the continent, such as the establishment of 'Regional Standby Forces' (RSF) within the African Peace and Security Architecture. He notes that, based on the experiences of Darfur and Somalia, the RSF agenda has proven to be unsustainable and ineffective due to a lack of troops and capacity, and subsequently argues that PMSCs shall find increasing relevance in such INGO and regional organisational contexts.[38] Furthermore, due to the nature of peace support operations by INGOs, PMSCs most often operate within weak states which lack the institutional and legislative capacities to hold accountable the actions of these entities, compounding the need for effective regulation, at an international level, of the PSI – such that these actors do not abuse their powers and operate with impunity.[39]

Adding to the growing relevance of the regulation debate are the increasingly complex contractual challenges, which arise within peacekeeping contexts, due to the additionally outsourced services by PMSCs to smaller, or more specialised, companies in order to reduce costs or increase capabilities.[40] As noted by George, the increasing number of actors in such operations subsequently produces multiple layers of accountability which may ultimately prove disastrous if not properly regulated and monitored.[41]

Regulation, therefore, becomes a necessity in these situations as PMSCs will have to be regarded as legitimate, transparent and accountable international actors, in order to improve the efficacy of

[37] Ibid. pp. 37 - 38
[38] Omondi, P., Op. Cit.
[39] Kuwali, D., Op. Cit.
[40] George, E., "From a Market for Conflict to a Market for Peace – Examining the Role of Private Security Companies in U.N. Peacekeeping Operations in Africa", speech recorded in Conference Report: The Involvement of the Private Security Sector in Peacekeeping Missions, Institute for Security Studies, Nairobi Office, 21-22 July 2010
[41] Ibid.

certain operations, whilst subsequently negating misguided pejorative conceptions of the use of force by non-state actors akin to mercenary activity. As argued by Spearin, there are indeed many beneficial aspects of the international PSI which render vilification unnecessary, due to key fundamental differences in the philosophy behind the industry as opposed to mercenarism.[42] With regard to legitimacy, he notes that it is easy to prejudge non-state force based upon the experiences of another historical era, and that there is a need to reconcile long-held negative perceptions of non-state use of force with military expertise – especially in light of the fact that many NGOs remain wary of the impact their relationships with PMSCs have upon the perceptions of their organisation vis-'a-vis donors and sponsors.[43] Spearin illustrates this point by positing:

> ... during the 1990s, the U.N. for fear of criticism, did not engage E.O. [a well established South African private military and security company] in negotiation, despite the stability it brought to Angola and Sierra Leone, stability that allowed for humanitarian operations to continue. When E.O. was forced to leave, the peace broke down and humanitarian activities were consequently restricted to the Luanda and Freetown areas.[44]

A further distinction between the contemporary international PSI and accounts of mercenarism, which lend to the need for the regulation of modern PMSCs vis-'a-vis concerns over legitimacy, is the fact that these particular business entities are inherently *self-taming* – despite the seemingly large deficiencies in international, regional and state-level efforts at regulation and monitoring. Private military and security companies are just as susceptible to negative investor and stakeholder perceptions as all other business entities are, and it is for this reason that corporate respectability and responsibility must be maintained for the sake of repeat clients, and to avoid harmful publicity and scrutiny by civil society.[45] To this effect, a number of PMSCs have engaged vigorously at the state and international levels in the drafting of proposals and crafting of policy regarding the regulation of the industry such that it is a responsible, legitimate, accountable and credible actor in international affairs, humanitarian spaces and conflict zones.[46]

These needs, however, extend beyond the humanitarian space and find increasing relevance in the operations of transnational oil and mining companies is sub-Saharan Africa, in which a great number

[42] Spearin, C., Op. Cit. p. 29
[43] Ibid. p. 29
[44] Ibid. p. 30
[45] Ibid. p. 30
[46] As noted by Spearin: "Sandline has proposed a template for outside, independent regulation governing issues such as PSC human rights observance and general competence for the company and its competitors... E.O. submitted 36 proposals in the development of South Africa's Bill on the Regulation of Foreign Military Assistance, 28 of which were incorporated into the literature. Other PSCs, such as DSL, assert that they adhere to Red Cross / NGO codes of conduct." Ibid. p. 30

of international PMSCs are employed. Issues of accountability and corruption are paramount in such contexts whilst the need for effective oversight and regulatory mechanisms are crucial, due to the well-noted close networks of personal and financial connections between PMSCs, multinational corporations and home governments, which normally tend to characterise the working relationships in this sector.[47]

The ramifications of these developments upon the political economy of the sub-Saharan African region are extremely significant, especially in terms of the potential impact that this could have upon the restructuring and development of the social, political and economic fabric of the region. Lock argues that the outsourcing and privatisation of key government responsibilities, specifically security, in the SSA region can be reduced to a new mode of political production in which a new political economy is being autonomously played out.[48] He argues that, in economic terms, accounts of political actors seeking to enhance their capabilities through the international leasing of military and security services from the private sector, amounts to an essential "... rationalisation and restructuring of industrial production in the maelstrom of globalisation."[49] Lock highlights previous waves of privatisation and the outsourcing of state functions in SSA, and the subsequent creation of "shadow states", in which incumbent elites, in an attempt to safeguard their interests vis-'a-vis the dictates of certain international financial institutions, abandoned their social responsibilities and shifted their activities into informal parallel networks which allowed continued control over exploitable resources.[50]

In this sense, the institutional capacities of the government are weakened in relation to the development and expansion of informal networks, spearheaded by elites seeking to safeguard their respective economic fiefdoms; whilst the provision of security dually becomes fragmented and *de-stated* as numerous, different, security arrangements are made through such informal networks – ultimately leading to the informal commoditisation of security which regulates other economic transactions.[51] The major concerns of this is the possible militarisation of society, as civil actors will have to assume their own defences against criminality in the face of weak state provision of rule of law and order, the greater internal polarisation of countries in the region, and a preoccupation on private and informal security provision vis-'a-vis the successful conclusion of any economic transaction. Lock argues that the ultimate downfall of such a situation would be rapid economic

[47] Cilliers, J., and Mason, P., Op. Cit. p. 3
[48] Lock, P., Op. Cit., p. 30
[49] Ibid. p. 28
[50] Ibid. p. 19
[51] Ibid. p. 29

contraction due to the "cumulative transaction costs [now] related to security.[52] The need for the effective regulation and monitoring of the growth of the international PSI is therefore of great importance given the above arguments, and is something that will be referred to in the qualitative case study analysis of this paper.

2.2 The Political Economy of sub-Saharan African Petro-States: Oil Rents and the region's Internal Market Demand for Security

Whereas the external demand for private security in SSA stems primarily from the renewed international geopolitical value of the region (which shall be accounted for at a later stage) the internal demand is predominantly attributed to the poor governance, legitimacy and accountability of many of the region's key oil-producing states. The fifth chapter of this paper shall provide an in-depth statistical analysis of the region's governance upon inward foreign direct investment and a number of intervening variables, however, it is crucial to mention here that sub-Saharan Africa is littered with poorly governed, illegitimate, corrupt and politically unstable states.[53] This has consequently resulted in producing a significantly inflated market for security, especially when taking into account the potential for massive inward FDI, and resource-derived government revenues, due to the region's recent foray into international oil and security politics. Thus, external oil interests and the internal economic and 'developmental' interests of the region are inextricably woven together by the security concerns of sub-Saharan Africa. The central pillar of this relationship is that a fundamental prerequisite for the effective functioning of high-technology, sophisticated and capital-intensive industries (such as the exploration, security and production of crude oil) are stable political environments.[54]

Political, and economic, stability is a crucial element to secure risk-averse flows of inward foreign direct investment, and eases the burden placed upon international investors with regard to the physical and commercial protection of their property.[55] Sub-Saharan Africa, however, presents a very unique case vis-'a-vis such assumptions due to the fact that an extraordinary sum of all inward FDI to the region tends to be directed toward recipients who score very poorly on stability and security. These trends in the allocation of inward FDI shall be explicitly examined in the following chapters, yet it is fitting to note now that due to the extremely high strategic premium placed upon

[52] Ibid. p. 20
[53] Frynas, J.G. & Paulo, M., "A New Scramble for African Oil? Historical, Political And Business Perspectives", African Affairs, 106/423, 2007, p. 237
[54] Cilliers, J. & Mason, P., Op. Cit. p. 6
[55] Refer to section 2.4 of this paper

oil in the international system, traditional political-economic assumptions are effectively overridden in order to secure and exploit the region's oil reserves.

Security, however, must still be accounted for, even in situations in which SSA governments lack the legitimacy and capacity to provide conducive political and economic environments for the interests of foreign investors – and it is here, specifically, in which the international PSI finds its niche role in the political economy of the SSA region. This argument essentially alludes to the very structure and nature of sub-Saharan African petro-states, in which 'governance', in many cases, merely demarcates city-borders – as opposed to the state as a whole – resulting in major security vacuums throughout the region.[56] Cilliers and Mason succinctly capture these dynamics by arguing that "... the reality of weak African states creates an environment in which companies must provide not only their own infrastructure... but also private security forces capable of protecting their property and employees."[57]

The ways in which such security arrangements are made generally include three sets of actors, namely key officials from the host-state government, executive figures stemming from transnational oil interests and the members of from interested private military and security companies who tender their services. A key intervening actor, however, are the smaller oil-exploration companies which tend to initiate the broader business ties with PMSCs, and which are later incorporated into the security arrangements of the larger oil-production companies. Due to the relatively high risk involved in oil exploration operations – commercially and physically – large multinational oil companies, who are in many ways financially dependent upon maintaining a decent public profile due to investor sentiment, remain reluctant to operate in politically-sensitive, or conflict-prone, environments.[58] Such risks, however, are attractive to smaller, non-publicly listed, exploration companies which thrive in such high-risk high-reward contexts.

Through her assessment of a pioneering, albeit notorious, former South African private military company, Executive Outcomes, with regard to their operations in Angola, Khareen Pech asserts that the commercial strategies of oil exploration firms generally take the form of a four-tiered approach vis-'a-vis larger production companies, PMSCs and national host governments: Firstly, oil exploration companies focus their efforts on procuring and marketing the concessions they gain as best they can in order to be most attractive to larger, transnational, mining interests. Following this,

[56] Cornwell, R., Op. Cit. p. 69
[57] Ibid. p. 6
[58] Pech, K., Op. Cit. p. 83

based upon the attractiveness of a potential investment, established oil multinationals are drawn to the host country and begin to the lay the groundwork for their future operations. Thirdly, the PMSC which initially partnered with the exploration company in securing the concession generally wins follow-on contracts in the security arrangement of the larger multinational oil-producing company. Lastly, the exploration company which would sell the initial concessions secures a percentage of the profits of the mining - and in certain instances the security – operations which take place as a result of their initial investment.[59] Pech sums up her assessment by adding that "... in this way, the proprietors of military firms like E.O. [Executive Outcomes]... are paid in cash by major strategic resource corporations and [are] given rights to land and mineral concessions by political leaders..."[60]

It is with respect to the observations of Pech that a relatively new and profound unfolding of the political economies of sub-Saharan African petro-states can be understood. This relatively *new* political economy bears witness to the large-scale imposition of market forces upon the incapacities of regional governments to provide the requisite security needed for the exploitation and commercialisation of the region's abundant reserves of scarce, and strategically vital, natural resources, specifically crude oil. Within this scenario, a great internal demand for security is generated by regional governments, eager to secure large sums of otherwise unattainable inward foreign direct investment – and similarly to enjoy their new found positions of power based upon their changing circumstances.

These developments, however, come coupled with a range of potentially disastrous consequences with regard to the natural political and economic development of sub-Saharan African petro-states. Whilst economic growth could very possibly be spurred by the arrival of large-scale foreign investment, noting the cases of countries such as Libya and Malaysia, economic and political development may be far more elusive – especially given the political context of sub-Saharan Africa.[61] Historically, the SSA region has had a tragic relationship with the international neo-liberal capitalist project, with many of the reforms advocated and imposed by international financial institutions resulting in the short-sighted privatisation of public utilities, declining service provision and manufacturing, the collapse of real wages and the middle-class and the proliferation of slums throughout the region.[62]

[59] Ibid. p. 83
[60] Ibid. p. 83
[61] Frynas, J.G. & Paulo, M., Op. Cit. p. 247
[62] Watts, M., "Empire of Oil: Capitalist Dispossession and the Scramble for Africa", Monthly Review, http://monthlyreview.org/2006/09/01/empire-of-oil-capitalist-dispossession-and-the-scramble-for-africa

Moreover, the most noticeable consequences of these developments have been the rise of enclave economies, which have worked to service the international economy through the provision of primary commodities, yet have maintained very little linkage with the region's domestic economies. Carmody and Owusu build upon the ideas of Castells and Ferguson in which they outline the parameters of Africa's structural inclusion and exclusion in the global economy, noting the high economic linkage and structural relevance of certain 'enclaves' on the continent, in opposition to the growing disparity and isolation of these centres vis-'a-vis their own national and regional economies. Carmody and Owusu underscore the crux of these issues by positing:

> While Manuel Castells... conceived of much of Africa as a 'black hole of informational capitalism', structurally excluded from global accumulation, African territory is now being reconfigured as a 'space between' inclusion and exclusion, reflective of the broader dialectics of globalisation. As James Ferguson... notes, global investment does not flow but 'hops', linking the oil rich enclave of Cabinda in Angola with centres of Western capitalism... to the exclusion of other parts of the country.[63]

The international oil industry, as referred to by Watts, is the paradigmatic case of these so-called enclaves scattered throughout the SSA region; he notes that, historically, the majority of all inward FDI to the continent was essentially monopolised by a handful of mining-energy economies – whilst the remainder was left relatively untouched.[64] The result, as argued by Watts, is a "bleak world of military neo-liberalism", in which he points to the nature of these enclave economies as heavily fortified points of accumulation, with a specific focus upon the centrality of extraction and primary commodity production.[65] Such economies have had a noticeably deleterious effect upon the legitimacy of regional governments, by breeding environments in which youthful populations become increasingly disenchanted and disillusioned with the status-quo – on account of the general failure of equitable revenue-sharing from the exploitation and commercialisation of their country's natural resources.[66] Subsequently, enclave economies have been argued to exacerbate existing tensions and conflicts, thereby indirectly working toward undermining political stability, and driving up the value of security in regional and state contexts.

Adding to these concerns is the fact that the newly unfolding political economy of sub-Saharan Africa is further characterised by the increased bargaining power of the region's major oil-producing

[63] Carmody, P.R. & Owusu, F.Y., "Competing Hegemons? Chinese versus American geo-economic strategies in Africa", Political Geography, 26, 2007, p. 516
[64] Watts, M., Op. Cit.
[65] Ibid.
[66] Frynas, J.G. & Paulo, M., Op. Cit. p. 237

states. Due to the increased strategic value of the region, in conjunction with the increased global competition for the endorsement of regional oil-producers by the global South, the potency of the former Western-driven economic model of externally imposed conditionalities vis-'a-vis good governance in exchange for aid, assistance and improved international relations has become significantly diluted.[67] Sub-Saharan African governments are now increasingly able to acquire financial assistance, training and military hardware from international emerging powers (keen to improve their relations with region's oil-producers), and are subsequently increasingly capable of fending off pressure from the West regarding political and economic reform.[68] Even without the competition emanating from the global South, Frynas and Paulo argue that a number of SSA countries, such as Equatorial Guinea and Angola, have managed to defy the will of the Bretton Woods Institutions for years, due to the finance they were able to obtain from oil rents (or oil-backed loans) through business arrangements made with *Western* firms and banks – arrangements devoid of any conditionalities whatsoever.[69]

What these developments have essentially produced is an environment in which authoritarianism in the region can far more easily remain entrenched, and one in which regimes come to be increasingly less dependent upon their domestic constituencies for support and legitimacy. Most importantly, however, political stability is undermined as excluded domestic actors witness fewer legitimate means in which to express their concerns and seek political and economic change. This consequently leads to the proliferation of militias, terrorist activity and a seeming legitimisation of, and recourse to, violence as a means to express discontent and political preferences. To this effect, Englebert and Ron posit that in situations with "...few legal economic alternatives, violent resource plunder for survival and enrichment becomes a rational recourse for young males."[70] Thus, politically motivated violence has arguably become a key defining feature of sub-Saharan Africa's evolving political economy – exacerbating existing regional cleavages and conflict whilst driving up the market demand for security by a myriad set of external and internal actors.

By attempting to understand the Nigerian oil complex as a microcosm of the new political economy of sub-Saharan African petro-states, Watts highlights the "volatile mix of forces" which gives shape to the many features of such conflict-prone states: On one level, due to the geostrategic interest in oil, national military forces are inevitably involved in servicing the interests of regimes vis-'a-vis the

[67] Ibid. pp. 239 - 240
[68] Ibid. p. 239
[69] Ibid. p. 240
[70] Englebert, P., & Ron, J., "Primary Commodities and War: Congo-Brazzaville's Ambivalent Resource Curse", in Comparative Politics, Vol. 37, No. 1, Oct. 2004, p. 61

quelling of uprisings, dealing with rebel groups and preserving the status-quo. Secondly, multinational oil groups become involved in the national context through their activities in the domestic service sector, with particular regard to issues surrounding corporate social responsibility and stakeholder inclusion. Thirdly, as a result of contentious political issues stemming from the control, ownership and rights surrounding oil, a host of local political forces emerge, such as ethnic militias and separatist movements, who concern themselves with how their country's oil wealth is to be deployed and used. Further adding to the equation are the operations of local and international civil society, which attempt to draw attention to the plight of the states in which they are concerned - and traditionally tend to focus upon transnational advocacy, issues of transparency and human rights abuses. Fifth, International governmental organisations, multilateral development agencies and international financial institutions such as export credit agencies and the International Monetary Fund are another set of actors which have a major effect upon the nature and structure of the political economies of SSA petro states. Finally, illegal and illicit activities play a significant role in this environment, with specific reference to the growth of the regional black economy and mercenary activity.[71]

The interaction of all these forces serve to produce a highly combustible political and economic climate and, with reference to the experience of Nigeria, Watts posits that the result has been to make the oil-producing region of the Niger Delta much more ungovernable – as numerous local political forces have come to assume a much more militant posture in their struggle over oil.[72] On a more systemic level, however, the role of oil multinationals and external actors are argued to reinforce social identities, as their presence often constitutes a challenge to pre-existing customary forms of community and inter-ethnic relations – as well as local state institutions.[73] These challenges often manifest in the form of land and property disputes which lead to popular mobilisation over new grievances, as well as political struggles aimed at accessing corporate and federal petro-revenues.[74] Even in cases in which national oil reserves are located offshore, and in deep waters, political stability remains elastic upon local, militant, political forces – and is similarly prone to be pulled into conflict. The only notable difference between onshore and offshore reserves of oil vis-'a-vis politically-motivated violence is that conflict will tend to concentrate within a capital

[71] Watts, M., Op. Cit.
[72] Ibid.
[73] McSherry, B., "The Political Economy of Oil in Equatorial Guinea", in African Studies Quarterly, Vol. 8, No. 3, Spring 2006, pp. 34 - 35
[74] Ibid. p. 35 *see also* Udosen, C. et al., "Fifty Years of Oil Exploration in Nigeria: The Paradox of Plenty", in Global Journal of Social Sciences, Vol. 8, No. 2, 2009, pp. 38 - 39

city, as control over the state (as opposed to provincial territories) will ensure the capture of oil revenues.[75]

An interesting argument put forward by Ross contends that in poorly governed national environments, the presence and operation of large oil multinationals may actually spur the direct formation of private militias and criminal groups for their own ends – as the effective clients of illicit violence as opposed to playing victim.[76] He suggests that in contexts characterised by great insecurity and weak rule of law and property rights, large multinationals deal with their environment by offering lucrative opportunities for extortion to illicit groups, thereby directing the formation of militia. This is possible due to the advantage large multinational firms possess in terms of the associated profits that accompany resource extraction (as opposed to manufacturing and service sector companies) which allow the operations of these multinationals to proceed, by paying off rebel groups for the private enforcement of their property whilst still earning a profit.[77] Subsequently, extralegal organisations – premised upon seeking 'protection rights' – proliferate, leading to the weakening of whatever little state legitimacy remained in terms of rule of law.[78] This results in the growing centrality of resource extraction, as a proportion of all local commercial activity, due to extraordinarily high transaction costs faced by non-resource firms; whilst, arguably, legitimising the illicit role of violence, and threat of force, as a functional alternative to operate in poor legal environments. Ross asserts that such scenarios may help to explain why resource extraction has thrived in political-economic contexts in which the rest of the economy and rule of law have generally broken down; he provides the examples of Colombia, Congo-Kinshasa, Congo-Brazzaville and Nigeria amongst others to highlight his argument.[79]

These features of the unfolding political economy of sub-Saharan African petro-states are inevitably more characteristic of certain states in the region than they are of others, however, a surprising number of these countries have all followed very similar paths akin to the Nigerian experience. Equatorial Guinea stands out as prime example in which the effects of oil have resulted in the same volatile mix of actors, described above, accompanied by unprecedented rates of economic growth, massive sums of inward FDI, the entrenchment of the country's authoritarian ruling class, and a proliferation of local political forces which have become increasingly militant. Brendan McSherry

[75] Ibid. p. 35
[76] Ross, M.L., "The Political Economy of the Resource Curse", World Politics, Vol. 51, No. 2, January 1999, pp. 320 - 321
[77] Ibid. p. 320
[78] Ibid. p. 321
[79] Ibid. p. 321

highlights the fact that by 2006, the phenomenal economic growth experienced by Equatorial Guinea – on account of its recent oil boom coupled with its small population - resulted in a gross domestic product per capita (adjusted for purchasing power parity) of an astonishing $50240 (U.S.) – resulting in the country being the second wealthiest country in the world, per person, behind Luxembourg.[80]

These figures could not be more misleading; however, as the Equato-Guinean political- economic environment is characterised by immense inequality between the ruling elite and the larger population. Indicative of an enclave economy, the benefits of the country's recent 'development' have been concentrated within a very small elite, whilst the country's deep-water, capital-intensive, oil industry generally employs few foreign migrants, maintains very little economic linkage with the domestic economy and depends on most of its inputs from abroad – resulting in minimal trickle-down benefits accruing to the masses.[81] Most significantly, however, is the fact that inward FDI to the country has paid little attention to the country's political history of entrenched authoritarianism, political instability and ethnic conflict, insofar that one of the world's 'quintessential criminal states' managed to attract and secure more investment than many of its better governed, secure and politically and economically stable sub-Saharan African counterparts.[82]

Despite the fact that the country has provided one of the most shocking records of corruption, human rights abuses, and poor governance (in all it's many and varied dimensions), since the mid-1990s, in which the oil multinational Mobil struck oil at its offshore Zafiro prospecting site, billions of dollars of investment have been directed at Equatorial Guinea, dramatically raising it's commercial and geostrategic significance in international oil and security politics.[83] Underscoring the relegation of governance, democracy and human rights to the forces of strategic and economic Realpolitik, the United States has consistently worked to improve its relations with Equatorial Guinea, noting a number of high-level bilateral meetings and the reopening of its embassy in Malabo.[84] McSherry argues that the effects of these trends create an environment in which Equatorial Guinea's policy-making and institutional development will remain poor, following in the footsteps of other regional oil-producing states such as Nigeria, Gabon and Angola.[85] Adding to this, as observed by Ross, is the tendency for states, which are heavily dependent upon their leading economic sector, to develop

[80] McSherry, B., Op. Cit. p. 23
[81] Ibid. p. 25
[82] Ibid. pp. 24 - 26
[83] Ibid. p. 25
[84] Ibid. p. 26
[85] Ibid. pp. 36 - 37

specialised institutions, authorities and mechanisms to tap into the large, concentrated, revenues which the sector produces.[86] The governance of this sector often results in all other economic sectors being disregarded, as political leaders often fail or are discouraged from developing the necessary institutions and infrastructure to address the needs, and promote the development, of less profitable sectors.[87] Ross posits that the end result is often a case in which the state erroneously "conflates the narrow short-term interests of the leading sector with the broader long-term interests of the nation."[88]

Thus the strengthening of enclave economies can be seen to weaken government accountability vis-'a-vis its citizenry as state revenues become dependent upon the investment and endorsement of external actors, as opposed to the development of domestic tax bases. Indeed, the ruling classes of enclave economy-based states do not at all depend on widespread domestic economic activity or productivity for their sustenance.[89] This has certainly been the case amongst sub-Saharan Africa's oil-producing states, noting the lack of strong state extractive institutions, poor investment in public goods and the decline of institutional quality and efforts aimed at state building, national integration and economic development.[90] Carmody and Owusu add to this argument by noting that:

> Rents generated from enclaves let governments bypass their populations, and militate against the construction of tax or social contracts, a key source of state accountability.[91]

Accordingly, oil revenues have served to consolidate the personal rule of many regime's in the region by increasing the repressive capacities of the state by centralising its resources, and thereby imposing major costs to the development of democracy and political stability.[92] Furthermore existing state networks of personalised patronage are strengthened, to the exclusion and disillusionment of the deprived and underdeveloped masses. Subsequently, the causal mechanism between the development of enclave economies and civil violence, conflict and stability becomes clearer. Therefore, it can be argued that the subjugation of principle to expediency, on the part of external actors, is indeed another key defining element of sub-Saharan Africa's newly developing political economy, which does not in any way bode well for the political and institutional development of the region. These developments, however, serve to reinforce existing trends in the

[86] Ross, M.L., Op. Cit. pp. 314 - 315
[87] Ibid. p. 314
[88] Ibid. p. 315
[89] McSherry, B., Op. Cit. p. 31
[90] Ibid. pp. 33 - 34
[91] Carmody, P.R., and Owusu, F.Y., Op. Cit. p. 516
[92] McSherry, B., Op. Cit. pp. 33 - 35

allocation of inward FDI to the region, inflate the market demand for regional security, and subsequently bolster the relevance and legitimacy of the international PSI.

Private security will organically evolve and develop to meet the demands of external and internal actors within the region, and will come to play a decisive role in the political economies of sub-Saharan African petro states and the region in general. Due to the nature of, and linkage between, governance, violent conflict and inward FDI to the region's strategically critical oil-producing enclave economies, it can be argued that the imposition of the market upon security will inevitably serve an increasingly core role in facilitating the interests of regional governments and multinational oil interests; as well as those of all intervening actors stemming from civil society groups to NGOs and even international intergovernmental organisations and agencies. The provision of security can subsequently be understood as a critical element of the bedrock of the region's developing political economy, and it is in this way which the internal market demand for private security in the sub-Saharan African region is derived. When the overall elements of this demand are viewed holistically, by accounting for each of the external and internal elements, the significance of the international PSI in SSA can not be overlooked due to the increasingly influential roles that private military and security companies will come to play in defining a new regional political economy. It must be provided, however, that before any major assumptions can be made, with regard to any qualitative and quantitative analyses, a review of the key theories and paradigms which have sought to understand the political economies of resource rich developing states must first be presented.

2.3 Relevant Theoretical and Conceptual Constructs vis-'a-vis the Political Economy of Resource Rich Developing States

Of the most prominent and influential ideas which have attempted to theoretically frame the ways in which natural resource wealth affects the economic and institutional development of developing states, the *resource curse* hypothesis has certainly proven to be one of the most durable conceptual constructs. This aptly titled *curse* denotes the assertions of many scholars which contend that developing countries with abundant natural resources often suffer from poor governance and irresponsible economic behaviour.[93] The underlying logic behind the resource curse has generated countless quantitative studies and qualitative assessments of the political economies of developing states, and has further been employed, as a conceptual approach, toward understanding civil wars and the linkages between primary commodity dependency and armed rebellion.[94] Indeed most political economists and social scientists acknowledge the relevance of the resource curse in

[93] Englebert, P. & Ron, J., Op. Cit. p. 61
[94] Ibid. 61

explaining, to differing degrees, however, the similar political-economic paths followed by many of the world's resource rich developing states – insofar that many other theories essentially fall under the greater rubric of the resource curse.

Ross provides critical insight into many of the different, yet seemingly complimentary, dimensions of the resource curse discourse in which he distinguishes the most notable economic and political explanations for the curse, as well as by commenting on a few relatively recent additions to the basic theory. Ross delineates these explanations further by asserting that the four most prominent economic explanations stem from:

- A decline in the terms of trade for primary commodities
- The instability of international commodity markets
- The poor linkages between resource and non-resource sectors, and
- An economic phenomenon generally referred to as *Dutch Disease*[95]

Building upon the work of Prebisch and Singer, Ross contends that due to the falling international prices of primary commodities relative to manufactured goods and services, resource rich developing states will find it increasingly difficult to match the growth and development of the rich industrialised nations – resulting in wider economic disparities within the international system.[96]

Exacerbating these concerns is the fact that commodity markets tend to be much more volatile, and subject to sharp price fluctuations, increasing the risk and subsequent financial insecurity of commodity dependent economies – subsequently leading to exceptionally risky macroeconomic environments for private investment.[97] Moreover, the resource curse adds to the enclave economy debate by accounting for the operations of large resource multinationals, as posited by Ross:

> ... Resource industries [are] unlikely to stimulate growth in the rest of the economy, particularly if foreign multinationals dominated resource extraction and [are] allowed to repatriate their profits instead of investing them locally. Resource exporters would be left with booming resource enclaves that produced few 'forward' and 'backward' linkages to other parts of the economy.[98]

[95] Ross, M.L., Op. Cit. p. 298
[96] Ibid. p. 301
[97] Ibid. p. 301
[98] Ibid. p. 302

Finally, a peculiar economic affliction experienced by resource rich developing states which has come to be termed "Dutch Disease" has further credited the basic premise of the resource curse, by underscoring the effects of a resource boom upon a country's real exchange rate and the rising production costs in its non-resource sectors. What has generally been noted amongst states said to be afflicted by Dutch Disease is that the increased export of its primary commodities results is the strengthening of its real exchange rate, therefore increasing the costs (and discouraging the growth) of its non-resource related exports in the manufacturing and service sectors of its economy.[99] Accompanying this is a tendency for the booming resource sector to draw upon capital and labour from other productive economic sectors, effectively working to their detriment as production costs in these sectors rise – skewing domestic economic efficiency and productivity.[100]

Apart from these economic explanations for the poor political-economic performance of resource rich developing states, Ross highlights the three most notable aspects of the political dimension of the resource curse, namely:

- Cognitive explanations which revolve around the idea that natural resource wealth, and specifically resource booms, in developing states produce a sense of short-sightedness among policy-makers
- Societal explanations which emphasise the fact that resource exports tend to empower sectors, classes, or interest groups that favour growth-impeding policies, and
- State-centred explanations which deal primarily with the way in which resource booms tend to weaken state institutions.[101]

These political explanations, while less quantitatively testable, are especially important in understanding the policy failures of governments in addressing the economic concerns faced by resource rich developing states. Ross asserts that such theories are part of a larger effort to develop generalisable theories dealing with "... the proclivity of states to adopt and maintain transparently suboptimal economic policies."[102] Specifically, such theories endeavour to establish a conceptual framework that remains cognisant of the fact that, in many cases, governments *do* have the policy tools at their disposal to effectively mitigate many economic difficulties, yet very often fail to act in this manner.

[99] Ibid. pp. 305 – 307 *see also* Polterovich, V. et al, Resource Abundance: A Curse or Blessing? DESA Working Paper No. 93, United Nations Department of Economic and Social Affairs, June 2010, pp. 3 - 4
[100] Ibid. pp. 305 – 307 *see also* Basedau, M. & Lacher, W., Op. Cit. p. 18
[101] Ibid. pp. 308 - 313
[102] Ibid. p. 308

Cognitive explanations for the resource curse, which have largely fallen out of fashion due lack of analytical support, were popular in the 1950s and 1960 by development scholars, advocated that resource rents produce a sense of myopia amongst policy-makers.[103] Accordingly, due to the difficulty in constructing a quantifiable and testable theory which takes into account the short-sightedness of certain actors as a key variable, cognitive explanations have fallen out of favour by academics, yet remain an important insight to more descriptive assessments of the resource curse. Societal explanations, on the other hand, argue that resource booms tend to increase the political clout of actors which often favour policies that impede the growth of their domestic economies.[104] These theories often draw upon the experiences of resource rich Latin American countries which maintained their import-substituting industrialisation (ISI) policies, long after they became counter-productive, vis-'a-vis a number of East Asian countries which faced little opposition in the reorientation of their economic policies toward aggressive export-led growth.[105] While these cases may support societal-level approaches to the resource curse, based upon the opposition faced by Latin American policy-makers by manufacturers and workers who enjoyed resource-based subsidies, these explanations face great difficulty in qualifying robust generalisations which can be employed as a theory to other cases.[106]

Finally, state-centred explanations for the resource curse focus specifically upon the way in which resource wealth affects state institutions, and the government's subsequent ability to promote economic growth. These explanations often constitute a hybrid of many other explanations for the resource curse, and, arguably, provide the greatest conceptual element to the aims of this paper. A central pillar of state-centred explanations of the resource curse is the concept of the rentier state, which denotes a national environment in which the majority of all government revenues are derived from external sources - such as resource rents or foreign aid.[107] In such scenarios, governments depend less upon their citizenry as the need to develop domestic tax bases becomes less pressing vis-'a-vis external externally-derived revenues, leading to governments becoming less accountable to those they govern.[108] By building upon the ideas of Mahdavy and Shambayati, Ross posits:

> Mahdavy, who first advanced the rentier-state concept, argues that resource rents make state officials both myopic and risk-averse: upon receiving large windfalls, he suggests, governments grow irrationally optimistic about future revenues and "devote the greater part of their resources to jealously guarding the status quo" instead of promoting development. Shambayati suggests that

[103] Ibid. pp. 309 - 310
[104] Ibid. pp. 310-312
[105] Ibid. pp. 311 - 312
[106] Ibid. p. 311
[107] Ibid. p. 312
[108] Ibid. p. 312

> rentier states face little social pressure to improve their economic policies, since their low taxes and generous welfare programs discourage opposition groups from mobilising around economic issues.[109]

Basedau and Lacher posit that the rentier effect can further be understood as the figurative carrot which state elites use to impede armed opposition and the growth of dissidents, by buying off demands and opposition.[110] Working in conjunction with the associated figurative stick of the *repression effect*, in which governments utilise their large resource-derived revenues to quell opposition through large-scale spending on security, state elites may distribute resource wealth through personal ties and networks – often to the detriment of the general population.[111]

In addition to these aspects of the economic and political explanations of the resource curse, Ross asserts that the curse can additionally be understood in terms of the dominance of state-owned enterprises, in developing states, which generally govern resource extraction industries, as well as by the archetypal poor property rights and rule of law in such states.[112] Whilst the latter issue has been dealt with in the previous sections of this chapter, it is interesting to note that state ownership of the key enterprises involved in the resource extraction of developing states has indeed played a major role in influencing the quality of governance and economic policy of these states.

With reference to the wave of nationalisation of resource extractive firms for much of the 1950s through to the mid-1970s, Ross contends that developing state governments became much more exposed to the risks and shocks of international commodity markets, as foreign oil multinationals effectively served as buffers in this regard.[113] Sub-Saharan African states certainly do lend credit to these arguments, as most regional petro-states maintain a statutory monopoly over mineral exploitation and have structured their respective oil industries by means of state oil companies which enter into collaborative ventures with foreign oil MNCs.[114] The effects of these last two issues upon the quality of governance and economic policy are, however, contentious and require a greater deal of support from quantitative and qualitative studies – yet should not detract from the more established economic and political dimensions of the resource curse.

[109] Ibid. p. 312
[110] Basedau, M. & Lacher, W., Op. Cit. p. 11
[111] Ibid. pp. 10 - 12
[112] Ross, M.L., Op. Cit.. pp. 319 - 321
[113] Ibid. pp. 319 - 320
[114] Watts, M., Op. Cit.

2.4 The Political Economy of Inward Foreign Direct Investment to sub-Saharan Africa

There have been numerous studies conducted in recent years which have dealt with the social, political and institutional factors which possess a significant influence on the determination of foreign direct investment. This area of research has been spurred by many global developments, of which the shift toward economic globalisation features most prominently – as international capital flows are indeed a fundamental aspect of this phenomenon.[115] The ability of host countries to attract foreign investment and appear as tempting destinations, to secure and sustain the interests of international capital is undeniably a critical feature of globalisation – especially to the countries of the developing world. As far back as the early 1960's, certain academics such as Basi (1963) have attempted to understand the relationship between variables, traditionally not attributed to the economic realm, such as political instability upon the determination of foreign investment.[116] In recent years, the renewed interest in such studies, owing largely to the effects of economic globalisation, have further developed with increased specificity, and have grappled with understanding the importance of institutions in shaping the incentives necessary to attract foreign investment; as well as highlighting the significance of institutional quality upon the investment decisions of foreign actors in deciding *where* to invest.[117]

The general consensus which emerges from a review of recent studies is that countries which possess good institutions will attract more FDI, a prescription which has been vigorously supported and advocated by policy reformers across the world.[118] Whilst a fair number of studies, however, refute this finding, such papers have largely been criticised over their inconclusive evidence on account of error, stemming not only from measurement concerns but dually on account of ill-defined and ill-devised conceptual and methodological frameworks.[119] These issues, along with controlling for endogeneity, generally point to the major limitations of attempting to map the causality of cross-national policy and non-policy, economic and institutional, variables upon measures of foreign direct investment.

As mentioned earlier, the statistical observations of this paper are fundamentally premised on the findings of much more comprehensive studies which have used much larger global datasets to determine this relationship; and as pointed out, this paper supports the finding, as reported by Ali et

[115] Kinoshita, Y. & Compas, F., "Why does FDI go where it goes? New Evidence From The Transition Economies", The William Davidson Institute, Working Paper No. 573, June 2003, p. 1
[116] Ali, F. Et al, Do Institutions Matter for Foreign Direct Investment?, University of Glasgow, July 2008, p. 2
[117] Ibid. p. 2
[118] Ibid. pp. 2 - 3
[119] Ibid. pp. 2 - 3

al that "... institutions are a highly significant and robust determinant of FDI. [And] that the impact of institutions on FDI is comparable to that of macroeconomic stability..."[120] In line with this hypothesis is the observation that institutions have come to be increasingly understood by foreign investors as a vital component of the locational advantages of potential host countries. As elaborated upon by Bevan et al "[Institutions] form part of the 'created assets' of countries, and have arguably become increasingly significant relative to more conventional 'natural assets', like raw material or cheap labour."[121]

As such, it is generally noted that well governed sovereign territories, with strong institutions - despite a lack of more conventional, classical-economic, factor endowments – can shape the incentives faced by foreign investors and subsequently influence the magnitude of inward FDI. This paper, however, begs the question of how true is this for sub-Saharan Africa? Could the region's natural institutional development – specifically regarding good governance – be enough to influence the locational choices of the investment decisions of foreign actors, or do more conventional 'natural assets' matter more due to the region's relative underdevelopment vis-'a-vis the world mean? The positioning of this exercise in the broader study of the private security industry is especially relevant here, given the significance attached to institutions and governance by previous studies. What has been observed in the SSA region over the past two decades has been the operations of private military and security contractors, which effectively give rise to small territorial 'pockets' in the region characterised by large inward flows of FDI – and allow these heavily invested foreign pockets to be more or less dislocated from the domestic economies of SSA host countries. This is a growing trend which could be arguably exacerbated over time, as the PSI essentially fills the void created by political instability, lawlessness and weak institutions, subsequently undercutting what would otherwise be an urgent need for host nation governments to pursue institutional reform and stimulate economic growth.

Remaining cognisant of the operations of the PSI, the above logic could be extended to argue that due to the natural resource wealth of SSA, with specific regard to the strategic value of oil in the international system, the importance of institutional development vis-'a-vis inward FDI is somewhat mitigated. This subsequently gives rise to a situation whereby regional adherents of good policy are not 'rewarded' sufficiently for their efforts through increased inward flows of foreign direct investment, in opposition to poorly governed (albeit resource rich and oil producing) countries who

[120] Ibid. p. 3
[121] Bevan, A. et al, "Foreign Investment Location and Institutional Development in Transition Economies", International Business Review, 13, 2004, p. 44

facilitate the asset and resource seeking interests of foreign capital. The extent to which institutional quality, and good governance, influence inward FDI therefore matters not only to the short term attraction of foreign capital and the potential economic growth this could spur, but more importantly regarding the incentives faced by all countries in the region to pursue institutional development and practice good governance. The long-term implications of the latter would invariably lead to market sophistication and diversified flows of FDI to the region, which would come to seek not only resources but also to gain from in the region's growing markets, and possible region-specific comparative efficiencies. Thus, the significance of institutions and policy-related variables associated with governance, upon inward FDI flows, of the sub-Saharan African region cannot be understated, and subsequently informs the cross-national descriptive analysis, and methodological choices presented in the next chapter.

The theory that underlies the study of the many policy and institutional variables of this paper has been drawn from the growing, and increasingly relevant, literature surrounding institutional theory, and more specifically, new institutional economics. Where the former "... emphasises the influences of the systems surrounding organisations that shape social and organisational behaviour", and is inclusive of both the economic and sociological orientations of these institutional forces; whilst the latter focuses upon the relations between institutions and firms, which arise from market imperfections.[122] Due to the emphasis on market imperfections, the new institutional economics provides a fitting conceptual framework for the study of institutional and policy-related variables upon inward FDI in the sub-Saharan African region, which is characterised by generally underdeveloped economic markets.

In his seminal work "Institutions, institutional change and economic performance", North argues that "... institutions provide the rules of the game that structure human interactions in societies... [And that]... the role of institutions in an economy is to reduce both transaction and information costs through reducing uncertainty and establishing a stable structure that facilitates interactions".[123] A key component of North's argument is his proposition that, due to the incomplete information that parties at opposite ends of economic exchange have about each other, transaction costs invariably include a risk premium – which he argues is a function of institutional quality.[124] This argument is premised on the idea that the extent to which such costs contain this

[122] Hoskisson, R., et al, "Strategy in Emerging Economies", The Academy of Management Journal, Vol. 43, No. 3, June 2000, p. 252
[123] Ibid. pp 252-253
[124] Ali, F. Et al Op. Cit. p. 6

risk largely depends on how well contracts or agreements can be enforced, as well as the degree of property rights protection, and the odds of defection by either party.[125] Furthermore, the magnitude of the risk premium dually determines the scale of economic exchange in an economy such that "... when property rights are poorly protected and contracts of enforcement is difficult, then the risk premium will be high and economic activity will be limited to direct interpersonal exchange rather than complex impersonal trade."[126]

The theoretical positions outlined above serve well to highlight a number of significant issues relating back to the broader study of the private security industry in sub-Saharan Africa. Firstly, the PSI arguably caters to the risk premium, mentioned above, which forms a core component of the transaction costs of the mineral and oil extractive industries of sub-Saharan Africa; which, as elaborated upon by North, is a function of institutional quality. Due to the high levels of market failure associated with the region's developing economies, foreign investors looking to capitalise on the region's strategically important oil reserves invariably face much greater uncertainty in their economic dealings than would be faced in other regions of the world. It is within this context that the PSI plays a critical role. Secondly, since many of the business arrangements made in the oil industry generally involve foreign interests (in the form of multinational mining corporations) and the government of the host country, the PSI would be implicitly mandated to seek to reduce economic uncertainty by ensuring that the host government itself does not defect from any agreements and contractual obligations.

It would therefore not be too far a stretch of the imagination to extend this logic by equating these trends to the effective 'propping up' of host nation ruling regimes and governments in order to maintain the domestic stability needed to serve transnational economic interests – arguably at the expense of the natural institutional development of the host country. Lastly, North's proposition that the size of the risk premium also serves to determine the scale of economic exchange in an economy is an especially interesting observation with regard to the oil industry in sub-Saharan Africa. The fact that private security contractors operate in many of these countries underscores the fact that the institutional quality of these sovereign territories are characterised by poorly protected property rights and a large degree of difficulty regarding contract enforcement. North predicts that the risk premium will be high and economic activity will be limited to direct interpersonal exchange as opposed to complex impersonal trade; which, for the most part, is a fairly accurate portrayal of many oil-producing sub-Saharan African economies. This position finds credit in the

[125] Ibid. p. 6
[126] Ibid. p. 6

acknowledgement that these oil-producing economies are largely dislocated from the general domestic economies of their respective states, and are further characterised by high levels of direct interpersonal economic exchange between government authorities and representatives of foreign oil interests and private security companies.

The key issue that emerges from this discussion is that institutions and policy-related variables, dealing specifically with governance, impact the profitability of host countries, through the reduction of transaction and production costs and their associated levels of business uncertainty, thereby representing a notable locational advantage for the operations of multinational corporations and inward foreign direct investment.[127] The concept of locational advantage essentially points to the properties or features of countries which make them attractive destinations for foreign direct investment.[128] The initial literature on locational advantage was heavily influenced by more classical economic concepts such as factor endowments-based theories which stressed the significance of labour costs and productivity; this, however, has given way in recent years to a more inclusive approach which incorporates many of the key tenets of institutional theory.

As posited by Dunning, certain developments in the contemporary global economy have augmented the perceptions of foreign investors with regard to locational advantages such that they increasingly prefer territories which boast well developed economic as well as institutional facilities.[129] Furthermore, "... the focus of multinational enterprises has reportedly shifted from traditional locational advantages [such as] labour cost or the availability of natural resources to so-called creative locational advantages which include knowledge-based assets [such as] infrastructure and institutions."[130] The institutional environment has therefore emerged in recent years as critical underpinning of a country's locational advantage, as the success of the expansion of market capitalism through out the international system has increasingly come to be understood as being hinged upon effective supporting institutions which can provide the formal and informal 'rules of the game' to facilitate its growth.[131]

An interesting observation by Bevan et al asserts that:

> Institutions are important locational advantages in international business because they [represent the major immobile factors in a globalised market]. Legal, political and administrative systems tend to be

[127] Ibid. pp. 6 - 7
[128] Bevan, A. et al Op. Cit. p. 45
[129] Ibid. p. 44
[130] Ali, F. Et al Op. Cit. p. 7
[131] Bevan, A. et al Op. Cit. p. 45

> the internationally immobile framework whose costs determine [the] international attractiveness of a location. Institutions affect the capacity of firms to interact and therefore affect the relative transaction and coordination costs of production and innovation.[132]

By extending this argument, the growth of the PSI in sub-Saharan Africa can therefore be understood as a means for foreign capital to circumvent, certain 'immobile factors' of the globalised market in order to gain hold of strategically significant commodities such as oil. Specifically, the growth and evolution of the PSI, in sub-Saharan Africa over the past two decades, can subsequently be viewed as the manifestation of the market to effectively turn a traditionally 'immobile factor' which has not been conducive to the strategic interests of certain international actors into something which is mobile – and better governed by the market forces of supply and demand. The security function of otherwise poorly governed sovereign territories in SSA is essentially outsourced and privatised in order to accommodate the international interests of asset and resource seeking inward FDI in the region. Subsequently, the institutional component of locational advantage in sub-Saharan Africa is diluted and is arguably less significant, as countries with poor institutional capacities can still appear to be much more attractive to inward foreign direct investment than their better governed counterparts, on account of factor endowments such as oil wealth - in conjunction with the operation of private security contractors, to privately secure and service those investments.

In order to gauge the legitimacy of these arguments in relation to the political economy of inward FDI in sub-Saharan Africa, the next chapter, employs statistical methods in order to determine the relative strength of institutional and policy-related variables (as well as more traditional macroeconomic variables) upon the locational choice of inward FDI – for the period 1996 to 2009. To this effect, the next chapter shall dually introduce the regression variables under consideration as well as descriptively analyse each univariate statistical distribution.

[132] Ibid. p. 45

Chapter III

Methodology

The methods I employed to assess the effects of the international private security industry upon trends in the allocation of inward foreign direct investment to the sub-Saharan African region were inclusive of an initial quantitative analysis as well as a more descriptive qualitative assessment. The quantitative analysis (presented in chapter 5) provides an empirical account of the strength of certain variables in the SSA region, throughout a significant period in the growth and development of the international PSI, which constitute the locational advantages of countries in the region. The basic premise of this exercise, however, was to discover the strength of causality between policy and institutional variables in the SSA region upon levels of inward FDI, as opposed to variables stemming from oil and natural resource wealth. Therefore, the core question informing this exercise was effectively: *Which matters more?* Do well-governed SSA countries, who score well on governance, stability and security generally receive more inward FDI than their poorly governed, unstable and insecure regional counterparts? Moreover, if this is in fact not the case, then where are foreign investments being concentrated within the region, and how are they being secured? A qualitative assessment (presented in chapter 6) was then employed to descriptively assess these prior empirical observations and findings, and to further underscore the causal influence of the PSI in facilitating the interests of foreign capital into one of the SSA region's politically unstable and institutionally weak petro-states.

By examining the statistical association between key cross-national variables which have, based upon previous studies, been deemed to be significant to foreign investment inflows, the methods I employed sought to identify which factors, over the past fifteen years, have indeed possessed the greatest bearing over the locational choices of foreign actors. In order to do this, I compiled and ran a number of different multivariate regressions (with 14 different model specifications in total) to gauge the causal strength of each independent and intervening variable upon inward foreign direct investment to all sub-Saharan African countries. In this way, I aimed to account for whether 'traditional' determinants of FDI, specifically those emphasised by institutional theory, were being possibly overridden in sub-Saharan Africa due to the expansion of PMSCs in supplanting the security functions of national governments. Furthermore, this analysis laid the basis for me to answer the

question of whether normative economic prescriptions regarding the relationship between issues of governance and institutions vis-'a-vis FDI were somewhat less potent in the region, especially when taking into account the vast sums of FDI which have gone to exceptionally poorly governed countries. Moreover, the quantitative analysis along with the qualitative assessment allowed me to answer whether, due to these investment patterns, the political economy of the region created an investment environment which is far more conducive to the needs of asset (or resource) seeking FDI, attributable to powerful transnational oil and mining interests, as opposed to the market seeking and efficiency seeking dimensions of foreign investment.

The major limitations of this exercise stem from the relatively small dataset under consideration, as well as controlling for endogeneity amongst the many intervening variables included in my study. As with all regression model analysis, the greater the number of observations the greater the explanatory power of the model. This is an especially pressing issue when applying such statistical methods to cross-national datasets, as the number of observations will invariably be limited to the number of countries one wishes to assess. In the case of my research, I was limited to the number of countries within the sub-Saharan African region. Due to this, the findings my regression analyses do not intend to be in any way suitable for inferred generalisations of the determinants of FDI for the larger global market. Indeed, the analysis presented in chapter five is fundamentally premised on the findings and prescriptions of much more comprehensive, prior, analyses on the determinants of FDI.

With specific regard to institutional quality, I acknowledge and support the consensus which emerges from a review of contemporary institutional-FDI studies, the majority of which posit that institutions possess a robust and significant influence on FDI.[133] Furthermore, it has been noted that previous studies which have rejected any significant influence of institutions upon inward FDI have made use of relatively small samples, which pose the problem of underestimating the significance of certain variables especially if such variables exhibit limited variation within a particular sample.[134] Whilst the analysis presented in this paper engages the theory surrounding the determinants of FDI, it is due to the limitations posed by the aforementioned sampling issue that leads to a reaffirmation that my findings do not intend to be in any way suitable for inferred generalisations of the global market.

[133] Ali, F. Et al Op. Cit. p. 1
[134] Ibid. p. 14

The rest of this chapter shall provide an account of my data collection, manipulation and descriptive statistical analysis, which informed the different model specifications I structured in my multivariate regression analysis. The following section descriptively examines the statistical associations between a host of variables, relevant to the aims of this paper, by drawing from a number of legitimate datasets archived on the World Bank's online *dataBank* research portal. The preparation, manipulation and analysis of all data provided in this paper has been done so through the use of the "*Emacs Speaks Statistics"* extension of the open-source plain text editor *"Emacs"* in conjunction with the open-source statistical software *"R"*.

Regression Variables

3.1 Measures of Foreign Direct Investment

The dependent variable of the analysis presented in this paper is the average of foreign direct investment net inflows, as shown in a country's balance of payments in current U.S. dollars (for the period 1996 to 2009). While this measure of inward FDI may seem controversial at first, in contrast to other measures expressed as a percentage of country's gross domestic product or as a per capita value, the purpose of this exercise is to first and foremost illustrate which sovereign territories in the region are significant outliers in absolute terms. In other words, this study is primarily interested in understanding the political economy of inward FDI in the region by identifying which countries possess such significant locational advantage that despite market size or GDP (which shall be controlled for in any case) are able to influence the locational choices of foreign investors, in absolute monetary terms, far more than their counterparts. This factor shall inform the dependent variable of the regression analysis presented in chapter 5; however, measures of FDI expressed as a percentage of a country's GDP will also be included for purposes of the descriptive univariate study in this section.

All cross-national data for the region regarding foreign direct investment net inflows (BoP, current U.S. dollars) was sourced from the "World Development Indicators and Global Development Finance" database, on the World Bank's online "dataBank" research portal. This archive was in turn sourced from the International Monetary Fund's Balance of Payments database which was further supplemented with data from the United Nation's Conference on Trade and Development, in conjunction with official national sources. The official definition of this variable reads:

> Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short term capital as shown in the balance of payments. This series shows net inflows (new investment

inflows less disinvestment) in the reporting economy from foreign investors. Data are in current U.S. dollars.[135]

The data for this variable was compiled into a spreadsheet and averaged for the years 1996 to 2009, and shall be referred to from this point onward simply as inward FDI. Presented in figure 3.1 is the statistical distribution of inward FDI, with a simple dot chart generated in figure 3.3 in order to better visualise this distribution vis-'a-vis each respective country in the sub-Saharan African region. Due to the shape of the distribution, a transformation of the data was deemed appropriate by using the natural logarithm of these values in the regression equations. The decision to use the log of the average of inward FDI in the regression analysis finds a degree of conceptual credit when thinking that the change in the value of FDI amongst the observations may be more appropriately thought of as a percent change value as opposed to a change in the absolute value. Figures 3.2 and 3.4 present the statistical distribution and a dot chart of the log of inward FDI respectively.

Figure 3.1 Density Plot of Inward FDI

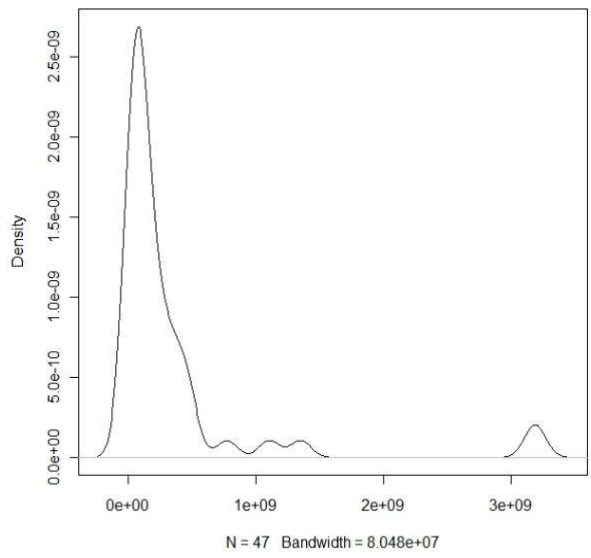
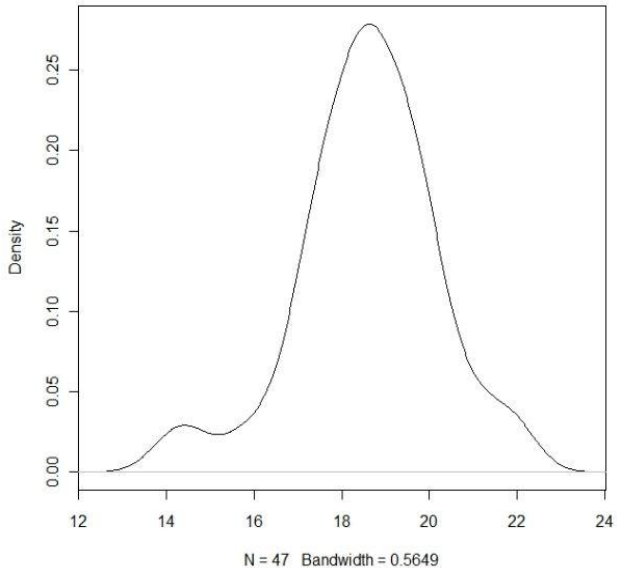


Figure 3.2 Density Plot of the log of Inward FDI

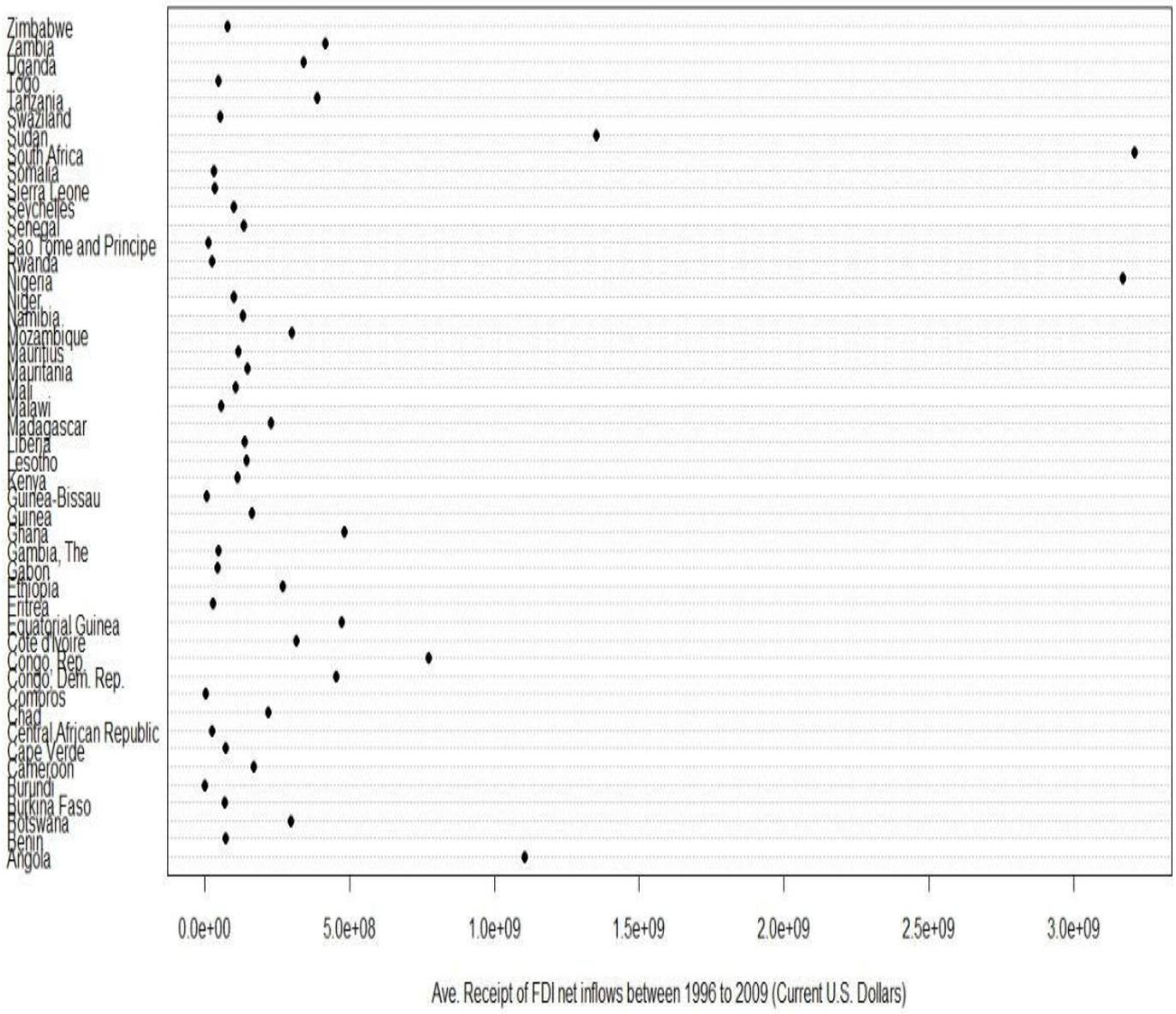


The associated dot charts of these distributions work well with these density plots in roughly illustrating the general trends which have characterised inward FDI to the region. As is indicative of the left skew in figure 3.1, the majority of countries in the region received similarly low amounts of inward FDI during this period, while a small number received very large amounts relative to the mean. Figure 3.3 illustrates the magnitude of the differences between the greatest net receivers of inward FDI in the region, noticeably South Africa, Nigeria, Sudan, Angola and the Republic of Congo

[135] Metadata on FDI found online at the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

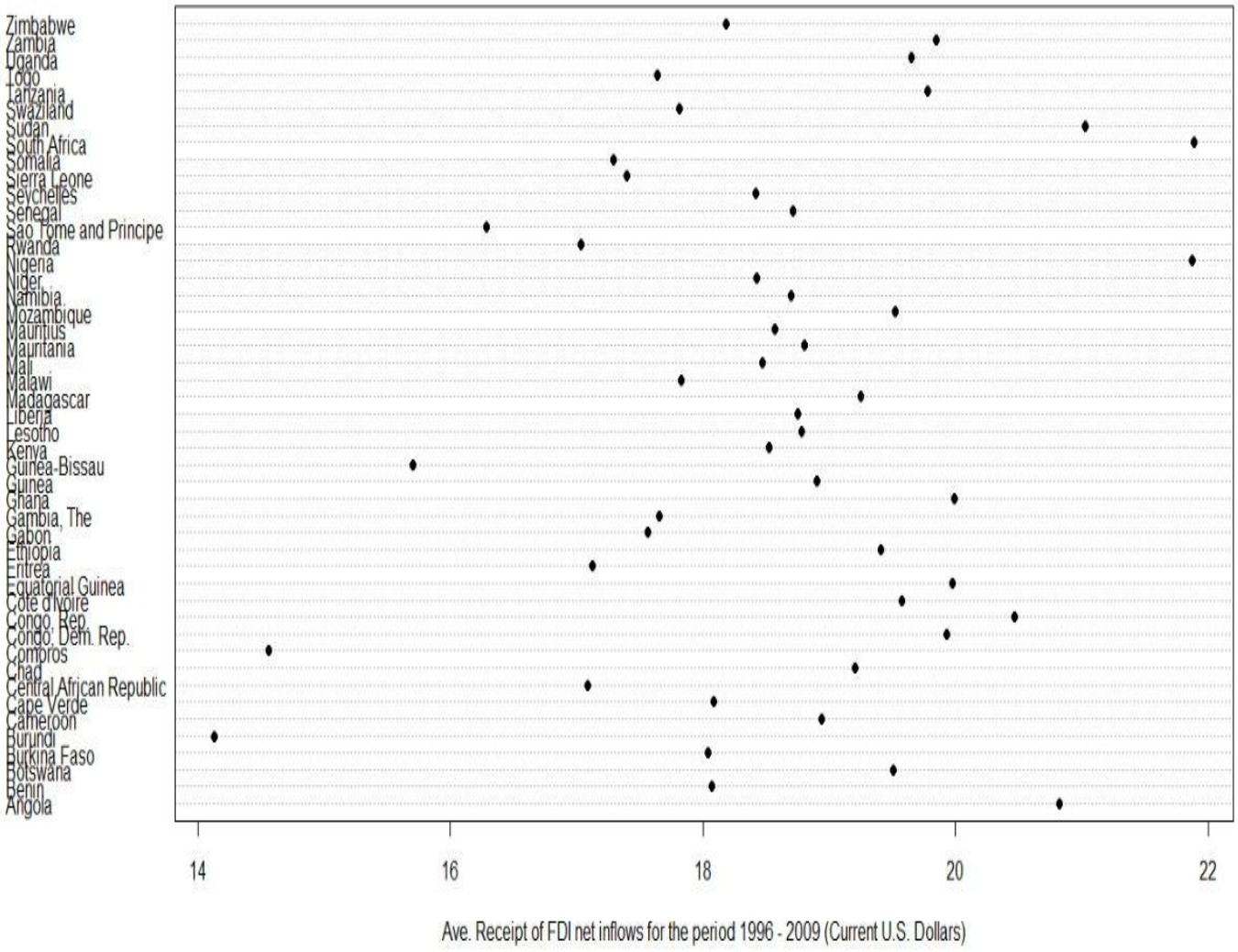
in relation to all other sub-Saharan African countries, whilst figure 3.4 allows us to better gauge the relative differences of the net receipt inward FDI for all other states – the lowest receivers of which are illustrated as Burundi, the Comoros and Guinea Bissau.

Figure 3.3 Dot Chart of Inward FDI



To better put these finding into perspective, and add a monetary scale to these observations, it was calculated that the maximum net receiver of inward FDI during this period was South Africa with an average annual receipt of U.S. $3 211 290 704, whilst Burundi – the minimum receiver – netted an annual average of U.S. $ 1 377 052, and Namibia – the median observation of the distribution – similarly took in U.S. $ 132 111 054.

Figure 3.4 Dot Chart of the log of Inward FDI



For purely descriptive purposes, a dot chart of the annual average receipt of inward FDI expressed as a percentage of a country's gross domestic product was generated for general comparison with the preferred measure of FDI discussed above. This is presented in figure 3.5 in the appendix of this paper.

As can be seen, the distribution is still left skewed and characterised by major outliers who attract far more FDI than the mean. While South Africa's position does not seem as extreme anymore due to its large economy, it is interesting to note that Equatorial Guinea, Liberia, and to a lesser extent, Lesotho are the major receivers of inward FDI – when considering this measure. Again, to better place these observations in perspective, it was calculated that the greatest recipient of inward FDI as a percentage of GDP during this period was Equatorial Guinea with an average annual FDI share of its GDP standing at 27.21 percent. At the other end of the scale is Gabon, whose average annual FDI share of GDP stood at 0.02 percent.

3.2 Institutional and Policy Variables relating to Governance

The primary set of independent variables relating to measures of governance was drawn from the World Governance Indicators (WGI) database, again, archived online on the World Bank's 'dataBank' research portal. The WGI project essentially compiles and reports aggregate and individual governance indicators for over 200 economies, covering the period 1996 to 2009, and further classifies these indicators into six different dimensions – and subsequent measures – of governance, namely: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.[136] These aggregate measures are compiled from the research and prescriptions of numerous enterprise, citizen and expert survey respondents in countries across the world, whilst the data which informs these aggregates are sourced from a host of survey institutes, think tanks, non-governmental and international organisations.[137] Each dimension of governance captures a country's score on the aggregate indicator which ranges from approximately -2.5 to 2.5. The data on each of these dimensions of governance for all countries in sub-Saharan Africa was compiled and averaged for the years 1996 to 2009, whilst each of these dimensions are officially defined as follows:[138]

1. Voice and Accountability captures the perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
2. Political Stability and Absence of Violence/Terrorism captures perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.
3. Government Effectiveness captures perceptions of the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. Regulatory quality captures the perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

[136] Metadata for the WGI found on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

[137] Kaufmann, D et al. (2010) The Worldwide Governance Indicators: Methodology and Analytical Issues. World Bank Policy Research Working Paper No. 5430 (http://papers.ssrn.com/sol3/papers.cfm?abstractid=1682130)

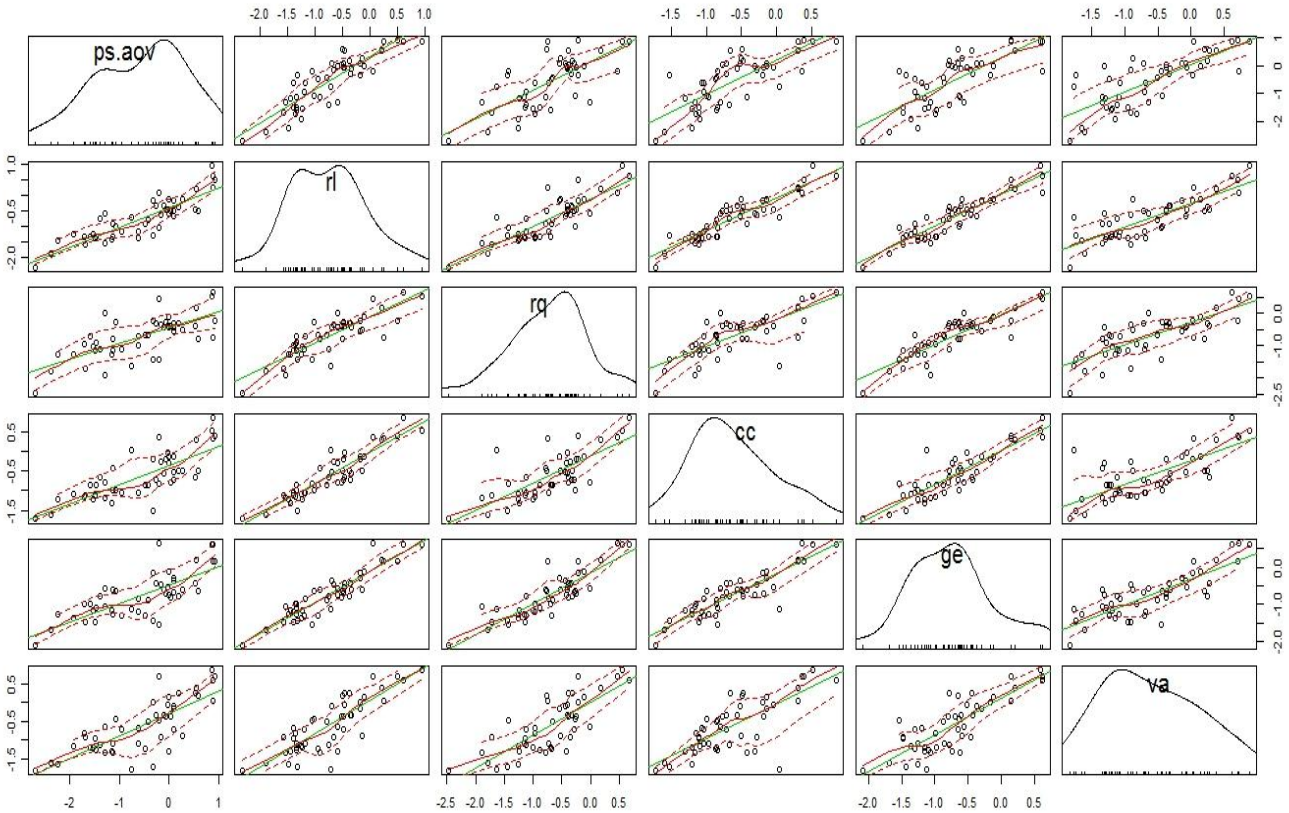
[138] Metadata for the WGI found on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

6. Control of Corruption captures the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as *capture* of the state by elites and private interests.

Each of these dimensions of governance were individually coded and analysed, in terms of their statistical distributions, by generating individual density plots, and in terms of the relative score of each observation (country in SSA) by generating dot charts – which are provided in the appendix of this paper.

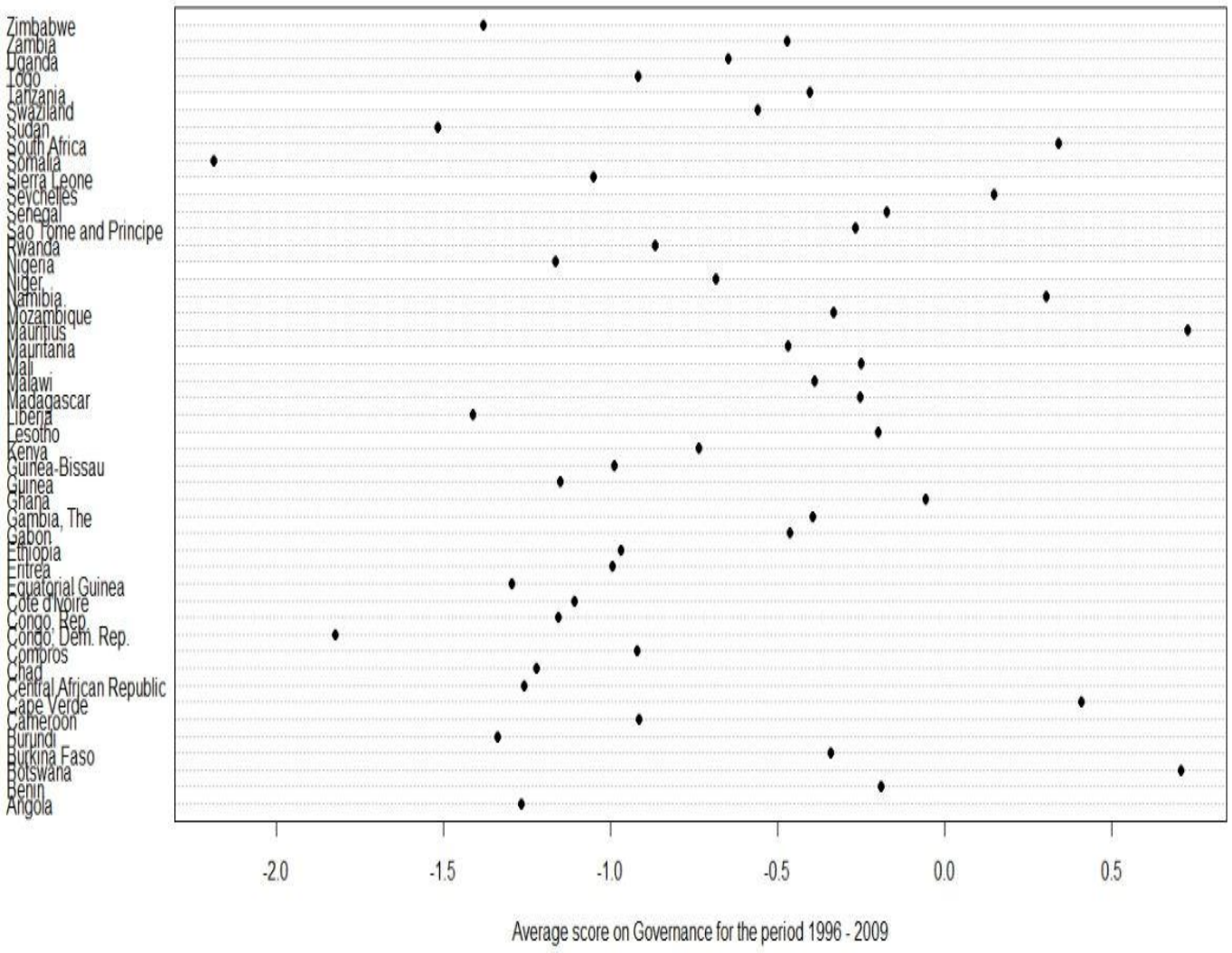
Upon closer inspection of the relationship between these dimensions of governance for the sub-Saharan African region, it was found that the general multivariate correlations were so high that they should in turn be combined (through a simple average) such that a single, arguably all-encompassing, single measure of governance can be used in the regression equations. The scatter-plot matrix presented in figure 3.6 visually illustrates these correlations for each respective dimension of governance, and justifies to a considerable extent the decision to combine the averages of each measure of governance for sub-Saharan African countries (for the period 1996-2009) into the single 'governance' variable which was used in the regression equations.

Figure 3.6 Scatter Plot Matrix Indicating the Correlations among the WGI dimensions of Governance



This created governance variable was then analysed in terms of its statistical distribution by means of a density plot – presented in the appendix of this chapter – as well as by studying the position of each individual observation, in order to roughly gauge the relative position of each country in the sub-Saharan African region with regard to governance. The findings of this exercise are presented in the dot chart below in figure 3.7.

Figure 3.7 Dot Chart of the Governance Variable



As can be seen, governance in the region – in terms of the six dimensions captured by the WGI project – is quite varied, although the distribution is fairly normal, with the majority of countries falling not too far from the mean (calculated to be an average score of -0.6712 for governance for the period 1996 to 2009). Notable positive outliers are Botswana, South Africa, Namibia and Cape Verde which do not correlate too well, with the exception of South Africa, based on the descriptive analysis of the two measures of FDI discussed earlier. Interestingly, the significant positive outliers in terms of FDI fare quite poorly on governance, as indicated by the governance scores of Angola,

Sudan, Nigeria, the Republic of Congo and Equatorial Guinea who generally fall on or short of the regional mean – posing serious implications for the relevance of certain aspects of institutional theory, in describing the political economy of inward FDI in sub-Saharan Africa.

3.3 Macroeconomic Variables relating to Classical Factor Endowments

Labour and Natural Resources

The variables included in the study presented in this chapter, which relate to more classical economic theories of comparative advantage, competitiveness, and the subsequent locational advantage of certain countries are presented here. With specific regard to factor-endowment based theories, labour and natural resources were the first two variables to be considered as the key economic variables which could influence the locational advantages of sub-Saharan African countries. While many previous studies have relied on certain proxy measures to gauge the influence of labour upon inward FDI - such as secondary school enrolment and average wage rates to name a few – the analysis presented here remained cognisant of the fact that foreign investors normally pay much greater attention to broader, more inclusive, measures of locational advantage.[139]

Due to this, the measure of labour decided upon was drawn from the World Economic Forum's Global Competitiveness Report's *seventh pillar* of competitiveness namely, labour market efficiency.[140] As noted in the report, efficient and flexible labour markets are a vital component of competitiveness in order to ensure the most efficient allocation of workers as well as to provide the incentives to labour such that their best efforts are given to their jobs.[141] As further elaborated:

> Labour markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption... Efficient labour markets must also ensure a clear relationship between worker incentives and their efforts to promote meritocracy at the work place, and they must provide equity in the business environment between men and women. Taken together these factors have a positive effect on worker performance and the attractiveness of the country for talent...[142]

Furthermore, while the raw data provided by this report only began from 2006, the general lack of year-on-year variation observed in the dataset, and further highlighted in past literature, made this

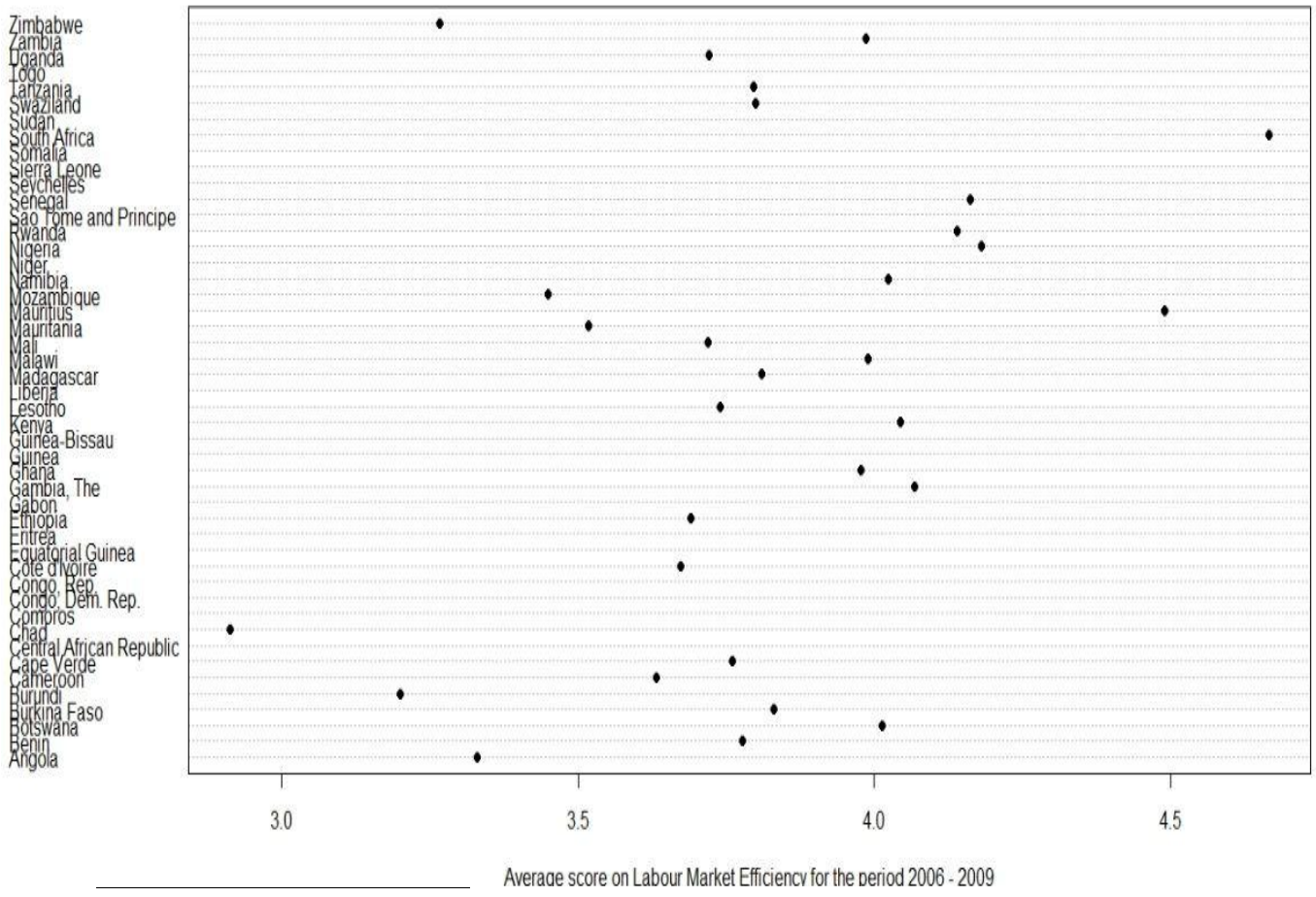
[139] Ali, F. Et al Op. Cit. pp. 11 - 13
[140] Klaus Schwab (ed.), "The Global Competitiveness Report 2011 – 2012", The World Economic Forum, Geneva, 2011, p. 7
[141] Ibid. p.7
[142] Ibid. p.7

the most suitable measure of labour which was dually averaged for the period 2006 to 2009 and incorporated into the regression equations. This aggregate measure of labour was sourced from the Africa Development Indicators database on The World Bank's 'dataBank' research portal, and is officially derived from the following indicators:[143]

1. Cooperation in labour-employer relations
2. Flexibility of wage determination
3. Rigidity of employment
4. Hiring and firing practices
5. Firing costs
6. Pay and productivity
7. Reliance on professional management
8. Brain drain
9. Female participation in labour force

The labour variable was then coded and analysed in terms of its statistical distribution, by means of a density plot which appeared sufficiently normal – and is provided in the appendix of this chapter. In order to better visualise the labour market efficiency of each observation, a dot chart was generated and is presented in figure 3.8.

Figure 3.8 Dot Chart of Labour Market Efficency



[143] Metadata for Labour Market Efficiency on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

As can be seen, there is quite a large variation in the scores of labour market efficiency for sub-Saharan African countries, although it can be visually inferred that the distribution of these observations is more or less normal – with the majority of countries being relatively clustered toward the mean. South African and Mauritius immediately stand out as notable outliers with strong scores on this variable, arguably pointing to the influence of labour as a locational advantage vis-'a-vis inward FDI, as both of these countries similarly appeared as positive outliers in the prior descriptive analysis of the two measure of FDI. The major limitation of this variable, however, and indeed all variables derived from the Global Competitiveness Report, are the missing observations – especially regarding key regional FDI outliers such as Sudan and Equatorial Guinea. This issue, however, must be tempered by the comprehensiveness of the methodology and data collection used by the World Economic Forum in constructing these measures, which arguably better represents the locational advantage of labour in the region than less comprehensive, albeit more inclusive, proxy measures such as secondary school enrolment. Furthermore, such issues are accounted for by other indicators used to capture similar effects in the alternate regression models, which shall be elaborated upon in the following section.

To capture the effects of natural resources as a locational advantage upon inward FDI, data was drawn from the World Development Indicators and Global Development Finance database, which was archived on the World Bank's 'dataBank' research portal. The measure deemed most suitable to the aims of this paper was a measure of total natural resource rents, expressed as a percentage of a country's gross domestic product. The estimates found here were in turn based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).[144] The data was compiled into a spreadsheet and averaged for the years 1996 to 2009 for all sub-Saharan African countries. The measure used here is officially defined as: "Total natural resource rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents".[145] As is given by the definition, this indicator specifically captures the rents, or actual hard currency, accruing to a sovereign territory as a result of its natural resource factor endowments. This is appropriate for the study presented here as it is a good indication of locational advantage in terms of natural resources which have already been capitalised upon, presumably by asset or resource seeking inward FDI, as opposed to other measures which capture potential reserves which have not yet been economically exploited. Furthermore, the fact that these rents are expressed as a percentage of GDP helps in determining the extent to which a particular economy is dependent upon the extraction of such primary commodities, and arguably

[144] Metadata for Natural Resources on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4
[145] Ibid.

the extent to which it will be willing to facilitate and prioritise the interests of foreign extractive capital.

To better gauge the extent, specifically, of oil wealth - in conjunction with the more inclusive natural resource rents variable – in influencing the locational choice of inward FDI, an oil-production dummy variable was created. This dummy variable, which simply awards a score of "1" to countries in the SSA region who have received rents from their domestic oil industries (for the period 1996 to 2009) and a "0" to countries which have not, was included into the regression equations alongside the natural resource rents variable in order to comprehensively account for the locational advantage of such factor endowments.

The natural resource rents variable was then analysed in terms of its statistical distribution, and was found to be heavily left skewed as in indicated by the density plot presented in figure 3.9. Along the same logic that was applied to the inward FDI variable, this justified a case for a transformation of the data such that the natural logarithm of the natural resource rents variable would be taken to be more conceptually relevant – and subsequently used in the regression equations. This new distribution is presented in figure 3.10. As is indicated, the distribution of the log of the natural resource rents variable is now right skewed, although it does better conform to a more normal distribution, as opposed to figure 4.9. Conceptually this makes sense, as natural resource rents (expressed as a percentage of a country's gross domestic product) would tend to informed to a greater extent by percentage changes as opposed absolute unit changes. Furthermore, by taking the log of the distribution, the relative differences between each observation (country in SSA) can be better visualised by generating a dot chart. Figures 3.11 and 3.12 present these observations for the natural resource rents variable, and its respective logarithmic transformation.

Figure 3.9 Density Plot of Natural Resource Rents

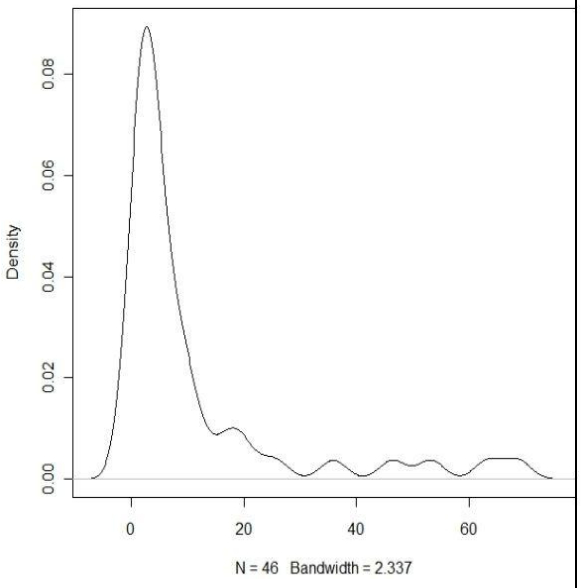


Figure 3.10 Density Plot of the log of Natural Resource Rents

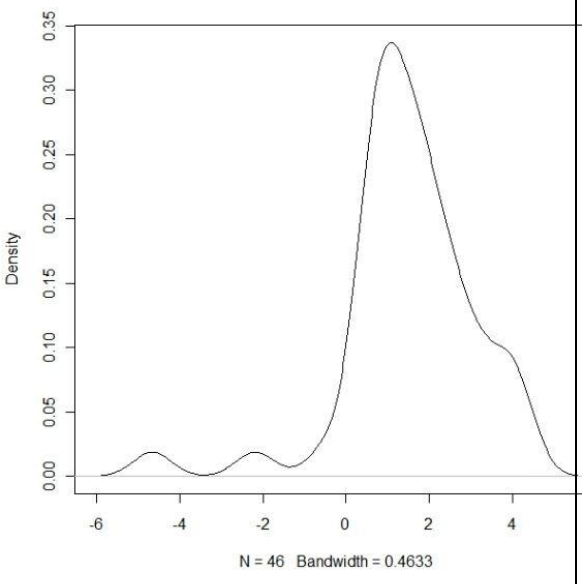


Figure 3.11 Dot Chart of Natural Resource Rents

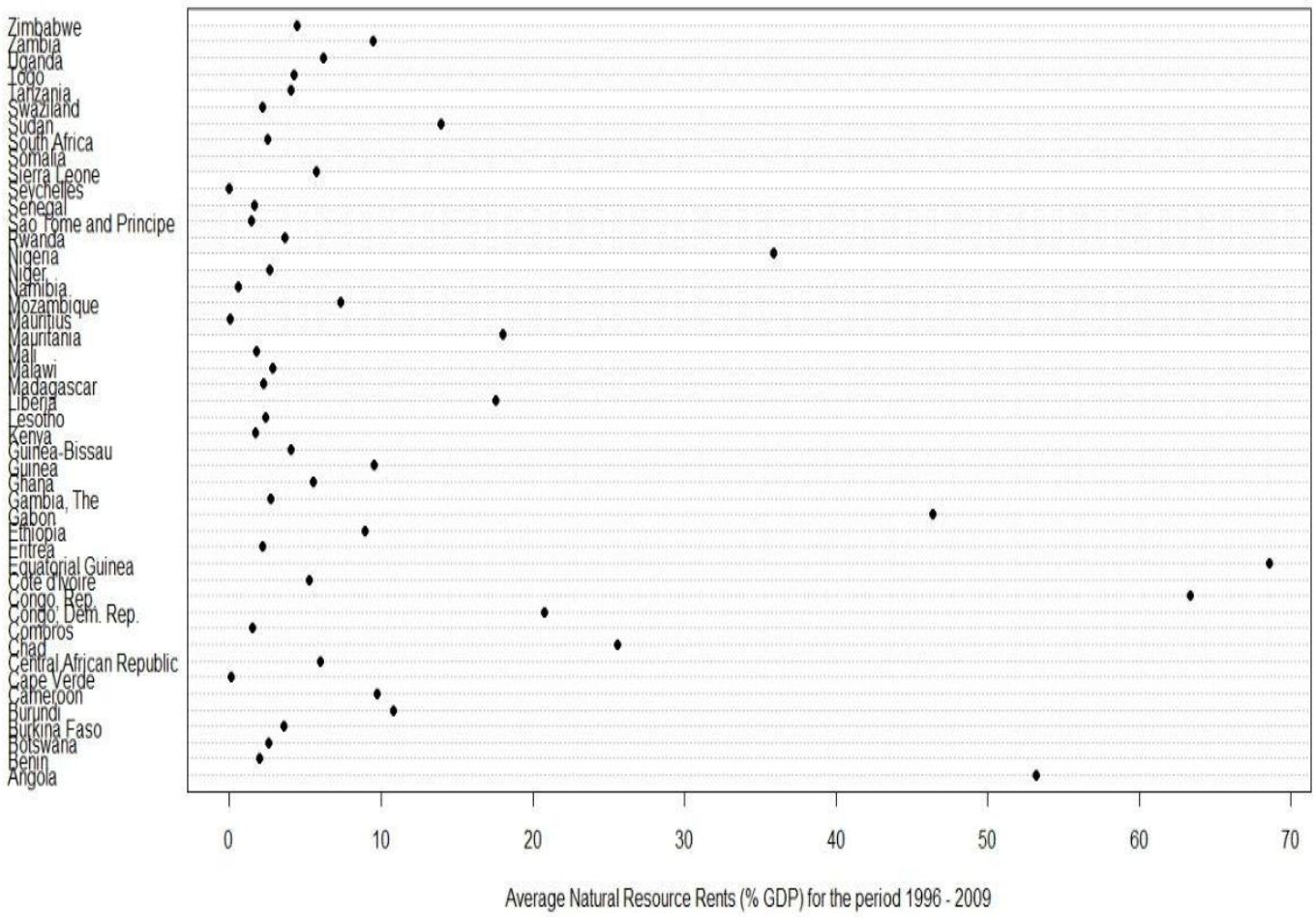
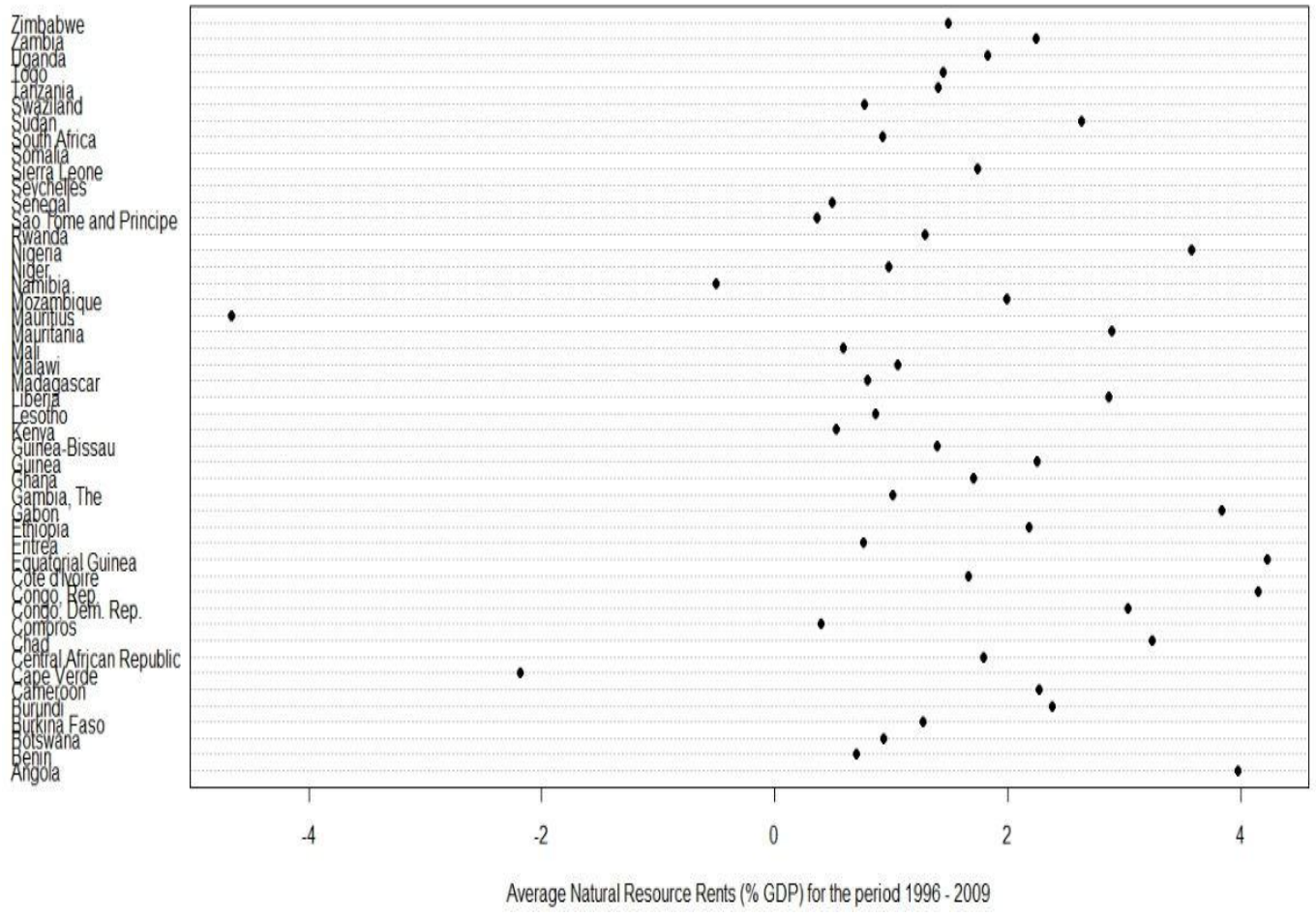


Figure 3.12 Dot Chart of the log of Natural Resource Rents



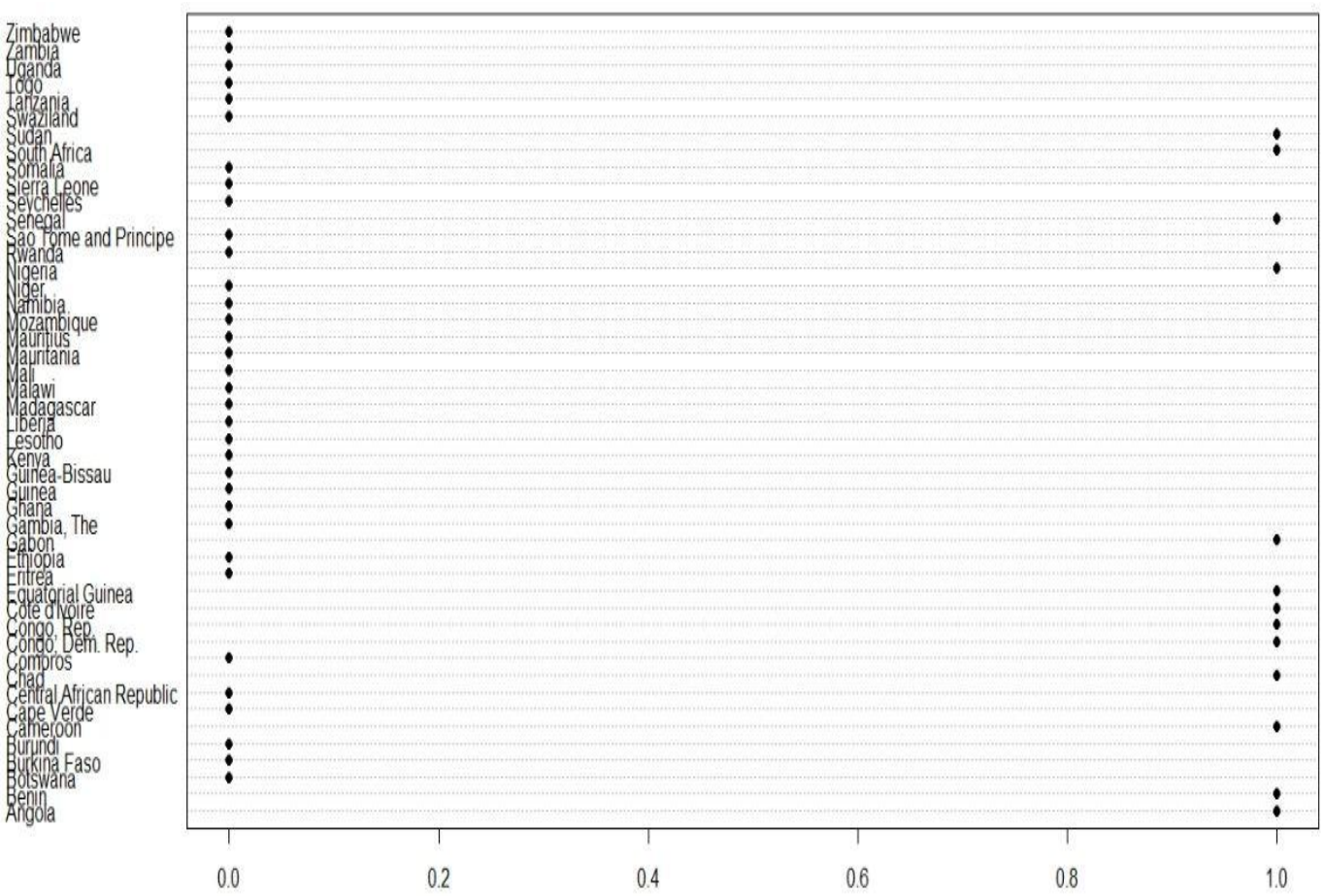
There are a number of interesting observations which arise from a visual inspection of the natural resource rents variable. As can be seen in figure 3.11, the vast majority of sub-Saharan African countries are generally clustered together and have received, on average, an annual receipt of between 0 to 10 per cent of their GDP, stemming from natural resource rents. There are, however, very significant positive outliers, in the form of Angola, Nigeria and Gabon, with Equatorial Guinea and the Republic of Congo leading the pack with well over 60 percent of their annual GDP being derived from natural resource rents, on average for the period 1996 to 2009. This is especially notable as Equatorial Guinea, Nigeria, Angola and the Republic of Congo were all highlighted as significant positive outliers in the previous analysis of inward FDI – pointing to the strong potential locational advantage of natural resources, even more so than the institutional and policy-related aspects captured by the governance variable, and labour, in sub-Saharan Africa.

Furthermore, as these rents are expressed as a percentage of the GDP of these countries, what becomes apparent is the extreme economic dependence of these states on foreign, resource-extractive, inward FDI - which arguably manages to penetrate, support and operate in these territories despite their relatively poor performance on governance and labour market efficiency. On the other end of the scale, however, is the notable exception of Mauritius which (as illustrated in figure 3.12) falls far behind in the regional mean, and yet stood out as a positive outlier in the analysis of the inward FDI variable. Interestingly, Mauritius also stood out in terms of governance and labour market efficiency with relatively strong scores on both indicators – leading to the assumption that this tiny island nation represents one of the few examples of locational advantage in SSA which has influenced market and efficiency seeking inward FDI, as opposed to the primacy of asset and resource seeking FDI which characterises the region.

As discussed earlier, an oil-dummy variable was created to be used in conjunction with natural resources in the regression equations. This was done in order to better gauge the specific influence that oil prevalence in a sovereign territory has as a component of natural resource rents, and the combined effect that this would have upon inward FDI. For descriptive analytical purposes a dot chart was generated in order to list all the oil-rent-receiving countries in the region, such that a comparison can be made with the arguments highlighted in the analysis of the natural resources variable. These findings are presented in figure 3.13. Upon a quick visual inspection of this chart, it becomes apparent that all of the significant and positive outliers mentioned with regard to natural resource rents are indeed oil producing countries in the region. The greatest of these outliers, which were dually noted to be significantly dependent upon foreign resource seeking inward FDI, namely

Nigeria, the Republic of Congo, Angola, Gabon and Equatorial Guinea, along with Sudan, are all oil-producing countries in the region, with considerably poor governance scores, and are also significant receivers of inward FDI. Other countries in the region which have received oil rents for the period 1996 to 2009 include South Africa, Senegal, Cote d'Ivoire, the Democratic Republic of Congo, Chad, Cameroon and Benin.

Figure 3.13 Dot Chart of the Oil Dummy Variable



3.4 Macroeconomic Variables: Inflation

As investment decisions are further based on considerations of economic risk neither sufficiently captured by traditional factor endowments nor institutional and policy-related variables concerning governance, a record of price stability is included as another potential source of locational advantage – and was subsequently included in the regression equations. In order to capture the effects of this upon inward FDI, data was compiled on all SSA countries (from the World Development Indicators and Global Development Finance database on the World Bank's 'dataBank'

research portal) for the measure of consumer price inflation – expressed as an annual percentage.[146] The official definition of this indicator follows: "Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used".[147] This archived data was further sourced from the International Monetary Fund's International Financial Statistics and data files. These were compiled into a spreadsheet and averaged for the period 1996 to 2009, for each country in sub-Saharan Africa. The statistical distribution of this variable was then analysed through the use of a density plot, indicating a major skew of the distribution due to very significant outliers – most notably the case of Zimbabwe. Following this, the natural logarithm of the variable was taken and subsequently incorporated into the regression equation.

The dot chart and density plots for this variable are presented in the appendix of this paper as most countries do not fall too far from the median observation (of an annual average rate of consumer price inflation of 7.5%) – with the exception of Zimbabwe (2244 %), Angola (394.48) and the Democratic Republic of Congo (153.53%) as significant positive outliers. To gauge the significance of these positive outliers, the difference between the mean and median values of the distribution was calculated to be 62.46.

Macroeconomic Variables: Gross Domestic Product Growth

A measure of GDP growth, expressed as a percentage of a country's GDP, was further included as a key macroeconomic variable in the regression equation. Based upon the methodology and conceptual framework of a number of influential studies and cross-national projects on locational advantage - most notably the *Inward FDI Potential Index* by UNCTAD – GDP growth rates have generally become accepted to be the most appropriate proxy measure for the expected economic growth of countries.[148] The conclusions of such studies have pointed to positive associations between expected economic growth and inward FDI – most significantly for the market seeking dimension of inward FDI. The basic reasoning underlying these trends is based on the argument that the locational choices of foreign investors, specifically seeking the expansion of the market share of their products, will be significantly influenced by factors emanating from the consistent, stable and expanding domestic markets of industrial and developing countries. Due to this, GDP growth was

[146] Metadata for inflation on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4
[147] Ibid.
[148] The United Nations Conference on Trade and Development's Inward FDI Potential Index, http://www.unctad.org/templates/WebFlyer.asp?intItemID=2470&lang=1

included in the regression equations of this paper; whilst the specific measure and data was drawn from the Word Development Indicators and Global Development Finance database - and is officially defined as:

> [The] annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets of for depletion and degradation of natural resources.[149]

This dataset was archived on the World Bank's 'dataBank' research portal and was additionally sourced from the World Bank national accounts data and the OECD National Accounts data files. This data was compiled into a spreadsheet and averaged for every sub-Saharan national economy for the period 1996 to 2009. An analysis of the statistical distribution of this variable was then conducted through the employment of a density plot and was found to be left skewed, leading to the natural logarithm of this variable to be taken and included in the regression equation – this plot is presented in the appendix of this chapter. Furthermore, the majority of all observations tended to display relatively little variance from the distribution mean, calculated to be a regional average annual rate of GDP growth of 4.89 percent for the period 1996 to 2009. The significant positive outliers with growth rates exceeding 10 percent were Angola (10.17%), Liberia (14.91%) and most notably the case of Equatorial Guinea (25.64%). Interestingly in contrast to the above cases, Zimbabwe's economy, on the other end of the scale, actually shrank on an annual average of 3.03 percent during this period. These findings are presented graphically an additional dot chart presented in the appendix of this chapter.

Macroeconomic Variables: Market Size

According to past literature, another factor which has proven to be positively associated with the determination of FDI – especially market seeking and efficiency seeking FDI – is market size. The economic argument here refers to the increased productivity of firms due to large markets on account of their increased ability to exploit economies of scale.[150] Traditionally, the effects of this variable in prior regression analyses has been captured through the use of a proxy measure normally limited to the gross domestic product per capita of a national economy. Whilst this has been relatively sufficient in gauging the magnitude of economic demand, and its constituent components,

[149] Metadata for GDP Growth on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

[150] Klaus Schwab (ed.), "The Global Competitiveness Report 2011 – 2012", The World Economic Forum, Geneva, 2011, pp. 7 - 8

within countries, a more inclusive measure was deemed necessary for this study, based upon much of the same logic applied to the choice of measure of our labour variable (in which labour market efficiency was chosen to be most appropriate). Subsequently, inspiration was drawn again from the World Economic Forum's Global Competitiveness Report – specifically, the *tenth pillar of competitiveness* referring to market size. This indicator is derived from two indices comprising the domestic market size index as well as the foreign market size index, and is inclusive of the World Economic Forum's Executive Opinion Survey as well as *hard data* stemming from a variety of different sources.[151] The strength of this measure as opposed to the traditional GDP per capita proxy, is that it is conceptually geared toward capturing the effects of market size on national competitiveness (and the subsequent locational advantage of market size) by accounting for certain effects spurred by economic globalisation. As outlined in the report:

> In the era of globalisation, international markets have become a substitute for domestic markets, especially for small countries. There is vast empirical evidence showing that trade openness is positively associated with growth... Thus exports can be thought of as a substitute for domestic demand in determining the size of the market for the firms of a country. By including both domestic and foreign markets in our measure of market size, we give credit to export-driven economies and geographic areas... that are divided into many countries but have a single common market.[152]

Once again, by including this measure derived from the Global Competitiveness Report, I was faced with a number of missing observations for the sub-Saharan African region and was confronted with the trade-off between the comprehensiveness of this indicator as opposed to the inclusiveness of other, less-broad, non-aggregate proxy measures. As was the case with the labour variable, comprehensiveness was decided upon as the most relevant feature to incorporate into the regression equation, and the market size data was dually compiled into a spreadsheet, averaged for the period 2006 to 2009 and examined in terms of its statistical distribution. A further measure of market size was incorporated into alternate regression models and shall be discussed in the following section. The density plot and dot chart which were generated for the examination of this variable are presented in the appendix of this chapter – noting a relatively normal distribution, with the exception of significant positive outliers in the form of South Africa and Mauritius.

Macroeconomic Variables: Goods Market Efficiency

Past studies on locational advantage and the determinants of inward FDI have, to a great extent, acknowledged, and incorporated into their analyses, certain measures which capture the effects of

[151] Metadata on Market Size on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

[152] Klaus Schwab (ed.), "The Global Competitiveness Report 2011 – 2012", The World Economic Forum, Geneva, 2011, pp. 7 - 8

government interventions with regard to trade controls and restrictions on FDI.[153] The expected association between these factors and inward FDI would logically be negative, although – as underscored by the evidence of past studies – the magnitude of which largely depends on the type of FDI; with market-seeking FDI actually being positively associated to some trade restrictions. The assumption of this association with regard to sub-Saharan Africa would, however, take into account the fact that much of the region's inward FDI is asset and resource seeking and would therefore point to a negative association – especially concerning export-oriented inward FDI. To capture the effects of this, I included a broader, more comprehensive measure – again drawn from the World Economic Forum's Global Competitiveness Report – namely, the *sixth pillar of competitiveness:* goods market efficiency. This aggregate measure is derived from fifteen constituent indicators in total (provided in the appendix), the most relevant to the study presented in this chapter being:[154]

1. Intensity of local competition
2. Effectiveness of anti-monopoly policy
3. Extent and effect of taxation
4. Time required to start a business
5. Prevalence of trade barriers
6. Trade tariffs
7. Business impact of rules on FDI
8. Burden of customs procedures

Goods market efficiency captures the effects of these factors specifically upon the competitiveness of a national economy by taking into account the particular issues which affect a country's ability to produce the most appropriate mix of products and services, given the conditions of domestic supply and demand – as well as how effectively these goods are traded within the economy.[155] As noted in the report:

> The best possible environment for the exchange of goods requires a minimum of impediments to business activity through government intervention. For example, competitiveness is hindered by distortionary or burdensome taxes and by restrictive and discriminatory rules on foreign direct investment – limiting foreign ownership – as well as on international trade.[156]

[153] The United Nations Conference on Trade and Development's Inward FDI Potential Index, http://www.unctad.org/templates/WebFlyer.asp?intItemID=2470&lang=1
[154] Metadata on Goods Market Efficiency on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4
[155] Klaus Schwab (ed.), "The Global Competitiveness Report 2011 – 2012", The World Economic Forum, Geneva, 2011, p. 7
[156] Ibid. p. 7

Again, akin to the logic applied to the market size variable, there are a number of missing observations – the effects of which are assumed to be somewhat negated given the comprehensiveness of this aggregate measure as opposed to other, more inclusive, proxy measures. As such, the data for this variable was compiled into a spreadsheet, averaged for the period 2006 to 2009, and analysed in terms of its statistical distribution. A density plot and dot chart was generated in order to graphically examine the distribution of goods market efficiency in sub-Saharan Africa, and is presented in the appendix of this paper – noting a fairly normal distribution with significant positive outliers in the form of South Africa and Mauritius.

Figure 3.14 Density Plot of the Exports of Goods and Services

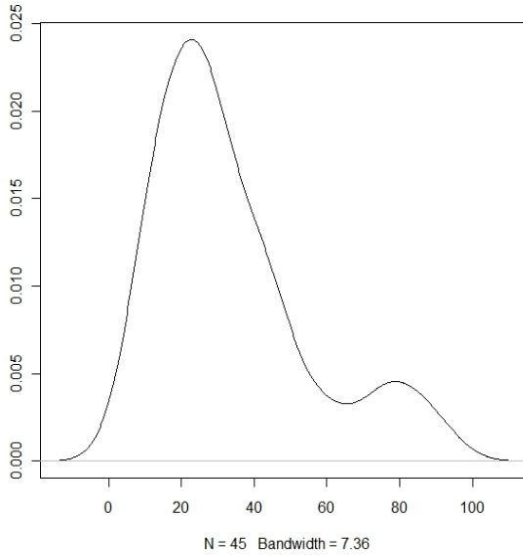
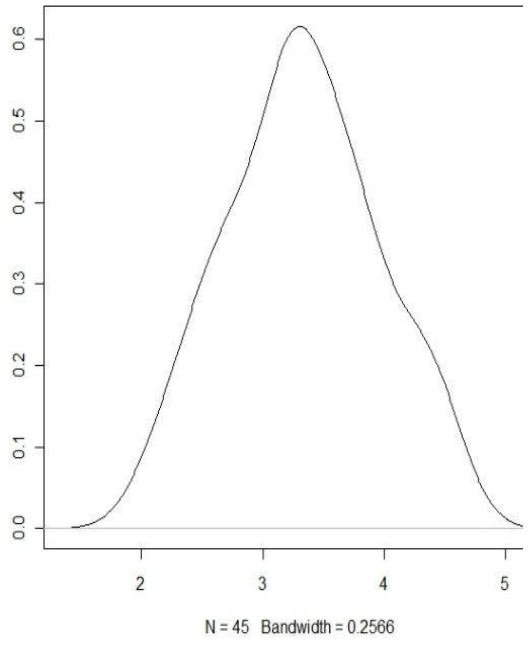


Figure 3.15 Density Plot of the log of the Exports of Goods and Services



Macroeconomic Variables: Exports of Goods and Services

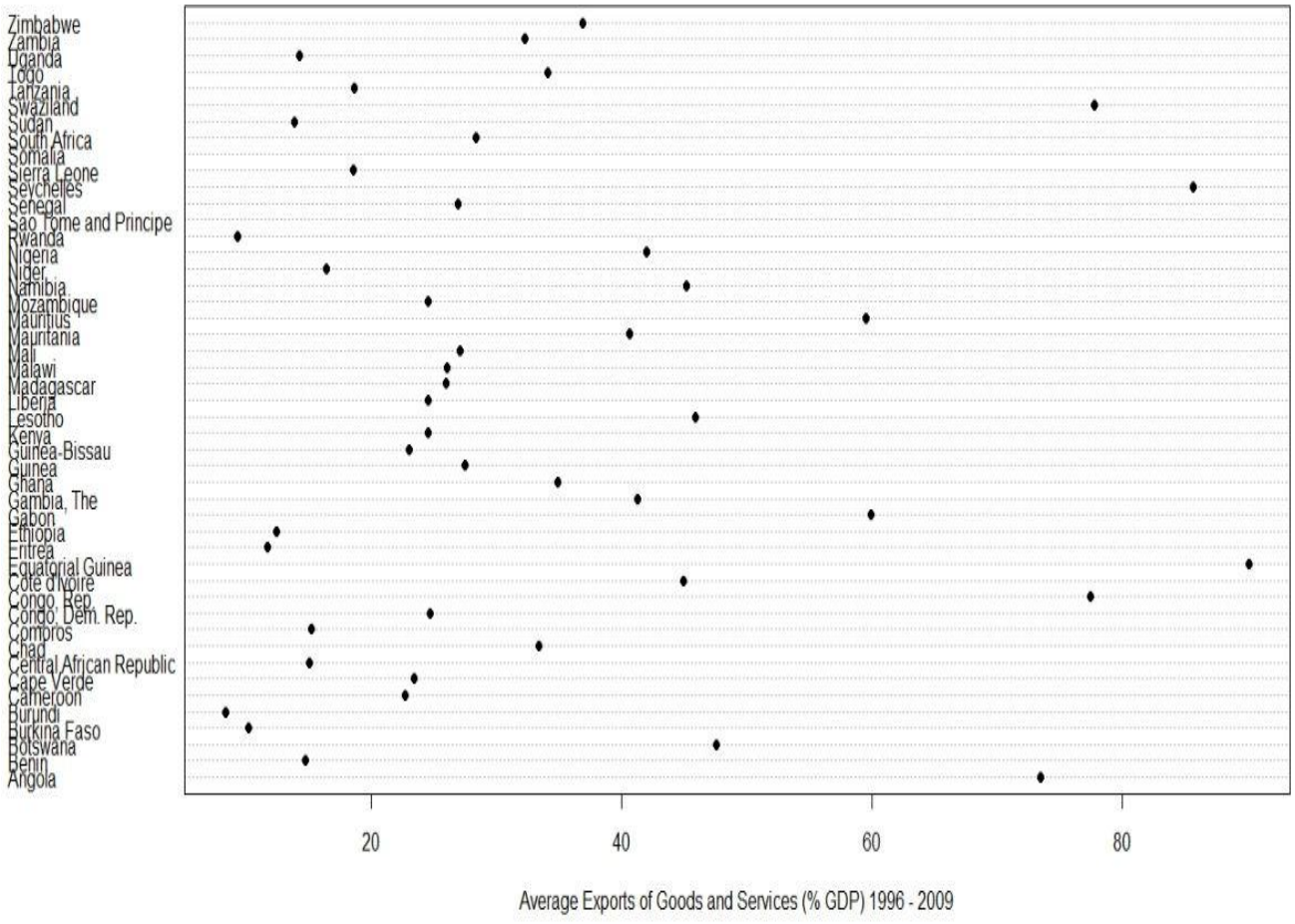
Drawing again on the methodology and conceptual framework provided by *Inward FDI Potential Index* by UNCTAD, another key factor which is expected to affect an economy's attractiveness to foreign investors is the share of a country's GDP accounted for by exports, in order to capture openness and competitiveness. Furthermore, this measure arguably accounts more for locational advantage in terms of export-oriented FDI, relevant to the sub-Saharan African region with respect to the asset seeking and resource extractive interests of foreign capital. The data for this variable was drawn from the World Development Indicators and Global Development Finance database on the World Bank's 'dataBank' online research portal, which was in turn sourced from the World Bank's national accounts data, and the OECD National Accounts data files. The official definition provided follows:

> Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction,

financial, information, business, personal, and government services. They exclude compensation of employees and investment income... and transfer payments.[157]

This data was then compiled into a spreadsheet, averaged for the period 1996 to 2009, and examined in terms of its statistical distribution. As the density plot indicated a bi-modal distribution, a transformation of the data was deemed necessary by taking the natural logarithm of the variable – which was subsequently included in the regression equation – resulting in a much better distribution – presented in figures 3.14 and 3.15 respectively. Figure 3.16 presents the dot chart of this variable in order to better visualise the value of each observation in the distribution.

Figure 3.16 Dot Chart of the Exports of Goods and Services Variable



As can be seen, the distribution is quite varied with a large number of countries falling far from the regional mean calculated to be an annual national average of 33.56% of GDP being accounted for by the exports of goods and services – for the period 1996 to 2009. Significant positive outliers are

[157] Metadata on the Exports of Goods and Services on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

most notably Angola (73.46%), the Republic of Congo (77.40%), Swaziland (77.79%), Seychelles (85.62%) and Equatorial Guinea with just over 90% of its GDP, on average for the given period, being accounted for by exports.

Macroeconomic Variables: Infrastructure

The final variable included in the regression analysis presented in this chapter relates to cross-national measures of infrastructure – noted in previous literature as a factor with considerable influence on inward FDI. Again, inspiration was drawn from the World Economic Forum's Global Competitiveness Report which calculated a broad, comprehensive, aggregate indicator to this effect. As was the case with the market size, labour market efficiency and goods market efficiency variables, there was a trade-off in terms of selecting this measure – which included a number of missing observations – vis-'a-vis other less comprehensive albeit more inclusive proxy measures such as the number of telephone lines per 1000 people to capture the effects of infrastructure upon inward FDI. Based upon the same logic applied to our other variables the selection of this measure to capture infrastructure was informed by extensive literature which argued the merits of including broad aggregate indicators to capture the locational choices of foreign actors in their investment decisions. As such, this measure was deemed appropriate despite the missing observations within the broader aims of this paper. As posited by the Global Competitiveness Report:

> Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy as it is an important factor determining the location of economic activity and the kinds of activities or sectors that can develop in a particular instance. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions.[158]

On the core components incorporated in this measure of infrastructure, the report elaborates:

> Effective modes of transport... enable entrepreneurs to get their goods and services to market in a secure and timely manner and facilitate the movement of workers to the most suitable jobs. Economies also depend on electricity supplies that are free of interruptions and shortages so that businesses and factories can work unimpeded. Finally, a solid and extensive telecommunications network allows for a rapid and free flow of information, which increases overall economic efficiency by helping to ensure that businesses can communicate and decisions are made by economic actors taking into account all available relevant information.[159]

[158] Klaus Schwab (ed.), "The Global Competitiveness Report 2011 – 2012", The World Economic Forum, Geneva, 2011, p. 5
[159] Ibid. p. 5

The data compiled for this variable was drawn from the Africa Development Indicators database on the World Bank's 'dataBank' online research portal, which was in turn sourced from the Global Competitiveness Report. Specifically, the report's *2nd Pillar of Competitiveness: Infrastructure* is an aggregate measure derived from the following indicators, namely:[160]

1. Quality of overall infrastructure
2. Quality of roads
3. Quality of railroad infrastructure
4. Quality of port infrastructure
5. Quality of air transport infrastructure
6. Available airline seat kilometres
7. Quality of electricity supply
8. Fixed telephone lines, and
9. Mobile telephone subscriptions

The data was then compiled into a spreadsheet, averaged for the period 2006 to 2009, and analysed in terms of its statistical distribution through the employment of a density plot and dot chart – provided in the appendix – noting a fairly normal distribution, with the majority of observations generally falling close to the mean. Notable positive outliers were observed to be Mauritius and South Africa – with Chad, Burundi, Zimbabwe and Angola as notable outliers on the other end of the scale.

3.5 Alternate Regression Model Variables

Upon closer inspection of the number of missing observations for sub-Saharan Africa in the Global Competitiveness Report, it was deemed necessary to use alternative variables to capture similar effects as those found in the report. These variables are used within alternate regression models in order to account for missing observations, whilst dually providing for a more in depth analysis of the political economy of inward FDI flows to the region. Each of these measures effectively acts as a proxy for one of the variables already discussed, and specifically stemming from the World Economic Forum's Global Competitiveness Report, namely: market size, goods market efficiency, labour and infrastructure.

In order to capture the effects of market size, gross domestic product per capita (in current U.S. dollars) was used in the alternative regression models. This data was drawn from the World

[160] Metadata on Infrastructure on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

Development Indicators and Global Development Finance database, archived on the World Bank's 'dataBank' research portal – which was further sourced from its national accounts data files. This indicator significantly reduced the number of missing observations, and thereby provides a more definitive, albeit more crude, account of the locational advantage of market size in the sub-Saharan African region. This data was compiled into a spreadsheet, averaged for the period 1996 to 2009, and examined in terms of its statistical distribution through the use of a density plot and dot chart – presented in the appendix of this chapter. Noting a significant left-skew, the natural logarithm of this variable was taken and subsequently incorporated into the alternate regression equations. The dot chart indicated significant positive outliers in the form of South Africa, Botswana, Mauritius, Gabon, Equatorial Guinea and Seychelles, with the latter two countries generating a per capita GDP of over U.S. $8000 on average for the period – far above the regional mean of $1319.

The locational advantage of goods market efficiency was similarly captured in the alternate regression models by creating a unique variable which essentially accounted for the time taken for a country in terms of exporting and importing goods and services. Data was drawn from the same database noted above, which was in turn sourced from the World Bank's *Doing Business Project*. Two different indicators, namely "Time to import (days)" and "Time to export (days)" were independently compiled into spreadsheets, averaged for the period 2005 to 2009 (due to data constraints), and then combined using another simple average. This was done on the assumption that the time (in days) that it takes a country to export as well as import goods and services is a function of certain trade controls, restrictions, customs procedures and the prevalence of trade barriers – indicative of goods market efficiency and its subsequent locational advantage vis-'a-vis inward FDI. The official definition provided follows:

> Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures – for example, during unloading of the cargo – is included in the measure.[161]

This variable was then examined in terms of its statistical distribution by means of a density plot and dot chart, which are presented in the appendix of this chapter. Noting a left skew in the distribution, the natural logarithm of this variable was taken and incorporated into the alternative regression

[161] Metadata on the Export and Import of Goods and Services on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

equations. The dot chart indicated a relatively varied distribution among all countries in the region, with no major outliers apart from the island nations of Mauritius and Seychelles performing the best over the period, with Chad on the other end of the scale taking well over 80 days on average to export and import its goods and services in contrast to the regional mean of 39 days.

The locational advantage of labour was captured in the alternate regression models by incorporating tertiary school enrolment (% gross). Data was drawn again from the same database noted above, which was in turn sourced from the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) Institute for Statistics. Whilst not as comprehensive as the labour variable based upon the data provided by the Global Competitiveness Report, there were far fewer missing observations – allowing for a much more inclusive analysis. The assumption here was that tertiary school enrolment would capture the competitiveness of a labour force, and its subsequent influence on inward FDI, by accounting for the relative disparities in educational attainments of different economies. As officially defined, the gross enrolment ratio:

> ... Is the ratio of total enrolment, regardless of age, to the population of the of the age group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level.[162]

This data was compiled into a spreadsheet, averaged for the period 1996 to 2009, and examined in terms of its statistical distribution through the employment of a density plot and dot chart – presented in the appendix of this paper. Noting a left skewed distribution, the natural logarithm of this variable was taken and incorporated into the alternative regression models. The dot chart indicated a relatively varied, albeit normal, normal distribution with no significant outliers deviating too far from the regional mean calculated at 4.05% - with the exceptions of Liberia and Mauritius with average gross tertiary school enrolments of well over 10% for the period.

Finally, the locational advantage of infrastructure was captured in the alternate regression models by including telephone landlines (per 100 people). Again, not as comprehensive as the aggregate measure used in the Global Competitiveness Report, the number of missing observations was significantly reduced, allowing for more inclusive and balanced inferences. Data was drawn from the same database noted in this section, which was in turn sourced from the International Telecommunication Union, and is officially defined as:

[162] Metadata on Tertiary School Enrolment on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

> Telephone lines are fixed telephone lines that connect a subscriber's terminal equipment to the public switched telephone network and that have a port on a telephone exchange. Integrated services digital network channels and fixed wireless subscribers are included.[163]

This data was compiled into a spreadsheet, averaged for the period 1996 to 2009, and examined in terms of its statistical distribution through the employment of a density plot and dot chart – provided in the appendix of this paper. Noting a significant left skew in the distribution, the natural logarithm of this variable was taken and incorporated into the alternate regression models. The dot chart indicated a number of very significant positive outliers in the region, deviating far from the regional mean calculated at 2.74 telephone lines, on average, per 100 people in SSA for the period 1996 to 2009. Most notably, were the cases of South Africa, Cape Verde, Seychelles and Mauritius – with the latter two indicating an average of just over 25 lines per 100 people for the period.

[163] Metadata on Fixed Telephone Lines on the World Bank's dataBank, http://databank.worldbank.org/ddp/home.do?Step=1&id=4

Chapter IV

The External Demand for Security in sub-Saharan Africa

Before any statistical assessment can be made with regard to the most prominent determinants of inward FDI flows to the sub-Saharan African region, an analysis of the region's increasing geopolitical and strategic international value, on account of oil, in recent years is warranted. The following chapter examines this issue in order to present the externally-derived market demand for the services of the international PSI, and to further elaborate upon the nexus between transnational oil interests and regional security – as it has been recently unfolding in the political economies of SSA petro-states. Taken together with the internal demand for private military and security provision, as discussed in the literature review, the arguments presented in this chapter lay the final foundation for a critical assessment of the niche demands the PSI will increasingly service in the political economies of many countries in the SSA region.

4.1 Oil Boom or Bust? Accounting for Sub-Saharan Africa's renewed international strategic significance.

In recent years sub-Saharan African has attracted significant, and increasing, global attention with regard to the region's large and exploitable reserves of oil and natural and gas. Remaining cognisant of the world's growing energy demands, and the strategic premium placed upon oil by corporate and political decision-makers, sub-Saharan African oil-producers have elevated the region out of a state of perceived international insignificance – noting the region's bearing upon major economic interests in the contemporary international system – and thrust it firmly onto the world stage once again.[164] Indeed, sub-Saharan Africa is in the midst of an oil boom, spanning a period from the late 1990s up until present – with proven oil reserves increasing exponentially relative to such discoveries for every other global region.[165] In 2001 alone, West and Central Africa accounted for approximately seven billion of the eight billion barrels of crude oil discovered worldwide, leading the

[164] Frynas, J.G. & Paulo, M. Op. Cit. p. 229 *see also* Clarke, D., Crude Continent: The Struggle for Africa's Oil Prize, Profile Books, London, 2008, pp. 383 - 389

[165] "Proven reserves increased by 56 percent between 1996 and 2006, compared to 12 percent for the rest of the world." – Downs, E.S., "The Fact and Fiction of Sino-African Energy Relations", in China Security, Vol. 3, No. 3, Summer 2007, p. 45

Gulf of Guinea to assume the title of the world's premier oil hotspot – with an estimated 24 billion barrels of crude in reserves.[166]

The figures provided above do well to underscore the definitive turning point of the region's rise to prominence in international oil and security politics in the early 2000s. The centre-piece of these developments, however, arguably stemmed from a critical juncture in U.S. policy-making, following the September 11 terrorist attacks and the nation's subsequent War on Terror. Following the end of the Cold War, and for most of the last decade of the twentieth century, the sub-Saharan African region lost major strategic currency in global geostrategic politics, and was largely neglected by the major forces of globalisation. As posited by Carmody and Owusu, for most of the 1990s the United States favoured a policy of *benign neglect* toward the region, with a preferred reliance on international financial institutions to liberalise markets and governments, as well as a reliance on the country's multinational corporations to secure resources and forge ties.[167] This policy followed the logic that Africa was no longer a contested ideological theatre, in which the superpowers played out their global competition; leading the U.S. to deem SSA as largely irrelevant to their national security interests – marked by tendency to avoid any wholesale military involvement in the region.[168]

The critical turning point in this policy was marked by the September 11 terrorist attacks which underscored an imperative of securitising African oil, in line with the country's broader national interests of diversifying its oil supplies.[169] These interests manifested in SSA by an active policy by the U.S. Department of Defence, under the Bush Administration, searching for appropriate locations for new military bases in the region, which developed alongside the strategy put forward by the President's National Energy Policy Development Group.[170] The group, which was effectively a high-level think tank chaired by the then Vice President Dick Cheney, drafted a report which would essentially see a major overhaul of U.S. policy vis-'a-vis the SSA region, known officially as the National Energy Policy (or more famously, albeit informally, as the "Cheney Report").[171] The report highlighted, and argued, for the following:[172]

[166] Beri, R., "Africa's Energy Potential: Prospects for India", in Strategic Analysis, Vol. 29, No. 3, July-September 2005, p. 371
[167] Carmody, P.R. & Owusu, F.Y. Op. Cit. p. 515
[168] Klare, M.T. & Volman, D., "Africa's Oil and American National Security", in Current History, 103, 673, May 2004, p. 226
[169] Carmody, P.R. & Owusu, F.Y., Op. Cit. p. 515
[170] Klare, M.T. & Volman, D., Op. Cit. pp. 226 - 227
[171] Ibid. p. 226
[172] Ibid. p. 227

- It was noted that American domestic economic growth was critically dependent upon petroleum and other basic fuels insofar that sustaining this growth could not be separated from energy concerns
- The report argued that the balance between sustained domestic economic growth and energy demands could be effectively maintained through increased petroleum and other fuel imports
- The report further stressed the need for a diversification of American oil supplies which subsequently led Washington to promote increasing reliance on non-Persian Gulf oil-producing regions.

Moreover, the report explicitly highlighted Africa's potential as a growing energy market to fulfil America's growing energy demands, with particular attention payed to the prospects of six sub-Saharan African oil-producing states, namely: Nigeria, Angola, Gabon, the Republic of Congo, Chad and Equatorial Guinea.[173] Whilst these prescriptions are significant in of themselves, the report went on to influence the Bush Administration in advocating a position which effectively defined African oil as an American national interest, the ramifications of which have had a remarkable effect on the region in the years which have followed.[174] As posited by Klare and Volman:

> While American interest in Africa's abundant supplies of critical raw material is not new, the Bush Administration's decision to define African oil as a 'strategic national interest' – meaning something that requires protection by U.S. military forces – is entirely unprecedented.[175]

It is specifically this securitisation of oil in the sub-Saharan African region which underscores the need for the services of the international PSI by external actors, noting the strategic premium placed upon oil supplies by external actors, such as the U.S., as well as in accordance with the internal dynamics of the region.

Further adding to the relatively recent international fixation with African oil supplies has been a global recognition of a number of advantages the oil supply possesses in terms of logistics, the security of its delivery as well as its chemical properties. For U.S. markets, specifically, oil from the West coast of Africa takes approximately four weeks less to reach the East coast of the U.S. as opposed to Middle Eastern oil supplies, which saves considerable money in terms of tanker costs – an argument which similarly applies to distribution to the European Union.[176] Furthermore, African oil supplies to Western markets do not ship through potentially hazardous strategic 'choke points'

[173] Ibid p. 227
[174] Ibid. p. 227
[175] Ibid. p. 227
[176] Carmody, P.R. & Owusu, F.Y., Op. Cit. p. 515

such as the Suez Canal.[177] Another factor which has bolstered the international attractiveness of African oil, relative to the other global oil-producing regions, has been the general acknowledgement that exploration and production operations by MNCs in the SSA region are very profitable by international standards. This is based upon the convergence of favourable regional fiscal regimes, the high success rate of exploration drilling operations, and the fact that West African oil possesses a low sulphur content – making the oil highly prized in terms of its quality in production processes.[178]

These factors have all added to the renewed and growing international significance of the SSA region in recent times, with the United States particularly driving this renewed strategic focus of the region, with many other Western and emerging powers following suit. For now, however, it is vital to note that, in the last decade, the United States has shifted its stance toward the region vis-'a-vis possible military involvement, and has displayed an increasing willingness to be actively involved in the securitisation of oil from the SSA region. To this effect, the U.S. Department of Defence has become an increasingly influential actor in the security of the region through the sale of arms to friendly African governments, the provision of military and security training and expertise, as well as joint operations with military forces within the region to bolster capability and enhance the capacities of American forces to operate in the region.[179] Furthermore, a number of diplomatic initiatives have taken effect in recent times, all with the sole aim of bolstering U.S. and African military and security capabilities in order to deter physical threats to oil fields and other critical installations.[180]

Despite these developments, however, the U.S. remains wary of being perceived as directly involved in the military and security matters of repressive and authoritarian states, as most oil-producing nations in the region are. As noted by Carmody and Owusu,

> [The current U.S. aim on the continent]... is to guard against resentment at foreign troop presence, however; to make the American military footprint so small that it is not noticeable... New military programs have been set up with oil-rich allies such as Angola

[177] Ibid. p. 515

[178] Frynas, J.G. & Paulo, M., Op. Cit. *See also* Downs, E.S., Op. Cit. p. 45 : author indicates that a recent wave of resource nationalism which has spread across many of the world's oil-producing states, but to a far lesser extent in sub-Saharan Africa (which has remained fervently committed to relatively favourable agreements for exploration and investment) has further bolstered the region's attractiveness to international investors

[179] Klare, M.T. & Volman, D., Op. Cit. pp. 229 - 230

[180] "To further bolster African military force's ability to protect oil fields and other critical installations, the Bush Administration is in the process of transforming the African Crisis Response Initiative – a program created in 1997 by the Clinton Administration to enhance the ability of African troops to participate in peacekeeping operations – into a new 'more robust' program known as the African Contingency Operations Training Assistance (ACOTA) program." Klare, M.T. & Volman, D., Op. Cit. p. 230

> and Nigeria, who receive free arms under the Pentagon's Excess Defence Articles Program. The increased military assistance to governments on the continent is barely noted in the U.S. media which tends to present American involvement in Africa as more benign and developmental...[181]

Furthermore, the U.S. is fully aware of the instability and conflict that often accompanies the production of critical strategic resources in developing countries, and despite its best efforts to bolster the capacities of *friendly* governments in the region, it risks international credibility and diplomatic currency in the international system should it be seen as fulfilling the role it once did during the Cold War, by propping up unaccountable, corrupt and criminal dictatorships. It is therefore no stretch of the imagination to hypothesise that the arguably covert fulfilment of American foreign policy, and indeed the policy of many other interested actors, with regard to the securitisation of oil could be exercised and executed by PMSCs, at an increasing rate in the years to come.

The current oil boom experienced by sub-Saharan Africa has therefore served to greatly increase the region's strategic value internationally, and has influenced a flood of external actors to reorient their policies in order to benefit and capitalise upon the region's vast reserves of oil. This issue in isolation has greatly affected the region in terms of unprecedented flows of inward foreign direct investment, and a renewed interest in the governance and security of the region. Such issues have, however, developed in unison with another critical element of the contemporary international system which has further reinforced the region's increasing strategic worth, and the subsequent external demand for stability and security, be it private or not, in sub-Saharan Africa: the rise of the global South.

4.2 A New Scramble? Sub-Saharan African oil in a new global dispensation between West and South.

In the last two decades the international system has witnessed a remarkable shift in the balance of power between the industrialised Western nations – which can be loosely referred to as the member states of the Organisation for Economic Cooperation and Development (the OECD states) – vis-'a-vis the rise of many nations from the emerging global South, such as China, India, Brazil, Turkey and Indonesia amongst many others. This has resulted not only in the expanding energy demands of developing nations, in order to fuel their economic growth and development, but most notably an increase in global competition for the limited supply of non-renewable, scarce, and strategically vital supplies of resources such as oil and natural gas. Arguably leading the pack in

[181] Carmody, P.R. & Owusu, F.Y., Op. Cit. p. 515

terms of global policy to acquire and secure such resources has been the People's Republic of China, which has drastically expanded the footprint of its national oil companies (NOCs) throughout many of the world's oil-producing regions, and especially in the sub-Saharan African region.[182] Following a zero-sum logic, which is often applied to foreign policy by think-tanks and government strategists throughout the international system, such competition has come to be increasingly viewed by policy-makers in the West as an erosion of their own interests and influence in the region.[183] Consequently, external actors, caught within this fierce competition for the valuable energy resources of SSA, have effectively driven up the market demand for the region's reserves of oil (and natural gas) – and have further staked an interest in the region's stability and security.

The ramifications of this international geo-economic rivalry upon the political economies of sub-Saharan Africa's oil-producers has been substantial, particularly in terms of governance and inward flows of foreign direct investment. Whilst government revenues tend to soar, as most oil-producers in the region have a very strong state presence in their oil sectors, markedly different international relations now offer SSA governments the privilege of emboldened positions of bargaining power, reduced dependence on the West – especially in terms of aid assistance from international financial institutions – and a greater overall choice in the number of actors with which they choose to enter into agreements with. Downs succinctly captures Western concerns by positing that the conventional wisdom regarding China's NOCs is that they have come to undermine U.S. and E.U. efforts to promote good governance, "punish regimes that egregiously violate human rights" and to maintain a fair environment for foreign investors, in the SSA region.[184] What has therefore emerged, are concerns that such competition in SSA serve to undermine governance, accountability and transparency by regional governments, as external actors increasingly prioritise the acquisition and security of energy resources at the expense of arguably *softer* policy issues relating to human rights, good governance and transparency. To this effect, Carmody and Owusu posit:

> Whereas the neo-liberal mode promoted by the U.S. seeks to embed, constrain, legitimate and empower African states along different dimensions, the Chinese merely seek to enable and empower them... This is attractive to African state elites, particularly those subject to Western sanctions... Meanwhile Chinese companies benefit from the lack of competition from Western rivals in these countries.[185]

[182] Downs, E.S., Op. Cit. p. 42 *see also* Clarke, D., Op. Cit., p. 389
[183] Ibid. p. 42
[184] Ibid. p. 42
[185] Carmody, P.R. & Owusu, F.Y., Op. Cit. p. 512

Whilst the above argument certainly credits the experience of Sudan through much of the early 2000s, such a perspective must be tempered by cases such as U.S. and Western oil interests in countries such as Equatorial Guinea, the Republic of Congo and Nigeria; cases which in no way present Western oil interests as any more or less *benevolent* than their Chinese counterparts in the sub-Saharan African region. Consequently, it can be argued that the increased geo-economic rivalry, and strategic hedging strategies, employed by external actors in SSA has spurred the further demise of accountability by regional governments, due to many of the issues mentioned above.

As most oil-producing states in sub-Saharan Africa score very poorly on key governance indices such rule of law, control of corruption and absence of violence among many others, recent trends in inward foreign direct investment to the region have not in any way been deterred.[186] In 2004 alone, Chinese imports from SSA grew by 87 per cent from the previous year – the bulk of which was generated by prior year on year investment in Sudan's oil industry.[187] Even despite the country's appalling recent history of conflict, militia activity and ethic violence, Chinese inward FDI to the country in 2005 grew by approximately 40 per cent.[188] Following this, by 2007, Sudan was supplying China with around seven percent of the country's total oil imports, with thirteen of the fifteen most significant oil multinational corporations operating in Sudan being Chinese.[189]

Akin to the reoriented American policy of defining African oil supplies as a national security concern (and a subsequent willingness to be more greatly involved in the security affairs of the SSA region) China has similarly displayed an increasing tendency to be a more direct and influential actor in terms of security and military assistance. In order to guarantee a safe and secure supply of crude oil from SSA, and Sudan specifically, China has built small-arms factories in the country, sold weapons and military equipment to the ruling regime[190], supplied the government with aircraft in order to protect valuable oil fields and installations, and has allowed government troops to launch attacks from the facilities of its own NOCs.[191] The increasing footprint of China's NOCs are not, however, strictly limited to Sudan, as Chinese investment has steadily increased in the oil sectors of almost every major oil-producer in the region.

[186] Refer to the findings of the fifth chapter of this paper.
[187] Carmody, P.R. & Owusu, F.Y., Op. Cit. p. 512
[188] Ibid. p. 512
[189] Ibid. p. 512
[190] The ruling regime referred to notes the government of the former state of Sudan, prior to the independence of the South in 2011
[191] Ibid. p. 513

Apart from the Heglig and Unity fields in Sudan, China has vested long-term strategic interests in Nigeria's Akpo fields as well as Angola's greater Plutonio fields.[192] Most other African assets held by the NOCs are, however, noted to be of a size and quality to pose little concern to established Western interests and MNCs in the region.[193] As noted by Downs, China's NOCs in SSA fall behind Western oil multinationals in terms of the value and production of their regional assets and holdings – with a combined commercial value of only 8 percent of Western oil MNC investments in SSA.[194] Furthermore, China's NOCs lack the technical capabilities to exploit and subsequently compete for the most valuable oil-producing blocks in the region, with specific regard to the deep-water reserves found in the Gulf of Guinea.[195]

Such figures are indicative of larger issues vis-'a-vis the investment patterns and oil-production of emerging country oil multinationals in sub-Saharan Africa, specifically that their impact is still relatively minimal. Frynas and Paulo highlight this by drawing upon the experiences of Nigeria, whose oil industry – due to its size and production - could effectively act as a microcosm for the oil industry of the region:

> For instance, over 95 percent of the oil produced in Africa's largest petro-state, Nigeria, is generated by only five companies: Shell, Exxon, Chevron, Total, and Agip; this situation is unlikely to change soon either in Nigeria or in some other key petro-states. If a major shift is going to happen in future, it will take years to materialise.[196]

While interesting, these findings do not necessarily mitigate the effects of increasing competition in the region, emanating from the West and the South, nor does it detract from the region's increasing external demand for security and stability. In fact, the opposite could be argued by highlighting the fact that even sub-Saharan Africa's marginal oil-producing areas are now being driven up in value by many actors from the emerging global South who do not have the necessary technical capacity to exploit more valuable offshore oil-producing blocks. Indeed, Nigeria's onshore oil fields have come under increasing attention in recent years by transnational oil interests stemming not only from China, but India and South Korea as well.[197] For instance, by 2005 approximately 24 percent of India's crude oil imports came from the SSA region, and the country has revised its foreign investment policies in recent years to prioritise Sudan, Angola and Ghana based upon their energy

[192] Downs, E.S., Op. Cit. p. 45
[193] Ibid. pp. 43 - 47
[194] Ibid. p. 44
[195] Ibid. pp. 43 - 47
[196] Frynas, J.G. & Paulo, M., Op. Cit. p. 245
[197] Obi, C.I., "Oil and Development in Africa: Some Lessons from the Oil Factor in Nigeria for the Sudan", DIIS Report 2007:8, Danish Institute for International Studies, Copenhagen, 2007, pp. 20 - 21

potential – keeping in line with the country's aims of diversifying its oil supplies and reducing dependence upon the Persian Gulf.[198] Building upon a number of investment cases by Indian oil multinationals in the region, and incidences of Chinese competition, Beri posits that:

> ... Energy security issues have brought Africa into India's strategic map. India's ties to Africa are for the first time driven by [India's] national interest. Realising the importance of Africa, the Indian government has launched a number of initiatives.[199]

These diplomatic initiatives, referred to by Beri, underscore the increasing strategic weight of the SSA region within Indian policy-circles, and serves to highlight the growing external competition for the region's oil supplies not just between established Western oil MNCs vis-'a-vis the emerging global South, but in and amongst the many varied actors which further fall under this rubric. Testimony to this argument are the many similar diplomatic initiatives conducted in the past decade by countries such as Brazil, South Korea and Malaysia, all of whom have focused increasing attention on West African petro-states, in order to facilitate closer cooperation with the region's oil-producers, and to increase their access to the region's crude oil supplies.[200] Many of these states are also engaged in fostering business ties akin to India and China with the SSA region which are characterised by offerings of credit, assistance and directed FDI into the region's infrastructure in exchange for lucrative exploration rights.[201]

Therefore, based upon sub-Saharan Africa's recent oil boom, which has converged with a number of changing dynamics within the international system, the region's geo-political strategic value has risen sharply vis-'a-vis the interests of multiple external actors. This has subsequently inflated the demand for security within the region, such that stable political and economic environments, most conducive to foreign investment, guarantee the safe development, production and supply of the region's valuable reserves of crude oil. It is within this context that the services of the international private security industry are especially relevant. An externally-imposed demand for security, credits the PSI as a major potential actor in the unfolding environment of sub-Saharan African petro-states – and indeed the region as a whole. Moreover, private security and military companies offer especially attractive services with regard to the arguably *covert* nature of their operations, allowing foreign oil interests to effectively carry out their foreign policy by proxy. This resonates well in politically-sensitive scenarios in which foreign actors wish to distance themselves from possible controversy and public scrutiny through their dealings with largely corrupt and illegitimate regimes

[198] Beri, R., Op. Cit. pp. 380 - 381
[199] Ibid. p. 381
[200] Frynas, J.G. & Paulo, M., Op. Cit. p. 232
[201] Ibid. 232

in the SSA region, yet wish to maintain their access to oil and other valuable resources. To this effect, Lock argues – with respect to American dealings with PMSCs – that:

> ... the use of a private military contractor permits Washington to project its influence quite cheaply and very quickly to countries where it would be normally difficult to send troops because of political sensitivities. Moreover, the cost of cutting any links with a foreign regime is even less expensive, as MPRI [Military Professional Resources, Incorporated – a prominent American PMSC] protects Washington behind a potential screen of deniability.[202]

These issues highlight the great potential that private military and security provision could play in facilitating transnational oil interests, and the subsequent ease with which inward asset and resource seeking FDI to the SSA region's oil enclaves can effectively circumvent prior institutional and policy related hurdles concerning security. Taken together with the arguments regarding the internally-derived demand for security in the region, noted in chapter 2, these issues combine to produce a fitting context in which to now empirically assess the aims and objectives of this paper, in relation to the core arguments and ideas presented in this chapter and the literature review.

[202] Lock, P., Op. Cit. p. 28

Chapter V

Empirical Analysis

This chapter builds upon the methodology used in testing the robustness of the variables discussed in this paper upon inward FDI, whilst dually presenting the empirical results and discussing the implications of my findings – with regard to the broader aims and objectives of this paper. As previously noted in the literature review, theory offers no definitive prescriptions for the determinants of inward FDI, and therefore no definitive prescriptions for model specification vis-'a-vis empirical work regarding the impact of institutional and policy-related variables upon inward FDI. Remaining cognisant of this, in conjunction with the findings of previous studies, it was deemed appropriate to begin the analysis from a somewhat frugal model specification which included governance, natural resource rents, labour market efficiency and the oil dummy variable. This was done in accordance with the broader aims of this paper, which set out to identify whether institutional and policy-related matters – captured by the governance variable – are more positively associated to inward FDI in the sub-Saharan African region as opposed to oil wealth, and other factor-endowment based variables – captured by the natural resource rents and labour market efficiency variables. Furthermore, noting the concerning number of missing observations in the Global Competitiveness Report, other proxy measures are included in each alternate model – following the GCR-based variable models (ie. Model 1 – GCR based variables, Model 2 – Alternate measures, Model 3 – GCR based variables, Model 4 – Alternate measures; and so on). Accordingly, the alternate base model specification (model 2) excludes labour market efficiency from the equation and includes tertiary school enrolment in its place. Thus, the two base model specifications are:

1.) $FDI = \beta_0 + \beta_1 Gov + \beta_2 Nat.Res + \beta_3 LME + \beta_4 Oil.Dummy + \beta_5 V + e$
2.) $FDI = \beta_0 + \beta_1 Gov + \beta_2 Nat.Res + \beta_3 T.School + \beta_4 Oil.Dummy\, \beta_5 V + e$

Where '*FDI*' represents the inward FDI variable, '*Gov*' represents the governance variable, '*Nat.Res*' represents the natural resource rents variable, '*LME*' represents the labour market efficiency variable, '*Oil.Dummy*' represents the oil dummy variable and '*T.School*' represents the tertiary school enrolment variable. '*V*' is a vector of other controlling variables with β_5 set to zero in the in the base models. Subsequent models add different control variables to the two base model specifications noted above. Table 5.1, presented on the page after the next summarises the findings

from these models, noting the regression coefficients for each variable, with the respective standard error indicated in square brackets below. Significance codes are indicated by the number of asterisks, and periods, alongside the standard error with "***" denoting significance at the 0.001 (0.1%) level, "**" at the 0.01 (1%) level, "*" at the 0.05 (5%) level and "." at the 0.1 (10%) level. Further analysis is presented toward the bottom of the table, noting the number of missing observations and R-squared values, amongst others, for each model.

As can be seen in the table, models 1 and 2 incorporate the base model specifications, and it is found that all explanatory variables have the correct signs with the findings for governance, natural resource rents, and the oil dummy being significant – whereas both measures of labour (labour market efficiency and tertiary school enrolment) in their respective models are not significant. It is clear that countries in the SSA region, on average, benefit from increased inward FDI on account of locational advantages stemming from good governance, natural resource wealth, better labour markets and skilled workers, and oil wealth. This finding holds true in both models, despite the large disparity in the number of observations between the first and alternate models – the latter indicating only three missing observations out of the total of 47 countries within SSA. It is further interesting to note that in both models, the governance and oil dummy variables share quite similar positive coefficients, indicating that – at this stage of the analysis – institutional and policy variables relating to governance influence inward FDI to the sub-Saharan African region on an almost on par basis with whether a country possesses and exploits its domestic oil resources. In the following models, the base specification is further augmented by other potential sources of locational advantage, noted in past literature, and discussed in the methodology chapter of this paper.

Models 3 and 4 add their respective measures of market size to capture the influence of this variable upon inward FDI in the SSA region. The effects of this are notably different between the two models, pointing to a definite case in which the number of observations in the GCR-based model 3 is not sufficient to allow for a conclusive inference. As is indicated by the table, market size in model 3 is positively associated to inward FDI flows to the region, and is found to be very significant – with the association between governance and natural resource rents upon inward FDI decreasing somewhat from model 1, yet still significant at the 10% level. Of concern, is the fact that the oil dummy variable is now negatively associated with inward FDI in model 3, in contrast to quite the opposite found in model 4. The alternate model included GDP per capita as a measure for market size, as opposed to the GCR-based variable in model 3, and took into account far more observations with only 3 missing observations as opposed to 21.

Table 5.1 Summary of Findings from the different Model Specifications

Model	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Governance	1.433	1.014	0.89	1.2	0.544	1.159	0.398	0.886	0.534	0.999	0.397	1.024	0.404	1.217
	[0.625]*	[0.48]*	[0.435].	[0.575]*	[0.338]	[0.553]*	[0.325]	[0.531]	[0.383]	[0.543].	[0.433]	[0.519].	[0.441]	[0.52]*
Natural Resource Rents	0.439	0.517	0.28	0.541	0.323	0.417	0.265	0.241	0.243	0.166	0.264	0.175	0.29	0.198
	[0.23].	[0.2]*	[0.158].	[0.205]*	[0.119]*	[0.207].	[0.106]*	[0.195]	[0.112]*	[0.209]	[0.118]*	[0.2]	[0.125]*	[0.196]
Labour Market Efficiency	0.673	-	-0.521	-	-0.234	-	-0.041	-	0.08	-	-0.112	-	-0.096	-
	[0.999]	-	[0.713]	-	[0.541]	-	[0.516]	-	[0.552]	-	[0.621]	-	[0.633]	-
Tertiary School Enrolment	-	0.117	-	0.133	-	0.104	-	0.067	-	0.073	-	0.146	-	0.134
	-	[0.073]	-	[0.078].	-	[0.077]	-	[0.069]	-	[0.069]	-	[0.075].	-	[0.074].
Oil Dummy	1.297	0.996	-0.055	1.139	-0.213	1.192	0.088	1.36	0.117	1.273	0.071	1.177	-0.123	1.287
	[0.616]*	[0.559].	[0.492]	[0.612].	[0.372]	[0.592].	[0.34]	[0.534]*	0.347	[0.541]*	[0.358]	[0.519]*	[0.462]	[0.512]*
Market Size	-	-	1.4	-	1.426	-	1.288	-	1.339	-	1.244	-	1.3	-
	-	-	[0.274]***	-	[0.206]***	-	[0.174]***	-	[0.191]***	-	[0.236]***	-	[0.253]***	-
GDP per capita	-	-	-	-0.167	-	-0.5	-	-0.583	-	-0.339	-	-0.521	-	-0.428
	-	-	-	[0.279]	-	0.336	-	[0.299].	-	[0.386]	-	[0.38]	-	[0.376]
Exports of Goods and Services	-	-	-	-	1.125	0.873	1.149	0.93	1.197	0.921	1.177	1.042	1.227	0.862
	-	-	-	-	[0.278]***	[0.496].	[0.238]***	[0.444]*	[0.251]***	[0.444]*	[0.256]***	[0.429]*	[0.271]***	[0.445].
GDP Growth	-	-	-	-	-	-	0.981	0.949	0.867	0.897	0.954	0.892	0.884	0.885
	-	-	-	-	-	-	[0.304]**	[0.275]**	[0.349]*	[0.28]**	[0.375]*	[0.268]**	[0.395]*	[0.276]**
Infrastructure	-	-	-	-	-	-	-	-	-0.205	-	-0.207	-	-0.251	-
	-	-	-	-	-	-	-	-	[0.292]	-	[0.297]	-	[0.309]	-
Telephone Lines	-	-	-	-	-	-	-	-	-	-0.314	-	-0.085	-	-0.113
	-	-	-	-	-	-	-	-	-	0.315	-	[0.322]	-	[0.32]
Goods Market Efficiency	-	-	-	-	-	-	-	-	-	-	0.449	-	0.516	-
	-	-	-	-	-	-	-	-	-	-	[0.627]	-	[0.645]	-
Export/Import Time	-	-	-	-	-	-	-	-	-	-	-	1.238	-	0.921
	-	-	-	-	-	-	-	-	-	-	-	[0.612].	-	[0.628]
Inflation	-	-	-	-	-	-	-	-	-	-	-	-	-0.169	0.287
	-	-	-	-	-	-	-	-	-	-	-	-	[0.247]	0.178
R Squared	0.337	0.353	0.713	0.359	0.846	0.408	0.906	0.5634	0.909	0.576	0.912	0.624	0.9149	0.654
Residual Std. Error	1.265 - 21	1.304 - 39	0.854 - 20	1.315 - 38	0.642 - 19	1.264 - 36	0.525 - 17	1.117 - 34	0.534 - 16	1.117 - 33	0.542 - 15	1.068 - 32	0.5516 - 14	1.045 - 30
Missing Observations	21	3	21	3	21	4	22	5	22	5	22	5	22	6
Intercept	15.859	17.681	17.405	18.731	12.255	18.264	10.216	17.451	10.213	16.145	9.436	12.221	9.368	12.871
	[4.305]**	[0.477]***	[2.92]***	[1.816]***	[2.536]***	[1.763]***	[2.284]***	[1.626]***	[2.319]***	[2.087]***	[2.593]**	[2.783]***	[2.642]**	[2.749]***
p-value	6.07E-02	1.63E-03	6.93E-05	3.60E-03	8.67E-07	2.92E-03	1.48E-07	9.25E-05	5.99E-07	1.62E-04	2.22E-06	7.66E-05	7.82E-06	9.75E-05

Model 4 indicated a negative association between this measure of market size, though the findings were not significant, whilst all other variables remained positively associated with inward FDI, and were found to be significant. Interestingly, the association of the oil dummy upon inward FDI strengthened somewhat, as governance weakened, when GDP per capita was controlled for.

Upon inspection of the R-squared values, it becomes apparent that model 3 accounted by far the best for the variance exhibited by its observations; however, this must be tempered by the fact that there were 21 missing observations – many of which are significant oil-producing countries such as Angola, Equatorial Guinea and Sudan - pointing to the merits of model 4 (and indeed all the alternate regression models) in more appropriately accounting for the effects of these variables vis-'a-vis general regional locational advantage.

Models 5 and 6 control for the exports of goods and services variable, in order to account for locational advantages in terms of trade openness. Again, the results are somewhat mixed with respect to the alternate measures used in either model. It is safe to say, however, that the greater a sub-Saharan African country's GDP is accounted for by the export of goods and services the more likely it is, on average, to receive larger sums of inward FDI. This is apparent as the exports of goods and services variable, in both models, was found to be positive and significant (much more so in model 5). Models 7 and 8 add GDP growth to the analysis in order to capture the effects of stable and consistently growing economies upon the locational decisions of foreign investors. Both models indicated a strong, positive, and statistically significant association between GDP growth and inward FDI, however, the oil dummy still proved to be more robust and positively associated to inward FDI – as indicated by the alternate model, model 8, which included far more observations, and accounted for many of the oil-producing countries excluded in model 7 due to missing data.

Models 9 and 10 include and control for measures of infrastructure in order to capture the locational advantage stemming from this variable upon inward FDI, in the sub-Saharan African region. Model 9 follows the base model specification by incorporating data from the GCR, while the alternate model, model 10, builds upon the alternate measures used by including telephone lines per 100 people to proxy for infrastructure. As indicated by table 4.1, measures for infrastructure were surprisingly negatively associated with inward FDI in the SSA region, a finding confirmed by both models, although these were not found to be significant. Furthermore, controlling for infrastructure in the SSA region influenced the locational advantage of all other variables included in the models this far to only a marginal extent – with all positive associations slightly decreasing to account for the

variance captured in the models by the two infrastructure variables. Models 11 and 12 include and control for their respective measures of goods market efficiency, with model 12 building upon the GCR variables, and the alternate model, model 12, including the export/import time variable to proxy for goods market efficiency. Both models indicated a positive association between their respective measures upon inward FDI, with the export/import time variable being more positively associated and significant.

Finally, inflation was included and controlled for in models 13 and 14, concluding the multiple regression analysis. The findings for the inflation variable were inconclusive as model 13, building upon the GCR variables, indicated a negative association – as opposed to the alternate model, model 14, indicating a positive association between inflation and inward FDI to the sub-Saharan African region, with both results not being significant. Most importantly, however, are the coefficients and significance levels of all variables included in these two final models which endeavour to account for the relative influence and locational advantage of inward FDI to the sub-Saharan African region. There are striking disparities between the two final models, with specific regard to the influence of the oil dummy variable and market size. This can be accounted for by the fact that model 13, based upon the GCR variables, excludes from its analysis many oil producing countries in the region, as already discussed, due to missing data. Whilst the GCR variables are far more comprehensive, aggregate, measures as opposed to the proxy measures included in the alternate models, the number of missing observations – specifically upon oil-producing countries such as Angola, Equatorial Guinea and Sudan amongst others – undermines the validity of these findings to too great an extent, especially in light of the key aims of this paper. For this reason, the final alternate model, model 14, shall be considered as the most conclusive model of relative locational advantage in this chapter.

Upon closer consideration of model 14 in table 4.1, a number of interesting findings, relevant to the broader objectives of this paper, becomes evident. Firstly, all previously discussed potential sources of locational advantage in the SSA region were found to be positively associated with inward FDI to the region, with the exceptions of the market size proxy, GDP per capita, and the infrastructure proxy (the number of telephone lines per 100 people). Furthermore, the findings on inflation and the export/import time variables contradict conventional logic and past prescriptions noted in the literature, as model 14 indicated a positive association between these variables upon inward FDI, however, these were not significant and supported by model 13. These observations indicate that, on average, countries in the sub-Saharan African region, for the period under consideration, who

scored better on key institutional and policy matters related to governance, possessed and exploited their natural resources (especially oil), possessed a more skilled and educated labour force, exported more, and maintained higher levels of economic growth could have expected greater sums of inward foreign direct investment, based upon these notable locational advantages. Furthermore, the governance, labour proxy, oil dummy, exports of goods and services, and GDP growth variables were all found to be significant.

The relevance of these findings with regard to the broader aims of this paper are threefold. Firstly, the oil dummy variable is reported to be the most positively associated variable vis-'a-vis inward FDI to the region. While governance is found to possess a robust influence upon FDI to sub-Saharan Africa, the economic exploitation of oil reserves arguably represents a much greater locational advantage – further credited by these findings that the magnitude of such inward FDI flows, in absolute dollar terms, is much larger for oil rich countries as opposed to well governed states in the region. The implications of this present a situation in which the locational choices of foreign investors in the region are more influenced (in terms of locational choice as well as scale of investment) by the availability of oil within a sovereign territory, as opposed to institutional and policy matters related to governance – a locational advantage in which the host country actually has the ability to control via good governance and institutional development.

Secondly, factor endowment-based theories are significant insofar as they account for the significant influence of oil within their broader understanding of the locational advantages of natural resources – vis-'a-vis sub-Saharan Africa. Other potential macroeconomic determinants of inward FDI were found to be positively associated, and significant; however, as our measure of inward FDI accounted for net inflows in current U.S. dollars, the scale or magnitude of these flows indicated that such variables were less influential than oil wealth.

Thirdly, whilst market size was found to be very robust upon inward FDI to the region, the models which reported this included a number of missing observations – many of which were oil-producing countries such as Angola, Equatorial Guinea and Sudan. In comparison to the final alternate model, model 14, it is noted that the market size proxy, GDP per capita, is actually negatively associated to inward FDI, but is not significant. These findings argue that for much of the inward foreign direct investment to SSA, which excludes oil-producing states, market-seeking FDI features prominently, with specific reference to countries such as Mauritius; however, when including observations for

countries such as Equatorial Guinea - and other oil-producing states - market size becomes much less influential vis-'a-vis oil endowments.

Observations with Regard to the Private Security Industry

In contrast to the prescriptions of much more comprehensive, global dataset, studies on the locational advantage of institutions and policy matters related to governance, it has been noted that sub-Saharan Africa does not conform very well to the hypothesis that such variables have necessarily become more relevant to inward FDI than more conventional 'natural assets' such as natural resource (particularly oil) factor endowments. As discussed earlier, consensus has emerged around the idea that 'created assets' such as good governance and institutional development have come to be viewed as increasingly, if not more, relevant upon the locational choices of foreign investors. Based on these findings, however, it is noted that the measure of governance which incorporated aggregate data on six key dimensions of governance, namely: rule of law, political stability and absence of violence, regulatory quality, voice and accountability, government effectiveness and control of corruption was actually less positively associated to inward FDI than were considerations related to oil endowment. Indeed, this was further reported for all other variables included in the analysis, indicating the primacy of oil factor endowments upon the locational choices of foreign investors vis-'a-vis the region.

These findings support the idea that, remaining cognisant of the operations of the private security industry in SSA over the past two decades, and given the strategic value of oil in the international system, the importance of institutional development and good governance vis-'a-vis inward FDI is somewhat mitigated. As private security and military contractors effectively fill the void left by poor governance with regard to lawlessness, weak institutions and political stability, the otherwise urgent need for certain host nation governments in sub-Saharan Africa to pursue institutional reform and development is subsequently undermined. These trends may very well lead to long-term unsustainability, but dually highlight the fact that the privatisation and outsourcing of the state security function results in very significant short to medium term benefits, specifically regarding the full economic exploitation of oil factor endowments in certain sub-Saharan African countries.

Furthermore, the findings of the analysis presented in this chapter support the idea that the growth of the private security industry in SSA can be understood as a means for foreign capital to circumvent particularly 'immobile factors' of the globalised market (with reference to good governance and institutional quality) in order to gain hold of strategically significant commodities such as oil. Given the relatively low levels of development of SSA vis-'a-vis the global mean, the

operations of private security and military contractors in the region can be viewed as the manifestation of the market to effectively augment a traditionally 'immobile factor' which has not been conducive to the interests of foreign investors and other international actors into something which is mobile – and better governed by the market forces of supply and demand. As argued previously, the security function of otherwise poorly governed sovereign territories in SSA is essentially outsourced and privatised in order to accommodate the international interests of asset and resource seeking inward FDI in the region. Subsequently, the institutional component of locational advantage in sub-Saharan Africa is diluted and is arguably less significant, as countries with poor institutional capacities can still appear to be much more attractive to inward foreign direct investments than their better governed counterparts, on account of factor endowments such as oil wealth - in conjunction with the operation of private security contractors, to privately secure and service those investments.

What this chapter has provided is a statistical account that the governance and institutional component of locational advantage is indeed less influential upon the decisions of foreign investors regarding the sub-Saharan African region – while oil factor endowment considerations are more significant. The extent to which the international private security industry has facilitated the interests of foreign capital, by providing the services needed such that these investments are secure, and thereby allowing foreign actors to circumvent otherwise costly considerations in which host country governance and institutional factors would feature more prominently, can only be examined in a qualitative manner. Accordingly, the next chapter shall provide a case-specific account of the ways in which private military and security provision has facilitated these developments, by focusing on one of the most prominent countries in the region in terms of international oil and security politics.

Chapter VI

The Role of the International PSI in the Oil Economy of Angola – A Case Study

Despite the recent histories of most sub-Saharan African petro-states being characterised by large flows of inward foreign direct investment, poor institutional and governance scores, and significant periods and incidences of politically-motivated violence, no country in the region better exemplifies this political economy typology more so than Angola. Moreover, where a number of SSA petro-states have played host to private military and security companies, in the past two decades, Angola – by a review of the existing literature – can be argued to be the most prominent regional case in which the privatisation of security and military related services has been effectively playing out. The purpose of this chapter is to illustrate the key arguments of this paper, and to qualitatively assess the causal link between the operations of the PSI vis-'a-vis the magnitude of inward FDI, to a poorly-governed and institutionally weak sub-Saharan African petro-state.

This chapter shall proceed in three parts. Firstly, Angola will be discussed in relation to the core aims and purpose of this study, in order to underscore the appropriateness and limitations of this case for a *small-n* qualitative assessment – and one in which possible inferences can be applied to a broader panel (namely, all oil-producing and/or resource-rich SSA states). The primary basis for this initial assessment will centre upon an engagement with the key arguments and observations of the second chapter of this paper. To this effect, the validity of Angola as an appropriate case shall be gauged by means of a review the country's political economy, specifically focusing upon the country's renewed international geostrategic and economic significance (on account of its oil wealth) and the constituent external and internal demand for private security in the country – by a multitude of different actors.

Secondly, the experiences of Angola with regard to specific dealings with private military and security companies shall be outlined and elaborated upon. This section will provide a detailed timeline of the key operations and dealings of private security and military entities within the country, whilst dually accounting for the case-specific actors involved in these dealings. Moreover, this section shall engage the key debates regarding the growth and evolution of the international PSI

– as discussed in the literature review – and provide insight into the multi-faceted nature of the industry, based upon the Angolan experience.

The final part of the second section shall illustrate and determine the strength of causality between good governance and inward foreign direct investment, as opposed to oil wealth and inward foreign direct investment, by presenting the growth and development of the international PSI as the effective causal mechanism between the latter. The growth and increasing legitimacy and efficiency of private military and security provision will then be framed as an *enabler* to the needs of particular external and internal economic and political interests; subsequently allowing inward FDI to the country to be much better equipped to circumvent previous security concerns, and mitigate the influence of institutional quality upon inward FDI.

6.1 The Political Economy of the Angolan Oil Industry

Angola provides an ideal case in which to descriptively analyse the activities and influence of private military and security companies in the political economies of sub-Saharan African petro states for a number of reasons. Akin to most of the region's major oil-producers, Angola's history is deeply steeped in violent conflict, massive economic and political grievances by ordinary citizens, and poor economic and institutional development. Moreover, Angola served as a central theatre of Cold War superpower rivalry, and is therefore no stranger to the consequences and implications of foreign interests and competition within its territory. Of key interest, however, is the fact that despite one of the longest and most bitter civil wars waged in sub-Saharan Africa, and despite the country's persisting economic and institutional underdevelopment, Angola has attracted significant sums of inward FDI and has emerged as the second largest crude oil producer in the region, after Nigeria.[203]

Building upon the statistical observations of this paper, Angola can indeed be classified as one of sub-Saharan Africa's foremost enclave-based petro states, noting that the vast majority of all government revenue is derived from the domestic oil industry and that the oil sector has more or less been structurally developed in exclusion to the inefficiencies of, and linkages to, the rest of the domestic economy. As argued by a special report on the state of the Angolan oil industry, Global Witness – a British based NGO – observed that, throughout the 1990s, the Angolan oil industry operated in complete independence of the general domestic economy, one which had been acutely

[203] Downs, E. Op. Cit. p. 43

affected by the pains of protracted warfare, and further appeared to make very little contribution to the welfare of ordinary citizens.[204]

Further underscoring the prominence of the country's enclave-based economy, is the fact that throughout prolonged periods of violence, political conflict and economic insecurity, international oil companies maintained their productivity and efficiency in the country due to the relative isolation they were afforded by their offshore operations, the small number of Angolan nationals which were directly employed by these companies, and the dependency these companies had upon international – as opposed to domestic – contractors to provide services (due to a lack of domestic competency).[205] The results of such exclusion vis-'a-vis the domestic economy led to the domestic oil industry, even whilst the country was at the height of its political and economic malaise, to fittingly be the only growing economic sector – far more dependent upon international markets – whilst the rest of the economy withered under the effects of tight monetary and fiscal policies.[206]

The roots of this structural exclusion, and the subsequent eminence of Angola's oil enclave, can be traced as far back to 1955 in which onshore oil was first discovered by the multinational Petrofina who, together with the then colonial administration of the territory, constructed a refinery in the capital city to process the crude.[207] By 1973, oil had become the principal export of Angola following the expansion of the sector on account of large offshore discoveries off the coast of the Cabinda territory by a now subsidiary group of the Chevron oil corporation.[208] Following these discoveries, the government structured a national oil company, the Sociedade Nacionao de Combustivies (otherwise referred to as Sonangol) and enacted certain laws which established that:

> ... all deposits of liquid and gaseous hydrocarbons which exist underground or on the continental shelf within the national territory, up to the limit of the jurisdictional waters of the People's Republic of Angola, or within any territory domain over which Angola exercises sovereignty, as established by international conventions, belongs to the Angolan People, in the form of free state property.[209]

Subsequently, Sonangol, acting as the state apparatus to oversee the development of the country's oil and natural gas resources (now legally defined as state property), became the sole concessionaire for all oil exploration and development, and was further mandated the task of entering into joint

[204] Global Witness, A Crude Awakening: The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets, http://www.oneworld.org/globalwitness, London, p. 6
[205] Ibid. p. 6
[206] Ibid. p. 6
[207] Ibid. p. 5
[208] Ibid. p. 5
[209] Ibid. p. 5

partnerships and economic ventures with foreign oil multinationals to secure and obtain the necessary resources needed for the development of the industry.[210] By the beginning of the 1980s, Angola's onshore oil-rich areas were divided into 13 blocks, and set aside for investment and development.[211] The offshore oil-rich areas were then focused upon and subsequently divided into numerous blocks with possible regions for development reaching increasing ocean depths over time. By the late 1990s the government issued the country's first 'ultra-deepwater' blocks, the most lucrative and capital-intensive, to a consortium of multinationals – notably Norsk Hydro, Chevron and Shell, in conjunction with Sonangol.[212]

The collaborative partnerships between the state and foreign oil companies have taken the form of two distinct frameworks over the years, namely through joint ventures and production sharing agreements (PSAs), with the latter becoming increasingly popular in recent years. As opposed to joint ventures, in which Sonangol and its partners split production and investments costs based upon their shareholding powers, PSAs generally involve oil multinationals, which serve as contractors to Sonangol, incurring the full initial cost and burden of exploration and development.[213] As outlined by Global Witness,

> When production starts, the oil is divided into different sections. First, 'royalty oil' accrues to the government. Second, 'cost oil' is received by the members of the contractor group, and is earmarked to pay for their investments. This can be up to 50% of the oil that is produced. The remainder is known as 'profit oil' and is divided between the foreign oil companies, Sonangol and the government according to a complex tax structure.[214]

Most oil multinationals operating in Angola follow arrangements which typically are of the form of PSAs with the state oil company Sonangol, however, the lucrative offshore oil producing blocks off the coast of Cabinda remain structured according to joint ventures between the state and the domestically dominant oil multinationals of the U.S.-based Chevron and French-based Elf oil companies – amongst a few others.[215] The economic significance of these offshore deepwater blocks cannot be understated, and directly speaks to the literature on the increasing global competition for sub-Saharan African oil – especially in light of the demand stemming from emerging powers from the global South.

[210] Ibid. p. 5
[211] Ibid. p. 5
[212] Ibid. p. 5
[213] Ibid. p. 5
[214] Ibid. p. 5
[215] Ibid. p. 5

Remaining cognisant of the technological advantage that Western oil multinationals possess vis-'a-vis the exploitation of deepwater reserves of crude oil, it is fitting to note that this has in no way acted to ease the fierce competition for the SSA region's reserves of strategically significant natural resources. In fact, if the Angolan oil industry can be viewed as a microcosm of the broader region, quite the opposite has occurred. Whilst the technological and competitive advantages of Western oil MNCs may have sidelined the aspirations of certain powers from the global South, which lack the capacity to exploit deepwater deposits of crude oil, competition in and amongst the Western oil companies has not, however, eased-off as a result. Such assertions can be made by observing the increasingly costly premium placed upon the securing of exploration and extraction rights of ultra-deep water blocks off the coast of Angola, by numerous Western oil companies such as BP-Amoco, Elf and Exxon. To this effect, once-off non-recoverable down payments by these companies, in order to secure these rights, have now reached sums well into hundreds of millions of U.S. dollars – specifically to obtain drilling licences for offshore blocks in excess of depths of 2000 metres.[216]

The rents captured by the government through these substantial once-off payments for the securing of drilling licences, along with the royalties and 'profit oil' accruing to the state by the production of oil by foreign companies - acting in partnership with Sonangol through joint ventures and PSAs – and, offcourse, the certain taxes and levies imposed upon exports and foreign nationals are of massive proportions to say the least. These rents constitute the largest share of all government revenue, and are further factored into the country's yearly receipt of inward foreign direct investment. What is of notable concern, however, is the fact that this receipt of inward FDI is marginally dependent, if at all, upon the broader economic and political situation of the country, and can therefore be viewed as *the* defining feature of the country's locational advantage.

In other words, proven reserves of exploitable crude oil override investment concerns based upon political security, economic stability and institutional quality, due to the distinct nature of Angola's oil-enclave based political economy – which affords foreign oil multinationals substantial isolation from, and disassociation with, the inherent weaknesses of the country in general. Due to this, investment in the country's oil industry is neither deterred nor is it constrained by the concerns which would confront foreign investors in almost all other sectors of the country's economy. This has consequently allowed oil-directed inward FDI to circumscribe the numerous variables and associated determinants traditionally attached to models of locational advantage.

[216] Ibid. p. 5

Such arguments can well account for the statistical findings of chapter five, which proved that the oil dummy variable in sub-Saharan Africa is indeed more positively associated to inward foreign direct investment than any other dependent or intervening variable. Of particular interest is that Angola scored quite poorly, below the mean value and median observation, for the governance variable, accounting for six broad dimensions of good governance and institutional quality, which generally tends to be positively correlated to inward FDI, and the subsequent locational advantage of host countries. On further inspection it can be seen that this is indeed the case with a number of sub-Saharan African petro-states, underscoring the relegation of governance and institutional factors to the prominence of the oil dummy as the primary explanatory variable for inward FDI to the region. On this basis a case can be made for the qualitative validity of Angola as representative of the majority of sub-Saharan African petro-states, and therefore lends a certain amount of credit for any inferences drawn from this case study to a broader regional panel.

6.1.2 A Review of the Angolan Security Environment

Angola, like many sub-Saharan African petro-states, has become almost synonymous with political conflict, civil war and protracted periods of violence, instability and insecurity. Arguably more so than many states in the region, Angola's history is characterised by extensive dealings with foreign actors, specifically in the area of the country's internal armed conflicts. As a key hotspot of Cold War rivalry, post-colonial Angola has played host to varying degrees of American, Soviet, Cuban and South African influence within its borders, with each respective actor supporting the aspirations of armed opposition movements and nationalist groups most conducive to their own ideological leanings and foreign policy objectives at the time. Despite certain short-lived periods of relative calm, Angola's internal battles continued well after the conclusion of the Cold War, persisted throughout the 1990s, and has left the country with a fragile, though arguably stable, peace and political dispensation since the death of a key opposition leader in 2002.[217]

In this way, Angola further presents a valuable case in which to examine the role of inward FDI to SSA petro-states, as the growth and development of the country's enclave oil economy occurred alongside periods of extremely turbulent political and economic turmoil. Whereas countries such as Sudan, Nigeria, Equatorial Guinea, the DRC and Congo-Brazzaville have together played host to periods of prolonged conflict, dealt with attempted and successful coups, violent militias and rebel groups - and general political and economic upheaval - throughout the development of their

[217] Pearce, J., "From rebellion to opposition: UNITA in Angola and RENAMO in Mozambique", in Okumu, W. & Ikelegbe, A. (ed/s), Militias, Rebels and Islamist Militants: Human Insecurity and State Crisis in Africa, Institute for Security Studies, Pretoria, 2010, p. 366

respective oil sectors, Angola's civil war coincides most favourably vis-'a-vis an examination of inward FDI to the region's troubled petro-states.

Angola's political malaise throughout the 1990s marks a period which not only coincides with growing international demand for sub-Saharan African oil, and the consequent renewal of its geopolitical strategic value, but dually marks a period in which the international private security industry began to emerge as an increasingly legitimate and influential actor in global oil and security politics. The convergence of these two global developments clearly manifested in the politically unstable, institutionally weak and otherwise economically unviable, oil-rich states of the region through the emergence of private military and security companies. These companies served numerous functions, but of key interest to the aims of this paper is the fact that the combined influence of such companies altered the locational advantage of fragile oil-rich sub-Saharan African states in ways which greatly facilitated foreign oil interests; and indeed the interests of regional elites and ruling parties by servicing the international demand for oil. This was accomplished by better allowing inward FDI to the region to circumvent prior political and institutional concerns, through the provision of private services to secure the physical and financial assets of foreign investors. Therefore, such companies served to undercut the risk associated with the dependency foreign investors previously had to place upon SSA governments to provide secure and stable institutional and economic environments, conducive to foreign investment.

Accordingly, it can now be said that Angola's rise to prominence in international oil politics, throughout the 1990s and 2000s, has arguably been accompanied by a case of the SSA region's most noticeable and dynamic relationship with transnational private military and security provision. With reference to the working definition of PMSCs provided in chapter 2, Angola provides an excellent case in which to assess the full spectrum of private military and security provision, as most SSA petro-states have not generally played host to the operations of the more intrusive and controversial elements of this definition, specifically, the dimension which captures the provision of private military assistance. A number of oil-producing, and other resource-rich, states in sub-Saharan Africa, such as Congo-Brazzaville, Congo-Kinshasa, Liberia, Mozambique, Rwanda and Sierra Leone, indeed stand out in terms of their recent histories with private military and security provision. Angola, however, presents a case which is far more substantial in terms of the scale and scope of this provision, and therefore allows a more robust interpretation of the causal effect of such services upon a country's locational advantage vis-'a-vis inward FDI. To this effect, Sean Cleary cites David Isenberg in a broadcast by the American Defence Monitor in late 1997 in which Isenberg

argued that the provision of private security groups on the African continent numbered around one hundred, at the time, of which, he alleged, 80 percent operated in Angola.[218]

These "security groups" refer to private security companies (the less intrusive and controversial end of this paper's definition of PMSCs) and specifically underscores the operations of a number of prominent international security providers such as Defence Systems Limited (DSL), Gray Security Limited, and locally-registered public enterprise security companies – controlled by Angolan military officials - such as Alpha 5 Lda and Tele Service Sociedada de Telecommunicacoes, Seguranca e Servicos (otherwise known as TeleServices).[219] These security providers generally offered services to local and international clients which paid for asset protection, such as the guarding and associated security concerns of embassies, oil refineries, diamond fields, terminals, warehouses and other corporate premises; however, this is not to say that these companies did not engage in more illicit, or controversial, service provision – akin to private military companies.[220] To this effect, Hyder Gulam asserts that such companies can easily disguise their activities by claiming to be legitimate security providers offering protection services whilst dually engaging in much more coercive military operations.[221]

Such arguments are, however, more speculation than fact with regard to the listed security providers named above, yet Angola's recent history has also witnessed the effective operations of private military companies, which did much more than provide mere asset protection, with specific reference to the former South African-registered Executive Outcomes (E.O.), the focus of this chapter. Furthermore, a number of prominent American companies such as the Florida-based Air Scan company, which provided aerial intelligence gathering services, as well as Military Professional Resources, Incorporated (MPRI), amongst a few others, have also operated within Angola for private clients, generally oil multinationals, and even for the U.S. government.[222] The services rendered by these companies are, however, less well documented than those of E.O. and have generally been of a less controversial nature.

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[218] Cleary, S., "Angola – A Case Study of Private Military Involvement", in Cilliers, J. & Mason, P. (ed/s) Peace, Profit or Plunder? The Privatisation of Security in War-Torn African Societies, Institute for Security Studies, Pretoria, 1999, p. 147

[219] Ibid. p. 147 *see also* Spear, J. "Market Forces: The Political Economy of Private Military Companies", Fafo Report 531, Fafo Institute for Applied International Studies, Oslo, 2006, p. 20

[220] Ibid. p. 147

[221] Gulam, H., "The Rise of Private Military Companies", Peace Operations Training Institute, http://www.peaceopstraining.org/theses/gulam.pdf, p. 10

[222] Holmqvist, C., "Private Security Companies: The Case for Regulation", SIPRI Policy Paper No. 9, Stockholm International Peace Research Institute, January 2005, p. 37 *see also* Spear, J. Op. Cit. p. 18

It is in this way that Angola qualifies as a most suitable candidate in which to assess the role of PMSCs in sub-Saharan African petro-states, due to its substantial dealings with the full spectrum of private military and security provision. In order to assess the influence of these companies upon the locational advantage of the country, the political-economic context in which the demand for PMSCs were derived must first, however, be outlined and understood. Given that a full examination of the Angolan Civil War is far beyond the scope of this chapter, the key issues and actors which gave shape to the conflict, specifically throughout the 1990s, must be accounted for in order to assess the internal demand for private military and security provision within the country, and is provided for below.

The roots of Angola's political impasse, conflict and fragility for the better part of the 1990s and early 2000s can be accounted for by the actions of the two primary actors within the Angolan political space; namely the Movimento Popular da Libertacao de Angola (MPLA) which is now firmly in power, and their main political rivals Uniao para a Independencia Total de Angola (UNITA), which has been significantly weakened ever since the death of its founder and leader, Jonas Savimbi, in February 2002.[223] The attempts by these two former nationalist-struggle movements to gain complete control of the state, throughout the better half of the end of the twentieth century, has in many ways led to the definitive structure of the Angolan state as it is today. Most notably, the rivalry between these two groups for absolute power and exclusive legitimacy within Angola, speaks to the literature provided in the second chapter of this paper regarding conflict, political-contestation, and the aspirations of local political groups. Specifically, the Angolan experience credits the positions outlined earlier in this paper which relate to the capture of the sovereign apparatus in its entirety, within oil-rich SSA petro-states with significant exploitable reserves of offshore crude oil, such that political actors can win the necessary international legitimacy to reap the financial benefits of substantial oil-based government revenues.

Despite much of Angola's military battles not being concentrated in the capital city, such ideas go a long way in explaining the tenacity with which each side held onto their respective claims for absolute legitimacy and control of the state. Moreover, these arguments apply insofar that one of the defining features of modern Angola has been the prominence of identity-based politics, premised upon on the development of two states within one – the strongholds and de facto states of UNITA and the MPLA throughout most of the Angolan civil war.

[223] Pearce, J. Op. Cit. p. 366

Due to the lack of either side willing to make any significant concessions, or commitment to reconciliation, for the sake of overall national development and state-building, the rise of a parallel state, marked by the borders of UNITA control, emerged alongside the development of the MPLA within their respective zone of influence within Angola.[224] As both groups competed for legitimacy within the country, the MPLA failed to make considerable inroads into Angola's rural-base and cumulatively secured legitimacy among the greater sum of the country's urban enclaves, and, most importantly, established itself in Luanda.[225] UNITA on the other hand quickly mobilised its support in the country side, and established a similarly formidable base of operations far removed from the MPLA heartland.[226] The nature of these parallel quasi-state entities revolved around the provision of civilian services in the form of healthcare, education and the maintenance of supplies of food, which either side achieved with some help from their respective foreign sponsors, such as Cuba and South Africa in the case of the MPLA and UNITA respectively.[227]

The effect of this prolonged and deepening bifurcation of Angolan society largely resulted in an entrenched *either/or* political conception of identity by most Angolans, one in which ordinary citizens were compelled to label themselves as either 'government people' (referring to the now internationally acknowledged MPLA government) or as 'UNITA people' – with each respective group classifying the other as the enemy.[228] This understanding of the state by most Angolans largely persists up until the present day, due to the substantial role that *membership* of either movement had upon the livelihoods of ordinary Angolans. This was due to the fact that political identity was more often based upon necessity, as opposed to choice; due to the very possible risk of death should one profess allegiance to an opposing side, within the confines of the other's zone of influence.[229] Pearce goes on to elaborate that these developments led to a paradox of political identities in wartime Angola in which he posits that,

> ... Identities had to be maintained as a matter of life or death, yet the depth of conviction that underlay these identities was questionable, and identities could (and had to) be changed as one passed from the control of one armed force to the other.[230]

Illustrating the extent of this politicisation of identity, and the effects of this upon the lives of Angolans throughout the 1990s and early 2000s, was the phenomenon of mass forced migration by

[224] Ibid. p. 367
[225] Ibid. p. 367
[226] Ibid. p. 367
[227] Ibid. p. 368
[228] Ibid. p. 369
[229] Ibid. p. 369
[230] Ibid. p. 369

each of the two political groups, which saw the removal and relocation of peasant populations whenever either political group had to retreat or redefine their respective zones of influence.[231] Taken together, the nature of Angola's civil war throughout this period was marked by the dual grievances and aspirations of the country's two leading political actors, which effectively took hostage of the general population, whilst attempting to forge movement-based political identities on which the legitimacy of the greater state would come to rest upon. Furthermore, whilst the MPLA and UNITA did play active civil roles through the provision of certain public services to their respective constituencies, their legitimacy, for the most part, rested squarely upon coercion and the threat of force – as opposed to the will of those they supposedly governed. It can therefore be argued that based on these observations, the *actual* legitimacy of the MPLA-based government of present day Angola is somewhat superficial, and hardly representative of the will of its governed.

When these issues are viewed in conjunction with the vast oil wealth of the country, which the government receives as the largest share of its overall revenues, a case can be made which highlights the concerning disjuncture between the effective operation of the government vis-'a-vis the state of the country's general economy and development. Despite Angola's remarkable growth since 2002, such figures do not capture the growth of the economy as a separate and distinct entity from the country's enclave oil sector. Whilst the ruling party, along with other state elites, benefit from Angola's booming oil industry, the general population may become increasingly disillusioned with the state of the post-war political dispensation – especially as the government becomes increasingly less dependent upon broad domestic support and legitimacy. Moreover, without effective institutional and civic development, Angola could very well see its fragile stability fall apart as excluded domestic actors will not have the necessary means in which to legitimately express their concerns and seek change. This directly touches upon the arguments of Ron and Englebert outlined in chapter three, and subsequently leads one to view the long term stability and security of the country with much apprehension.

6.2 The International PSI in Angola: E.O. and Transnational Oil Interests

Apart from the number of private security companies which operated in Angola throughout much of the country's political disorder in the 1990s, it can safely be said that no company had more of a strategic influence upon Angola's political and security environment than the Executive Outcomes group. As discussed earlier, E.O. was much more than a private security company due to its capabilities which extended far beyond asset protection, training and consultation services.

[231] Ibid. p. 369

Specifically, E.O. offered its clients services which had a direct strategic effect upon conflict zones, through its provision of specialised private military forces. Cleary cites the observations of Howe in his assessment of E.O. vis-'a-vis other PMSCs operating in Africa, in which Howe identifies three layers of security and military provision; he posits that:

> One layer is that of training... [and possibly]... guarding military installations, fairly benign operations. The second might be combat support; for example, ferrying troops up to the front in transport helicopters. And then the third layer is actual combat. Executive Outcomes is an incredible, what we call 'force multiplier'. It can do all three of those. Most other organisations can do only one, or perhaps two, of the three. [232]

Through its provision of actual combat capability, E.O. distinguished itself from other private security providers by constituting the extreme, controversial, and most lucrative, end of the private security industry – and can consequently be defined as a private military company within this paper's working definition of PMSCs. E.O.'s corporate conquest began in 1989 as a front company for the operations of the defence force of the former apartheid state of South Africa, and initially served the role of an intelligence training unit for the SADF Special Forces.[233] By 1995, however, E.O. emerged as a completely different entity altogether. Due to the changing political environment of South Africa, E.O. expanded outwards, developing business ties with the mining industry and coming into contact with a number of key British businessmen with significant oil interests in Africa.[234]

Under the leadership of Luther Eben Barlow, a former high-ranking South African military intelligence officer, E.O. received its first major contract in 1993 by Anthony Buckingham, a former British officer and "senior board advisor to several North American oil companies and the founder and chief executive officer of Heritage Oil and Gas in London".[235] The contract marked the beginning of E.O.'s expansion into the continent, and, particularly, its dynamic relationship with numerous political actors within Angola. Due to the deteriorating security and political environment of the country in the early 1990s, transnational oil interests were subsequently feeling an increasing threat to their physical and financial assets within the country. Due to a lack of faith in the institutional capacities of state, Buckingham, indicative of broader transnational oil interests, turned to the services of the private market and propositioned Barlow to recruit sufficient numbers of skilled men to capture and defend valuable oil tanks (specifically the assets of Heritage oil) in north-western

[232] Cleary, S. Op. Cit. p. 148
[233] Pech, K. Op. Cit. p. 84
[234] Ibid. p. 85
[235] Ibid. p. 85

Angola.[236] The contract was set for a two month period, which specifically focused upon the towns of Kefekwena and Soyo – which had been recently flooded by UNITA forces.[237] While certain issues regarding the origins of this contract remain contentious, Cleary's account of this deal corroborate the key observations of Pech noted above. Moreover, with respect to the motivations and mandate of Buckingham, Cleary argues that "... the fact that Ranger's [a Canadian-based oil company] and Heritage's petroleum assets at that time, were apparently concentrated 120 kilometres south of Soyo, gave rise to a belief that Buckingham was acting either for a consortium of international oil companies, or for the Angolan government."[238]

Despite certain setbacks during the operation, and the fact that UNITA did recapture the area upon E.O.'s departure, the company succeeded in capturing and holding the area for the duration of its contract, and, most importantly, greatly increased the profile of the company – quickly gaining the attention of the MPLA. As noted by Pech, in early 1993 the MPLA-recognised government found itself in a position in which it was increasingly willing to accept outside military and security assistance, due to UNITA's steady advancement toward Luanda – placing the state's oil resources under considerable threat.[239] Ironically, Barlow's previous operations for the SADF in support of UNITA worked to his favour in the military and security arrangement made between Buckingham and the MPLA, due to Barlow's prior knowledge of UNITA and the Angolan political space.[240] The deal which was struck involved the state oil company, Sonangol, which would partly finance E.O.'s operations in support of the state armed forces (the FAA), subsequently leading to a close coordinated working relationship between E.O.'s project leaders and their former enemies.[241]

The urgency with which the MPLA brokered the deal with Buckingham can be in many ways accounted for by the regime's acknowledgement of its critically vital hold over the state's oil assets. Any threat to these resources would be viewed with immense concern and would subsequently drive up the regime's economic demand for the services of such entities such as E.O. Within this context, the definitive control of the state's oil reserves meant a number of things. As Reno contends, oil formed the primary component of the MPLA's "... ability to gain access to political and material resources beyond Angola's borders; not just to markets... but also to diplomatic channels

[236] Cleary, S. Op. Cit. p. 156 *see also* Pech, K. Op. Cit. p. 85
[237] Pech, K. Op. Cit. p. 85
[238] Cleary, S. Op. Cit. p. 156
[239] Pech, K. Op. Cit. p. 86
[240] Ibid. p. 86
[241] Ibid. p. 86

and more politically connected commercial networks that directly advance [it's] security strategy."[242] Apart from this, Reno adds that around 87% of the MPLA's formally recorded revenues (exclusive of loans and aid) were provided for through the export of the country's oil, for the period between 1993 and 1998.[243] Therefore, control of Luanda, and the recognised sovereign apparatus, essentially equated to the survival of the regime – through the collection of the country's oil rents. Subsequently, in this way, the regime's internal demand for the services of the PSI can be understood; further crediting the initiative undertaken by the MPLA and Buckingham, in striking a deal of the size and scope with which E.O. oversaw.[244]

Cleary contends that the deal between E.O. and the MPLA spanned a period of twenty four months from September 1993 to September 1995, under which E.O. trained approximately 5000 troops from the FAA's 16th Regiment as well as 30 pilots, and further provided support in terms of directing front-line operations against UNITA.[245] As a result, by the time of the Lusaka Peace Accord in late 1994, the augmented capabilities of the FAA, on account of E.O.'s support, enabled the MPLA-government forces to push back the UNITA onslaught and tip the balance of power in their favour.[246] A key factor in this turn around had been the assistance E.O. provided to the FAA in terms of defining their particular requirements for armour, artillery and fighter and bomber aircraft, which the company procured on the FAA's behalf on the international market.[247] Indeed, certain estimates point to a figure of around two billion U.S. dollars which was spent on such equipment by the MPLA government by late 1994, which consequently led to a considerable tactical advantage over UNITA forces.[248]

Moreover, building upon the notion of E.O. as a *force multiplier*, the company, throughout this period, further increased the operational capacities of the FAA vis-'a-vis the leadership and technical expertise afforded to the FAA by of E.O.'s top military experts.[249] The company established three facilities located in Lunda Sul, Cabo Ledo and Dondo which served the primary function of providing specialised training in combat techniques, weapons maintenance, engineering and reconnaissance,

[242] Reno, W., "The Real (War) Economy of Angola", in Cilliers, J. & Dietrich, D. (ed/s) Angola's War Economy, Institute for Security Studies, Pretoria, 2000, p. 219
[243] Ibid. p. 220
[244] Spear, J. Op. Cit. p. 35 - Author argues that of the two 12 month contracts signed, the first amounted to a sum of U.S. $40 million, of which $20 million went toward military supplies and the rest to E.O. Furthermore, Spear acknowledges the reports of some observers which further asserted that the MPLA also granted some concessions to Branch Energy as additional payment for the services of E.O.
[245] Cleary, S. Op. Cit. p. 156
[246] Pech, K. Op. Cit. p. 86
[247] Cleary, S. Op. Cit. p. 161
[248] Ibid. p. 161
[249] Ibid. p. 156

to FAA troops.[250] In these ways, E.O. not only entered the country as a PMSC which serviced an external international market demand for security, stemming from the institutional deficiencies of the state, but dually serviced an internal demand, the state itself - as a client - which sought to augment its military and security-related capabilities.

The effects of E.O. vis-'a-vis the prolongation of the Angolan civil war, and the subsequent effects that this had upon ordinary Angolan citizens is, however, a highly contentious issue. Whether the relationship between the MPLA government and E.O. was conducive to the safety, security and development of the country's citizens, as well as the natural political and institutional development of the nation, falls beyond the scope of this paper. These issues should naturally be dealt with by studies which specifically examine PMSCs in terms of the regulation and accountability debates, touched upon in the second chapter of this paper; and build upon the idea that already weak states risk further weakening as a result of hiring these companies.[251] It should be noted, however, that Angola, which generally specifies private security as a precondition for all MNCs to enter their domestic market, is certainly a prime candidate for studies which wish to assess the claims that such short-term reliance on PMSCs tend to crowd out the security apparatus of the state, thereby risking longer-term state authority for short-term investment and financial gain.[252] Furthermore, based upon the number of government officials which are dually shareholders in the prominent Angolan TeleServices PMSC, the country would provide an ideal case to test the implications of such joint ownership upon issues of accountability and regulation.[253]

What is clear, however, is that E.O. within the context provided, underscores a notable, albeit extreme, example of the ways in which the international PSI has come to increasingly define the political economies of sub-Saharan African petro-states – by facilitating transnational oil interests, and the subsequent primacy of the region's enclave-based economies. The contract with the MPLA allowed E.O. to consolidate itself financially, and catapulted the company onto a level of sophistication very rare among most other PMSCs operating on the continent. Pech asserts that this two and half year contract had secured E.O. over forty million U.S. dollars per year amongst several other valuable oil and diamond concessions, allowing the company the opportunity "to diversify and establish a range of related companies".[254] By 1995, E.O. was registered as private limited company in South Africa, as well as having its British component registered by Buckingham in London (E.O.

[250] Ibid. p. 161
[251] Holmqvist, C. Op. Cit. p. 13
[252] Ibid. p. 13
[253] Spear, J. Op. Cit. pp. 52-53
[254] Pech, K. Op. Cit. p. 86

U.K.).[255] Moreover, Barlow established and registered a South African holding company by the name of Strategic Resources Corporation (SRC), controlled by E.O.'s directors, and which further spurred the corporate diversification strategy of the group – subsequently leading to a web of interrelated companies.[256] E.O. (U.K.), controlled by Buckingham and other directors of Heritage Oil, followed suit and immersed their operations within a complex corporate structure, whilst notably forming a new company which served as "E.O.'s mineral counterpart until late 1996", known as Branch Energy.[257]

The benefits of this interrelated corporate structure allowed E.O. to further provide services such as the procurement of aircraft, weapons, surveillance equipment and a host of logistical measures through, for lack of a better term, *outsourcing* to the specialised business entities that fell under the corporate umbrella of the group. Pech contends that there have been at least thirty to fifty affiliated or subsidiary companies of the E.O. group – ranging into industries as diverse as tourism, medical services, media and exploration equipment.[258] Such business schemes underscore the arguments noted by George, in the second chapter of this paper, which highlighted the fact that the regulation of the international PSI faces considerable challenge from these types of complex contractual arrangements, which have come to define the industry. Due to the multiple layers of accountability which stem from these business dealings, companies such as E.O. could effectively buffer themselves from numerous legal risks and public scrutiny, due to the controversial nature of its services, by spreading its operations across the web of interrelated companies within the broader group's corporate structure.

The inter-linkage between E.O., its U.K.-based agents, the numerous companies which fell under the Strategic Resources Corporation, and the growing network of the group's government contacts throughout Africa culminated in the massive growth of the London-based Branch Energy group, which won multiple lucrative oil and mineral concessions - due to the distinct competitive advantage it maintained over its rivals. As opposed to the operation of other mineral and oil extraction companies operating in the region, the corporate convergence of private military and security services in conjunction with international oil interests, rendered Branch Energy as one of the more competent players in the political economy of sub-Saharan Africa. The company's 1996 prospectus

[255] Ibid. p. 86
[256] Ibid. p. 86
[257] Ibid. pp. 86 - 89
[258] Ibid. pp. 87 - 89

certainly highlights the nature of its competitive advantages over its rivals in Africa, by asserting that it's pan-African business network:

> "... enables it to bypass the logistical problems of operating in Africa. This includes the '... provision of aircraft for the transport of personnel and supplies and an established procurement infrastructure for the distribution of equipment and consumables."[259]

Moreover, Pech cites the prospectus by further adding that "the mineral group is capable of operating in '... politically sensitive and high risk security environments [and] has the ability to secure its own and other's assets in extremely confrontational situations.'"[260] These statements succinctly capture the specific ways in which the evolution of the international PSI, through a corporate structure, melds with transnational oil and mineral interests, services an arguable market gap left by the institutional capacities of host states, and ultimately augments the locational advantage of these states vis-'a-vis inward foreign direct investment.

In this way, Branch Energy effectively managed to acquire and secure lucrative oil and mineral concessions, and arguably allowed many other oil and mineral multinationals to operate in countries as turbulent as Angola throughout the 1990s. Even despite the harrowing institutional deficiencies of the state during the period, the oil industry, and the mineral-security complex (as indicative of the E.O. group) flourished, relative to almost every other economic sector. Again, this qualitatively underscores the robustness of the oil dummy variable in chapter five vis-'a-vis its positive association with inward FDI to the SSA region – as opposed to variables relating to institutional quality and government capacity.

[259] Ibid. p. 89
[260] Ibid. p. 89

Chapter VII

Conclusion

By examining the relatively recent developments of transnational private military and security provision, this paper has outlined and observed a number of key features of the contemporary political economies of sub-Saharan African petro-states. As discussed in chapter five, inward foreign direct investment to the SSA region, over the past fifteen years, has most greatly been associated with countries in the region that possess exploitable reserves of crude oil. Whereas variables relating to institutional quality, political stability and economic security were indeed positively and significantly associated with inward to FDI to the region, the locational advantage of oil endowments has featured most prominently. Moreover, oil endowments were far more positively associated with inward FDI to the region than all other macroeconomic variables included in the quantitative analysis of this paper. Through this analysis, it was further noted that many of the region's oil-producing states, which have secured the receipt of massive sums of inward FDI, have also featured as some of the most politically unstable, institutionally weak and economically insecure countries in sub-Saharan Africa.

Noting the significant premium international investors have traditionally placed upon the security of their investments, the nature of such investment patterns to the SSA region seems at direct odds with many of the key tenets of institutional theory, with specific reference to the ideas which inform the concept of locational advantage. To account for this somewhat paradoxical state of affairs, in which many of the most poorly governed states in the region have managed to secure more inward FDI than their better governed counterparts, this paper has framed the growth of the international PSI as the effective causal mechanism in this context. By examining the role of a significant private military and security company in Angola, it was observed that despite protracted periods of political and economic turmoil, and despite the very shaky legitimacy of the country's primary political actors, oil-seeking transnational capital throughout the 1990s remained secure.

Due to these trends in the privatisation and outsourcing of state security functions, it has been observed that transnational asset and resource seeking interests become less dependent upon domestic institutional, political and economic contexts, as foreign investments can now be increasingly serviced by the international private security industry. In this way, recent developments

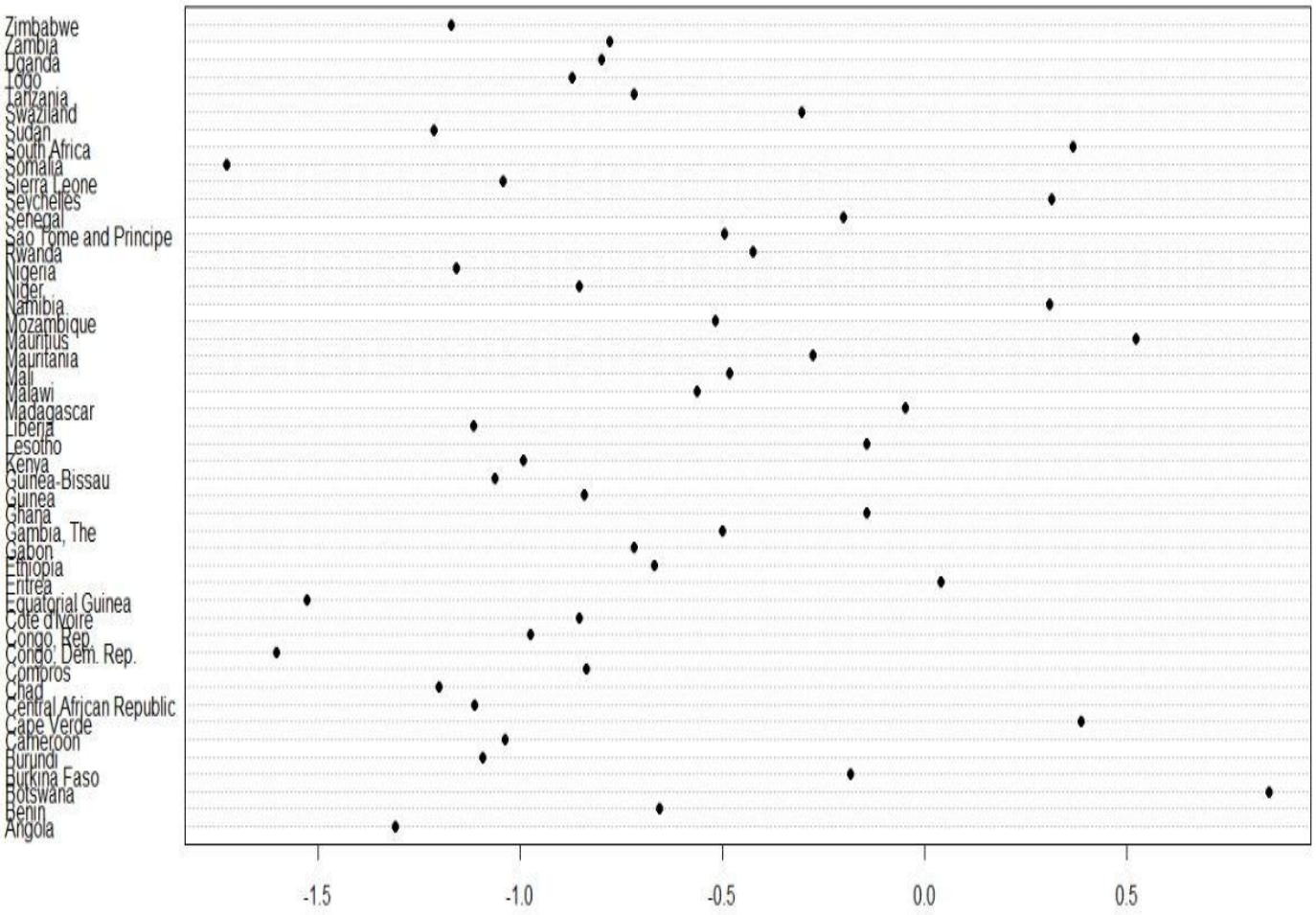
in private military and security provision can be understood to effectively augment the locational advantages of states playing host to inward FDI, by mitigating concerns relating to the practice of good governance. Furthermore, these developments have better allowed transnational commercial interests to more efficiently circumvent otherwise costly considerations, whilst allowing better access to the exploitation of strategically significant commodities. In this way, it has been observed that the growth of the international PSI can be viewed as the manifestation of the market to augment traditionally immobile factors, which have not been conducive to transnational commercial interests, into something which is mobile and better governed by the forces of supply and demand.

Whilst sub-Saharan African petro-states have provided a good framework in which to examine these developments, it must be noted that this was primarily due to the international geopolitical and strategic value of oil in the contemporary international system. In this way, these countries essentially provided *easy* cases in which to test some of the assumptions of this paper. Moreover, the choice of Angola to qualify the statistical findings of this paper was another *easy* case, due to the country's rich recent history with private military and security provision. Due to this, the strength of causality between private military and security provision vis-'a-vis inward FDI to the region remains weak, and requires much greater information and data on the operations of PMSCs in countries throughout the region. Despite this, however, the quantitative findings of this paper provide the basis for such further examination, based on the fact that the greater sum of all foreign investment to sub-Saharan Africa is being secured by institutionally weak, politically unstable and economically insecure countries. The growth of the international PSI could very well account for these developments, based upon the literature and qualitative analysis of this paper, yet this requires far more in depth reports of the elusive industry itself in order to make any solid generalisations which can be applied to all regional petro-states, and possibly all resource rich, developing, countries.

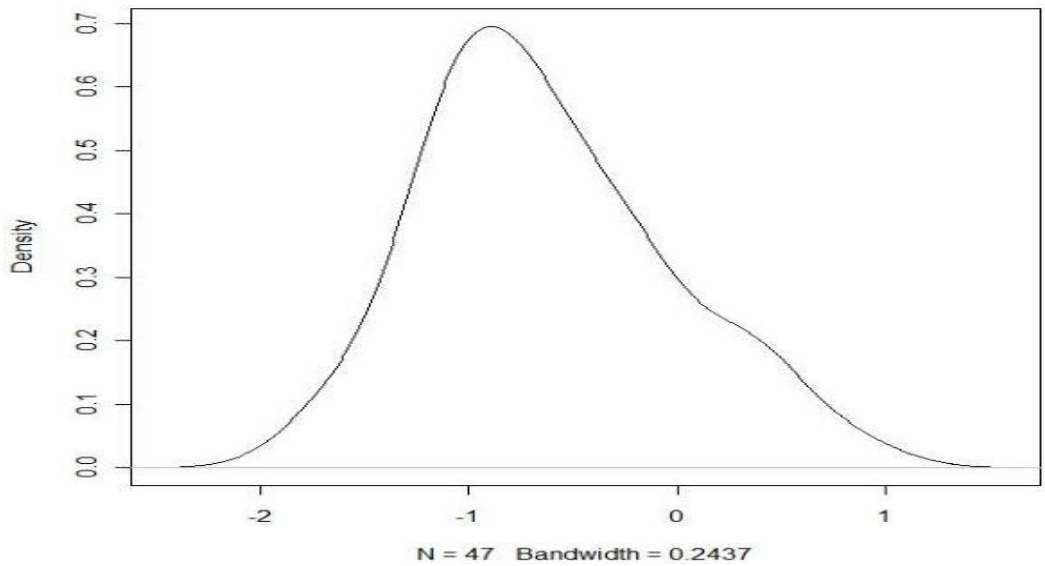
Appendix A

Density Plots and Dot Charts of Variables Examined, but not presented, in Chapter 5

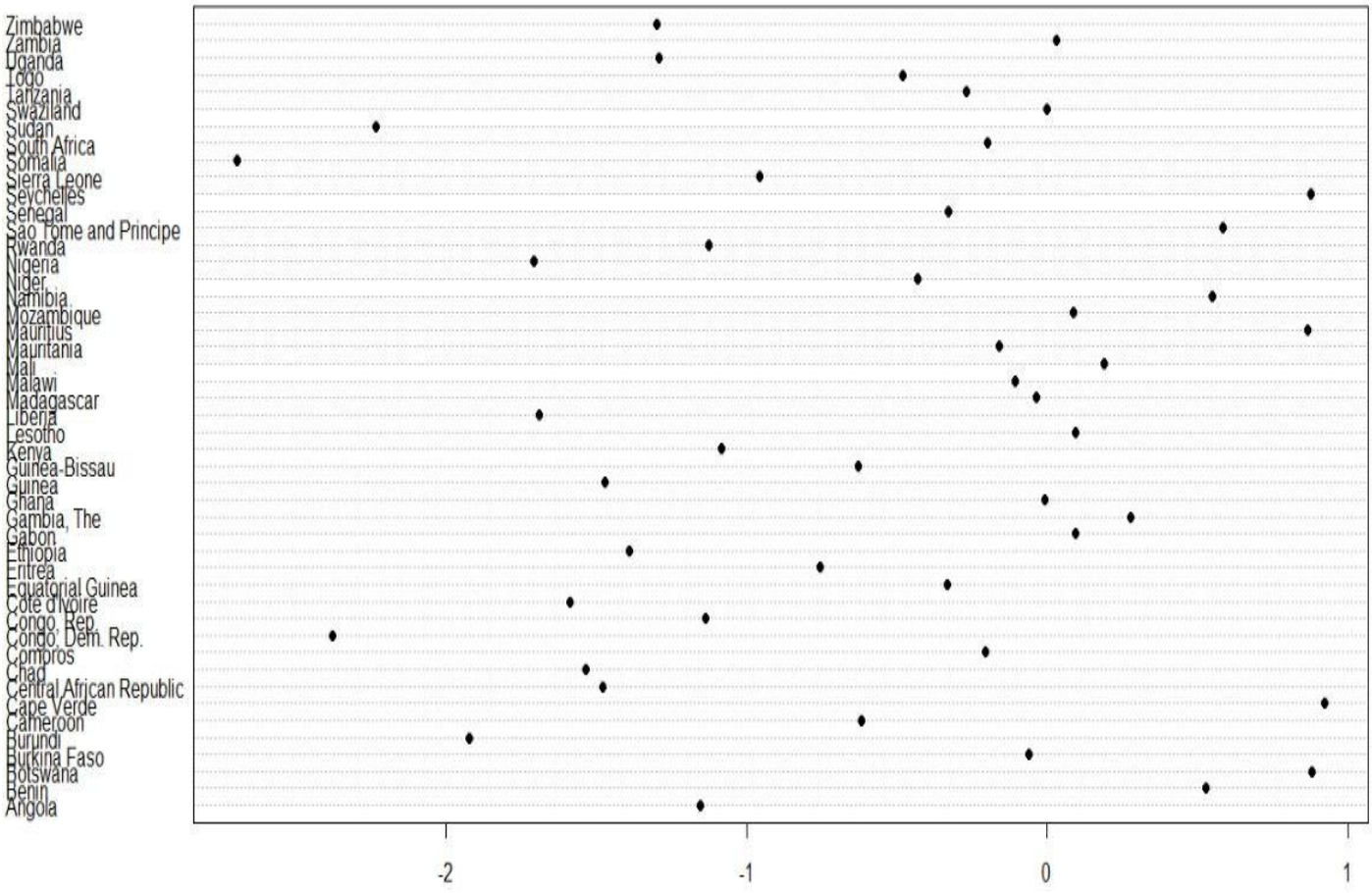
A.1 Control of Corruption



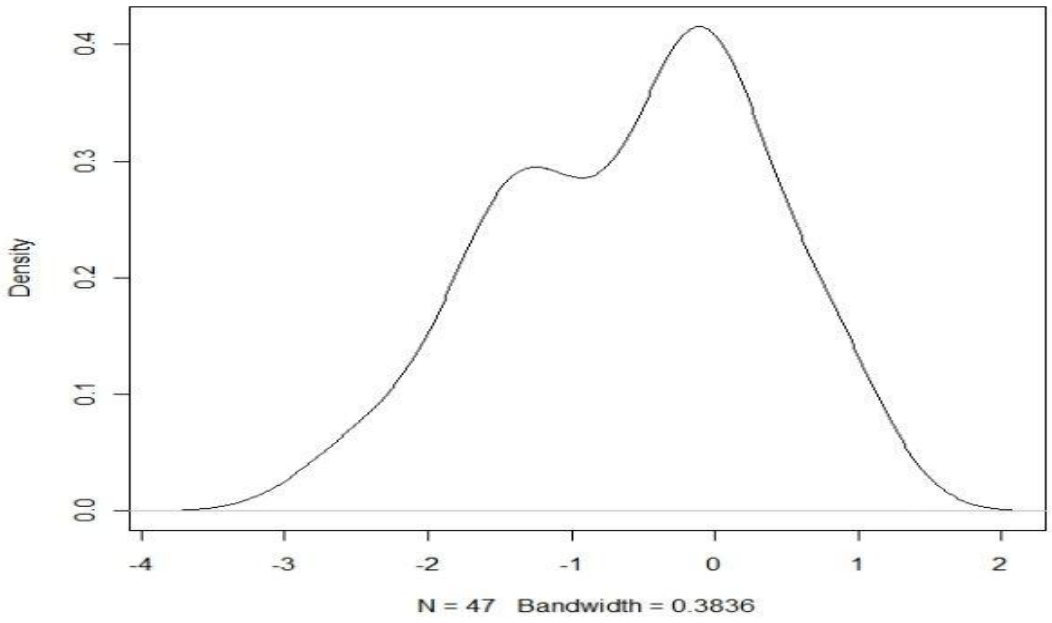
Average Score on Control of Corruption for the period 1996 - 2009



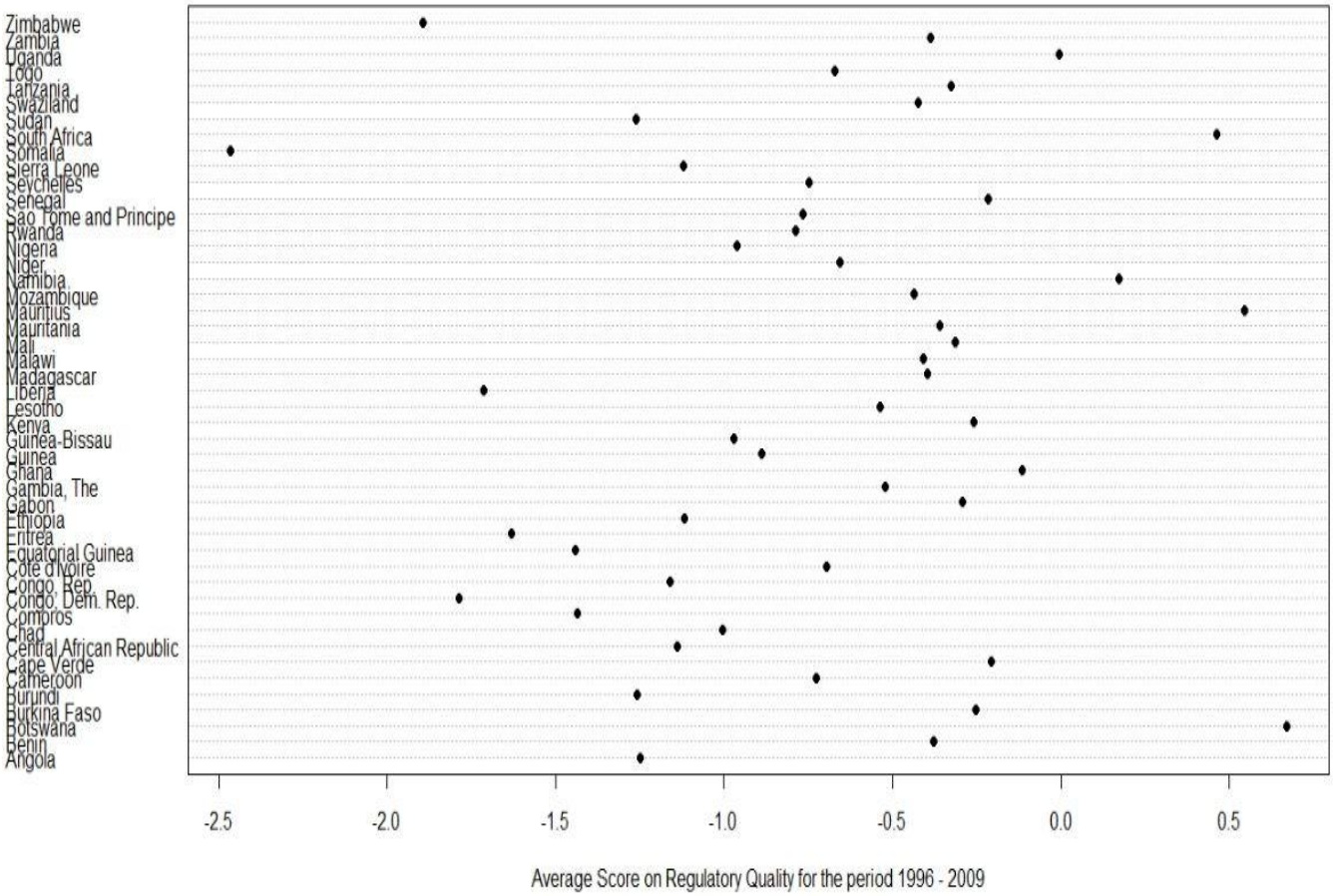
A.2 Political Stability and Absence of Violence

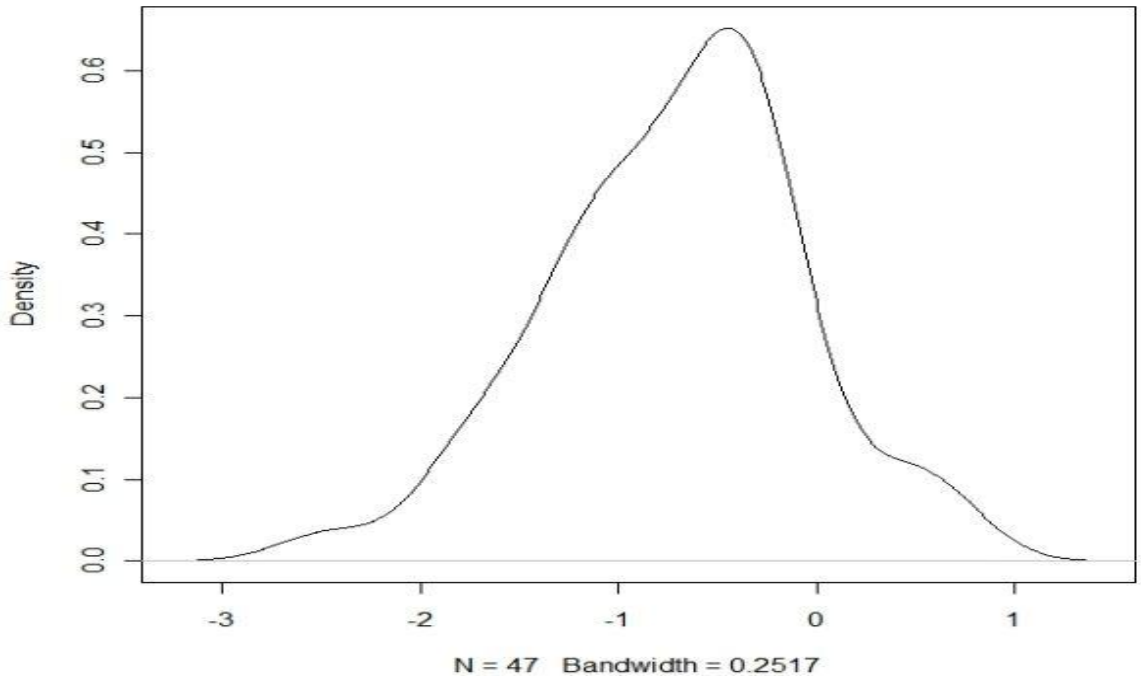


Average score on Political Stability and Absence of Violence for the period 1996 - 2009

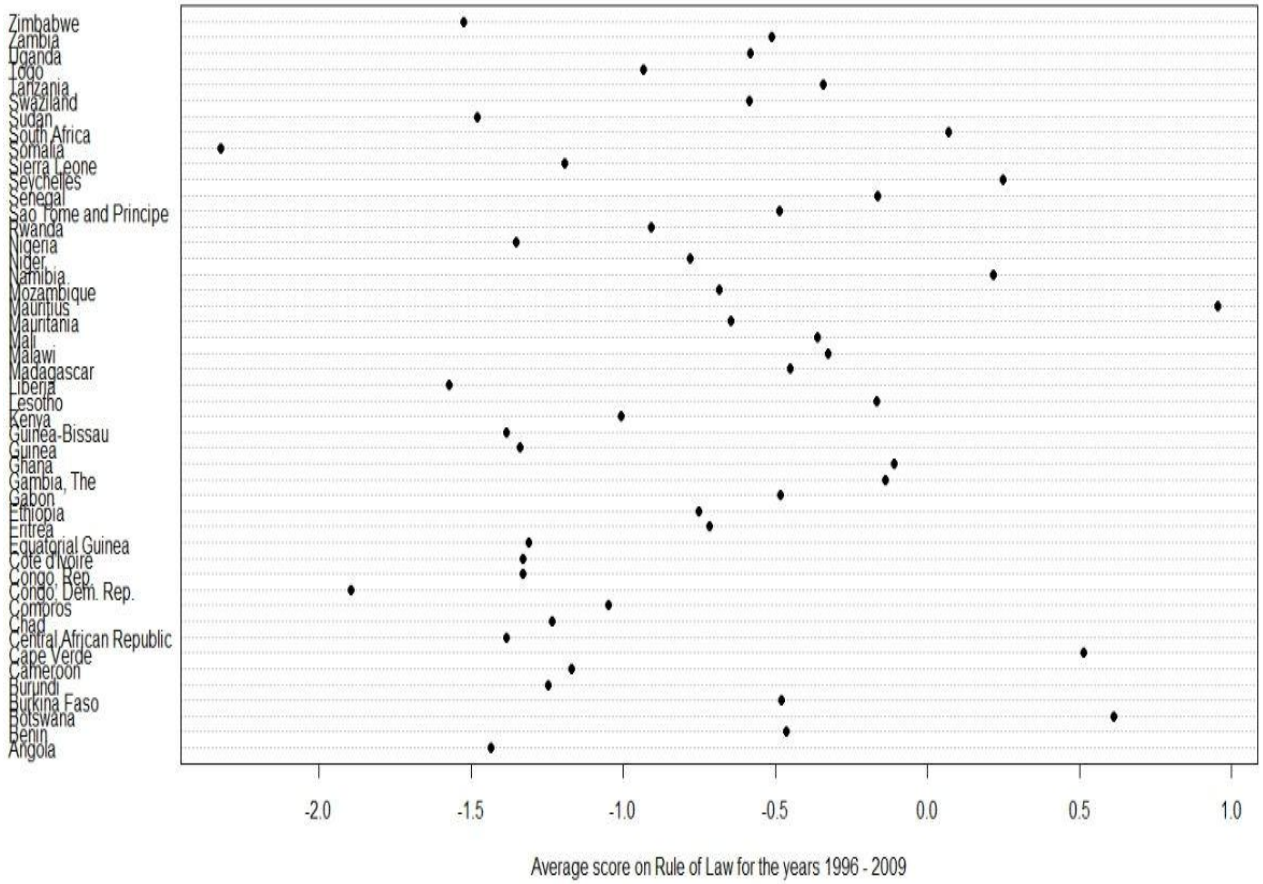


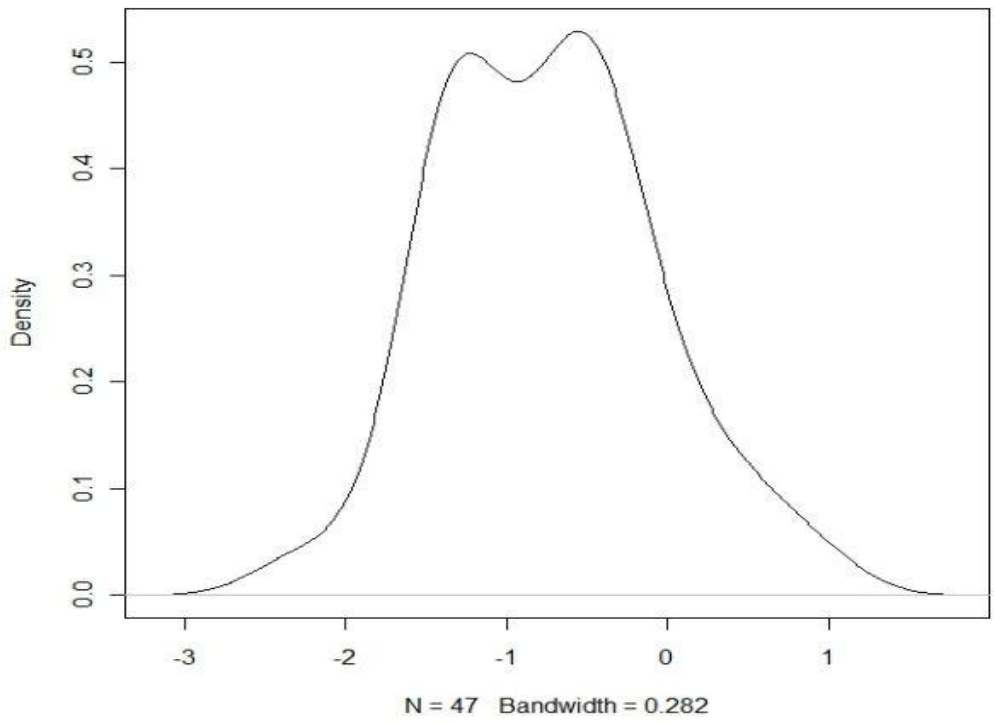
A.3 Regulatory Quality



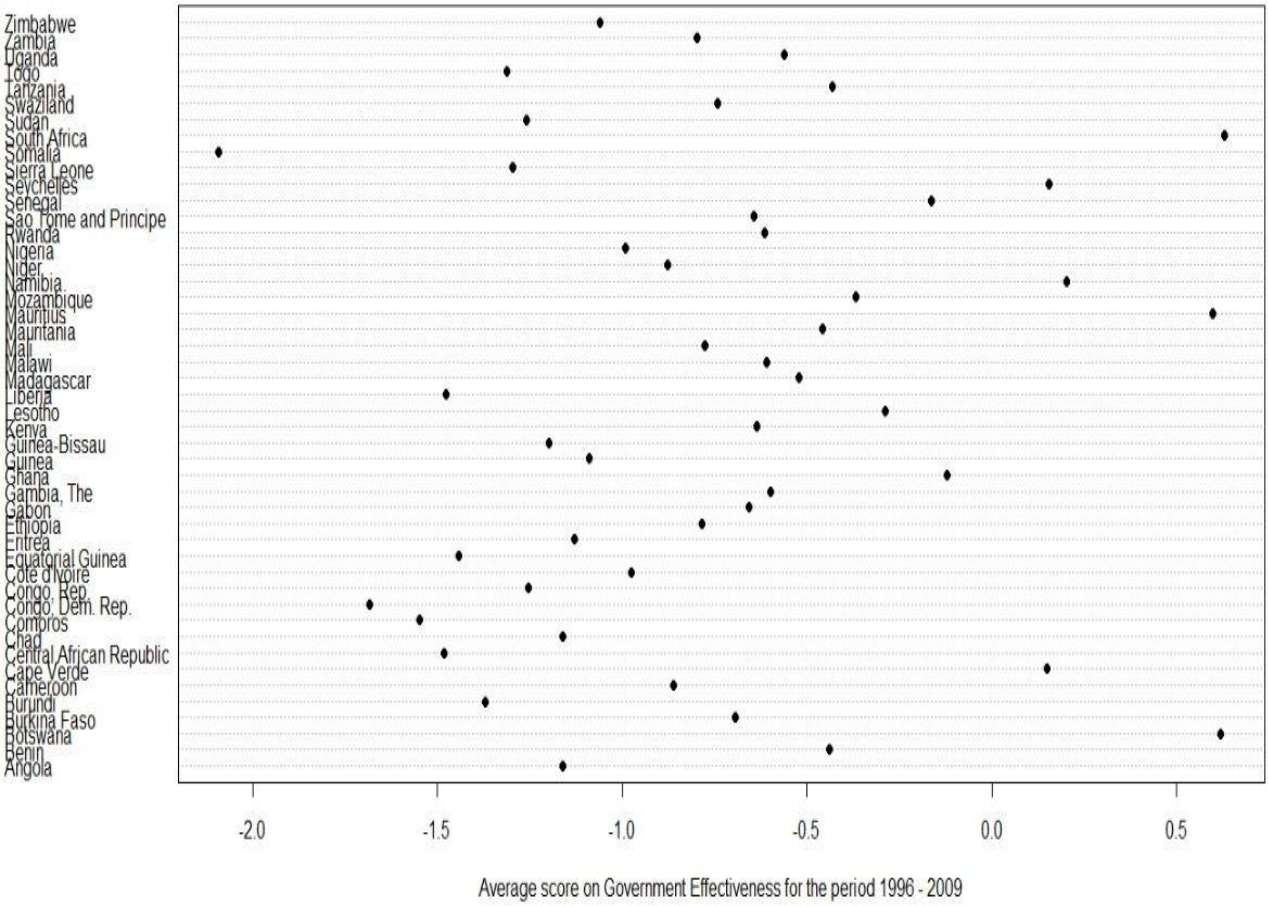


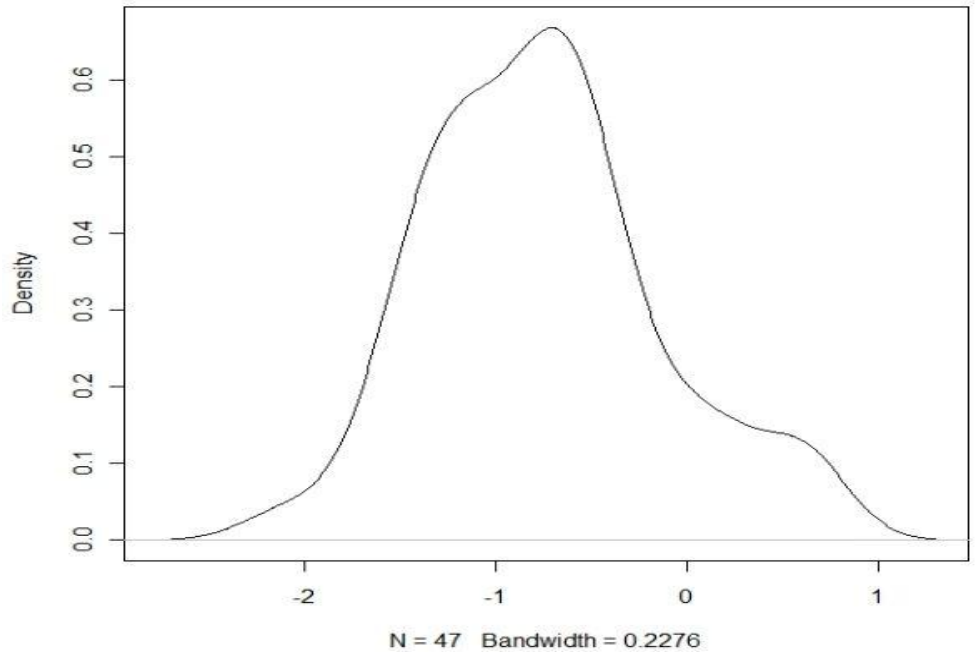
A.4 ***Rule of Law***



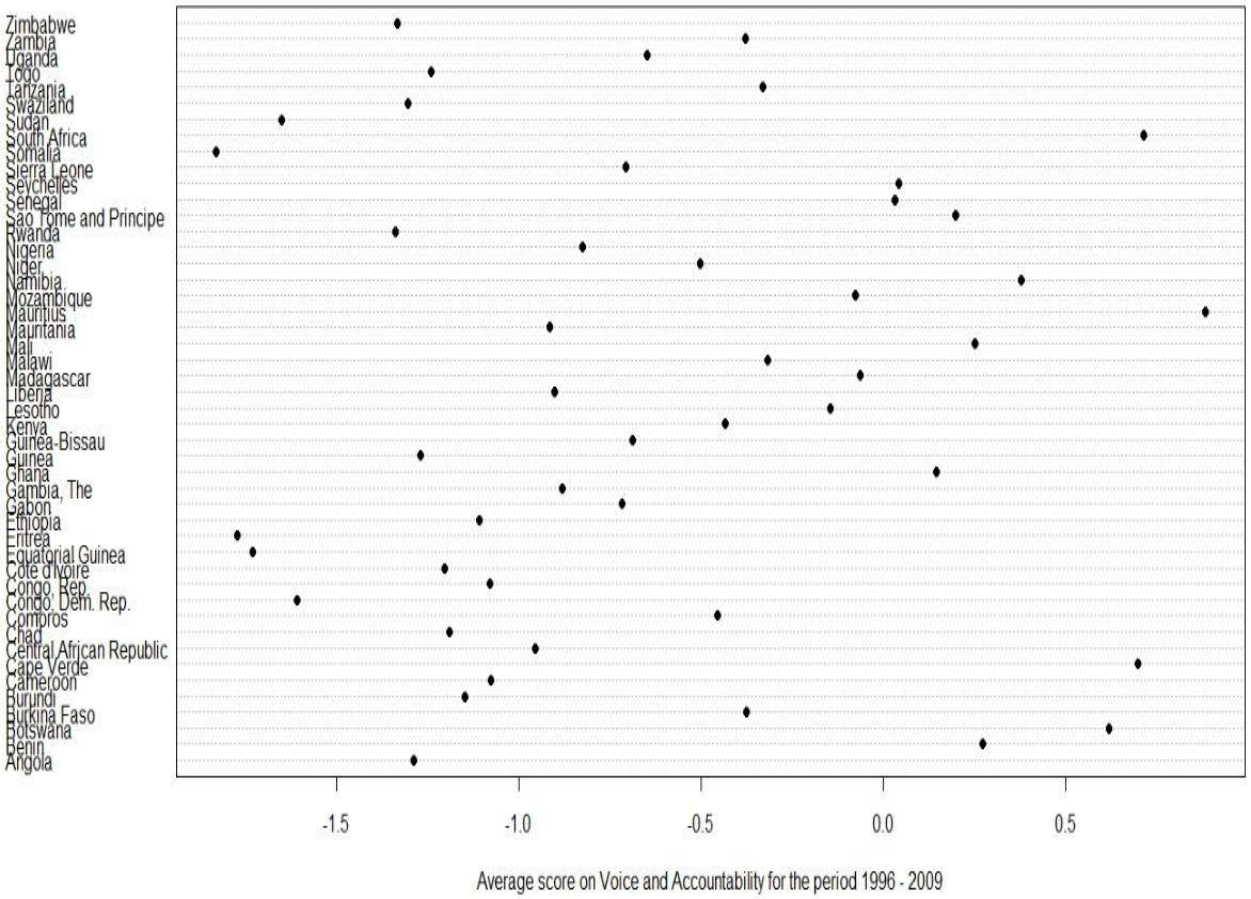


A.5 Government Effectiveness

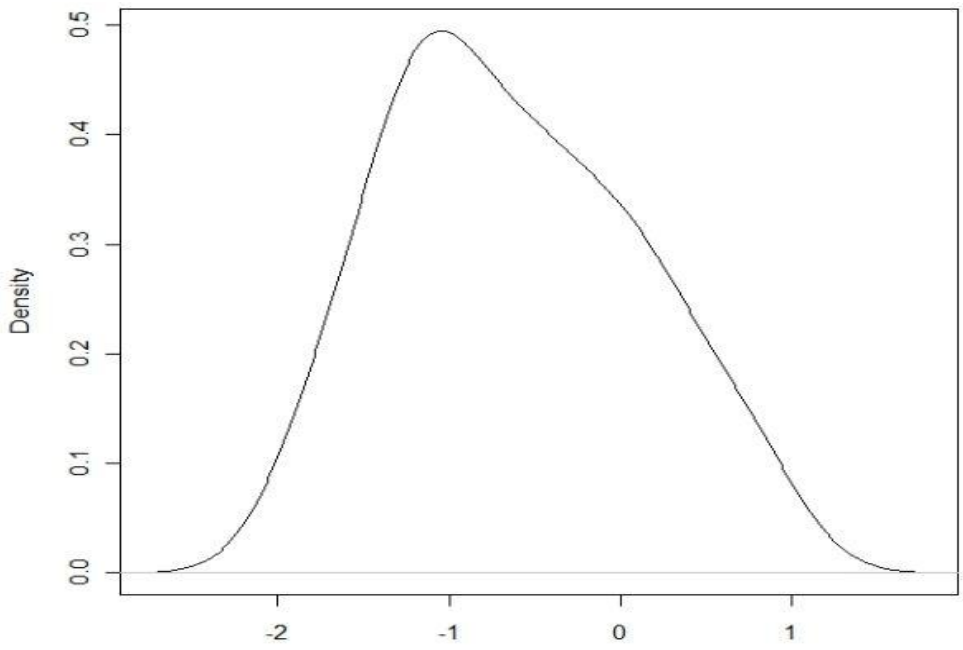




A.6 Voice and Accountability

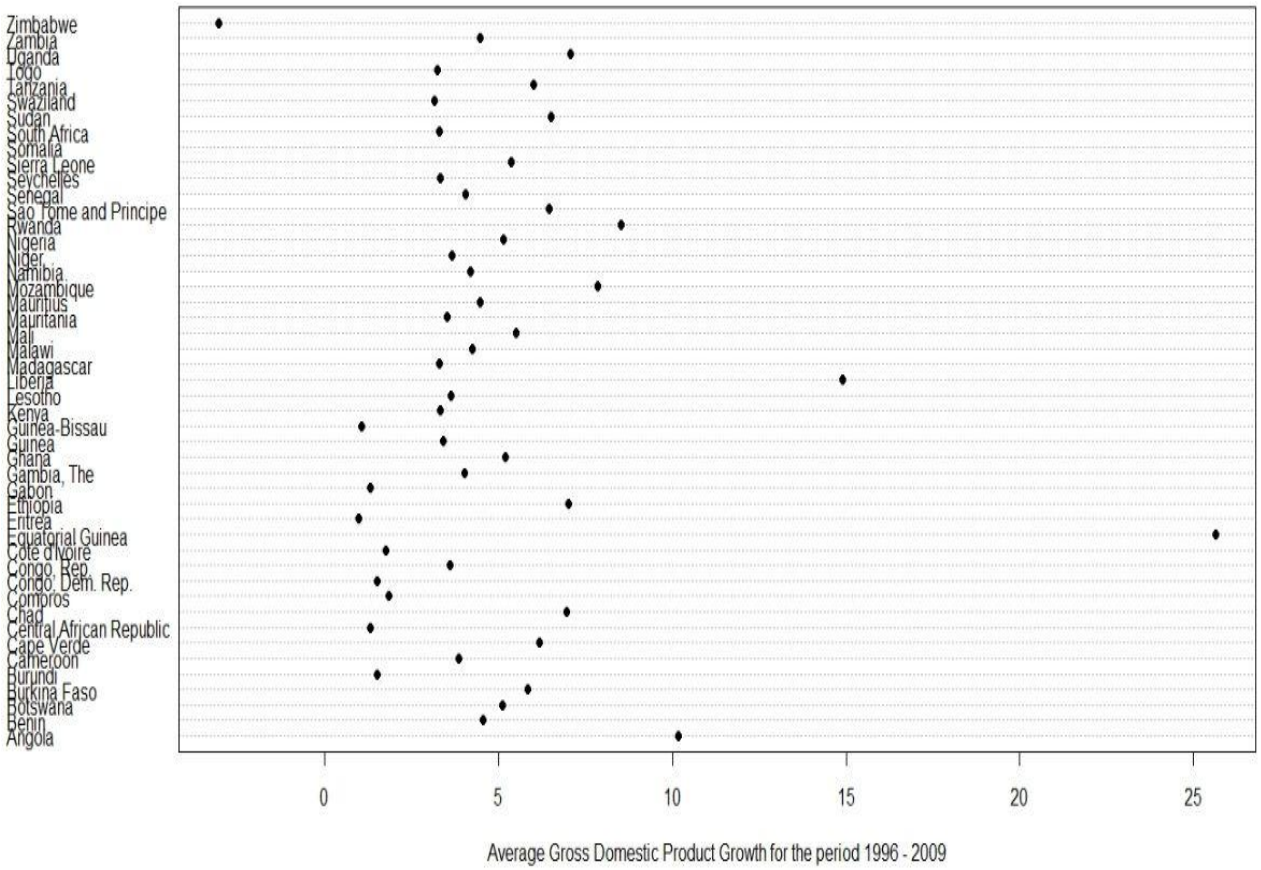


Average score on Voice and Accountability for the period 1996 - 2009

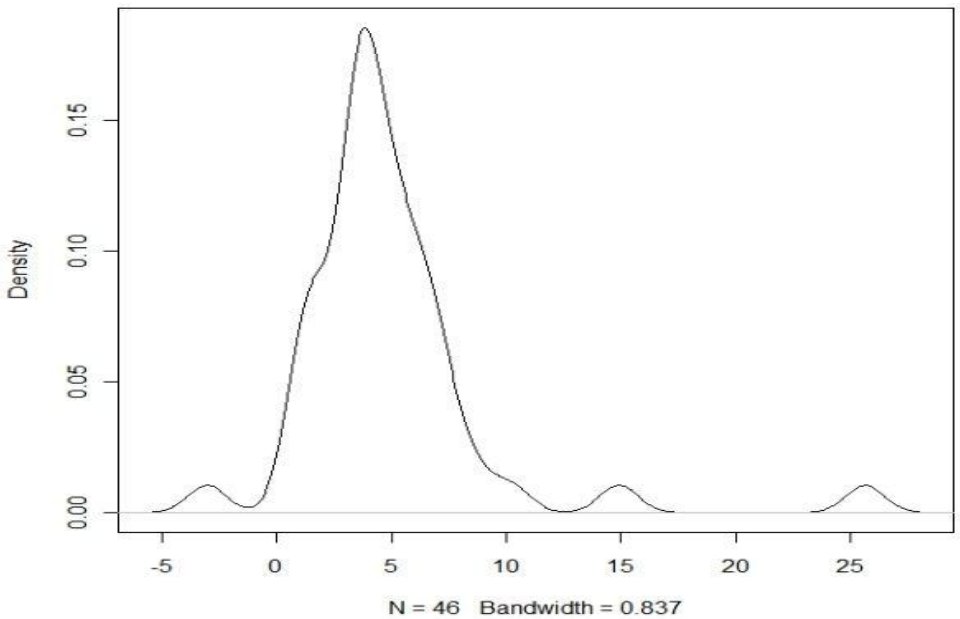


N = 47 Bandwidth = 0.3011

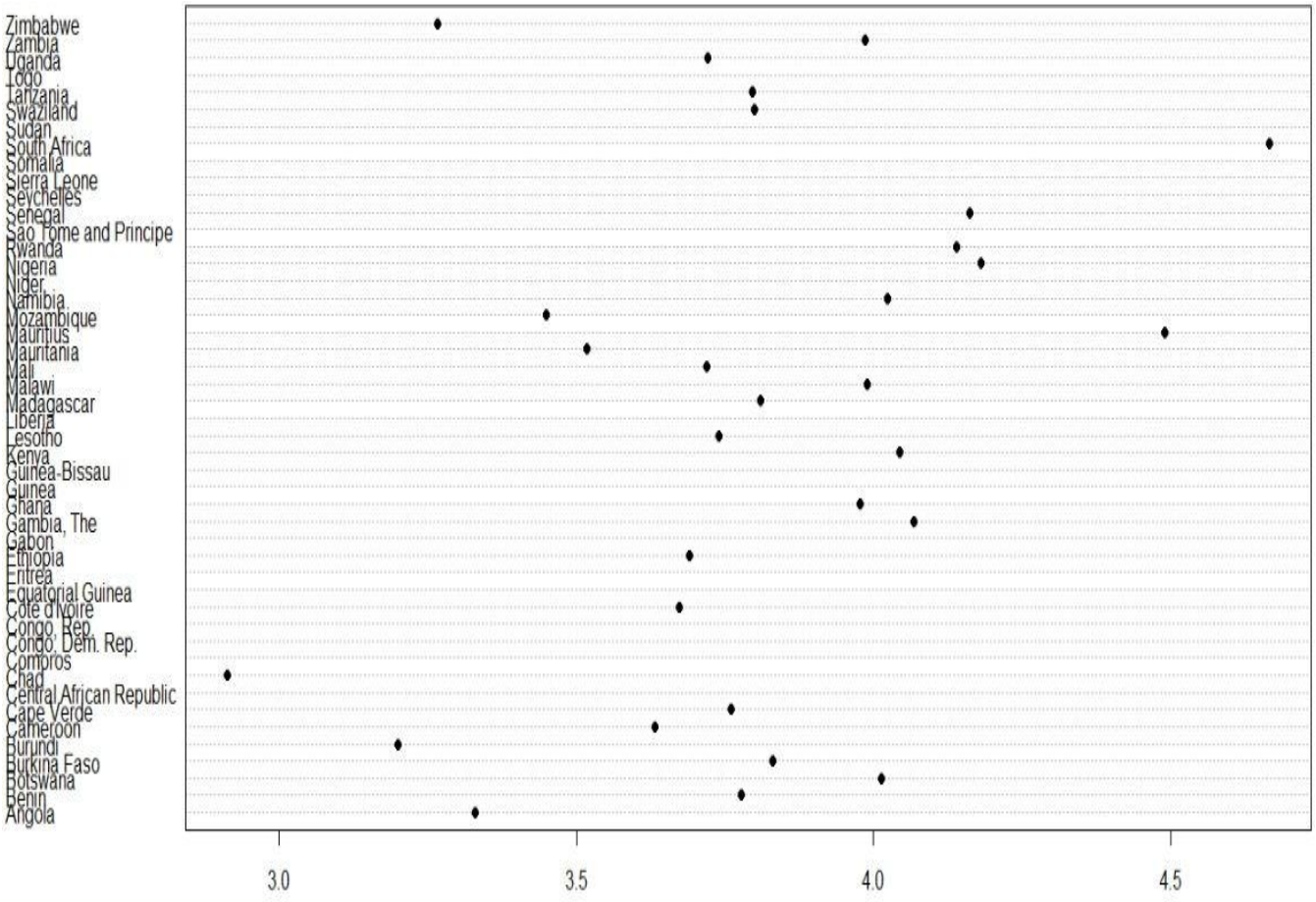
A.7 GDP Growth



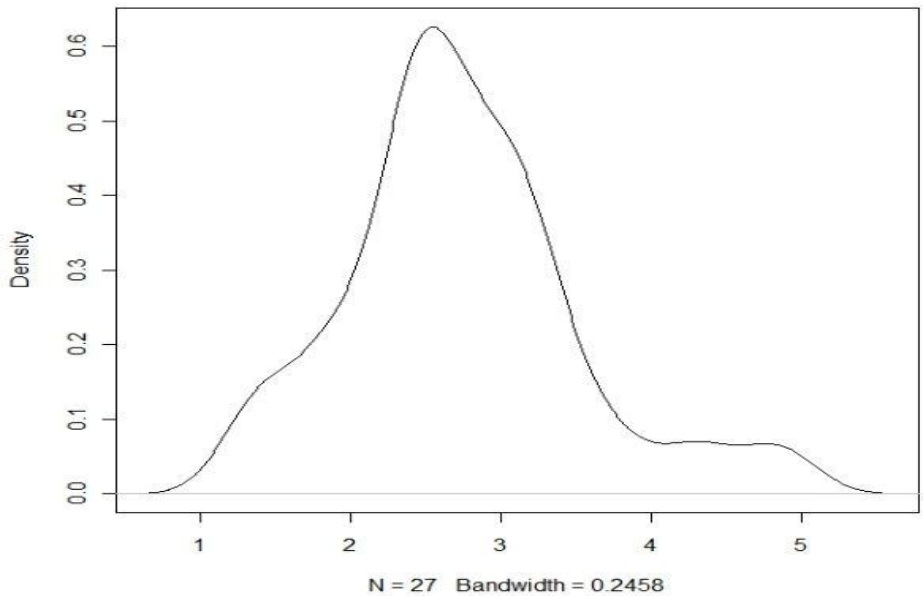
Average Gross Domestic Product Growth for the period 1996 - 2009



A.8 Market Size

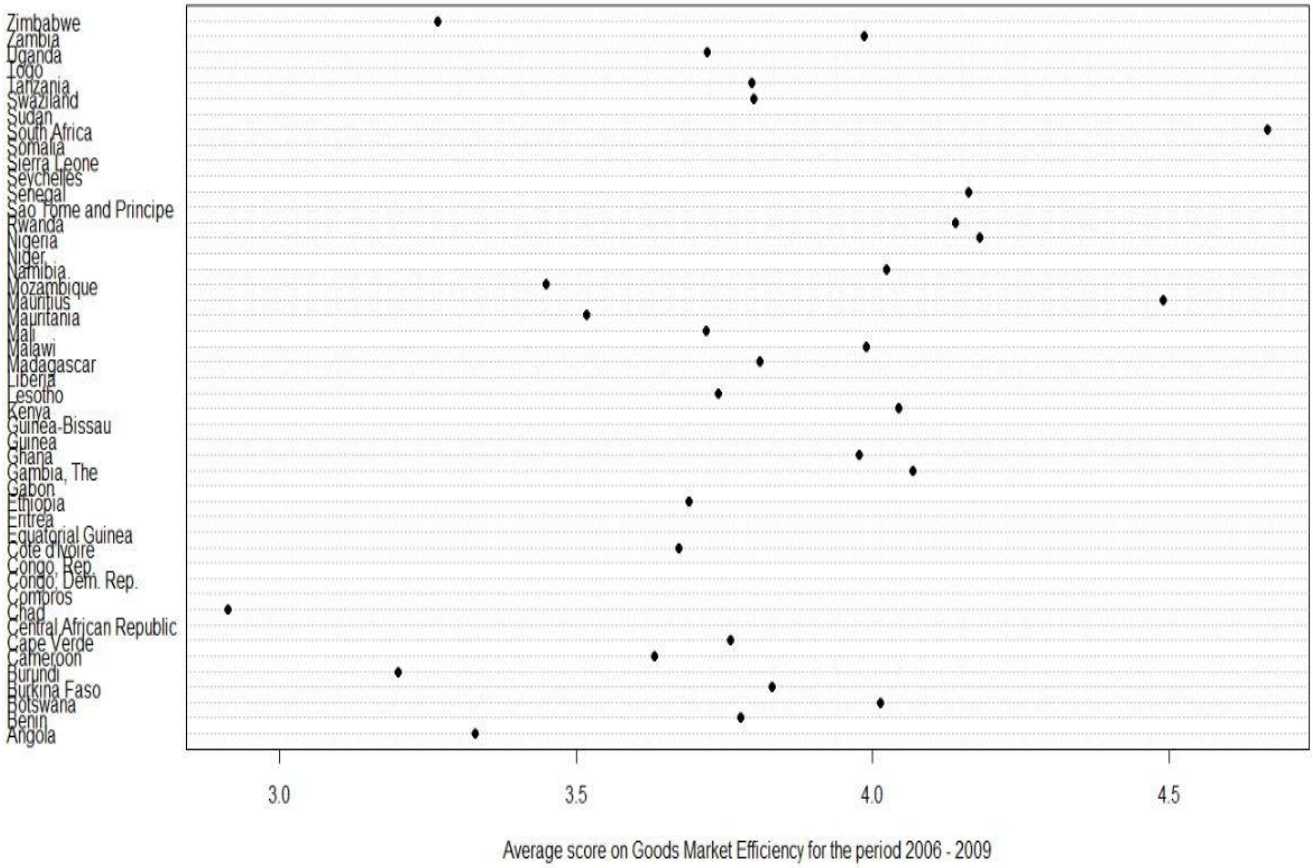


Average score on Market Size for the period 2006 - 2009

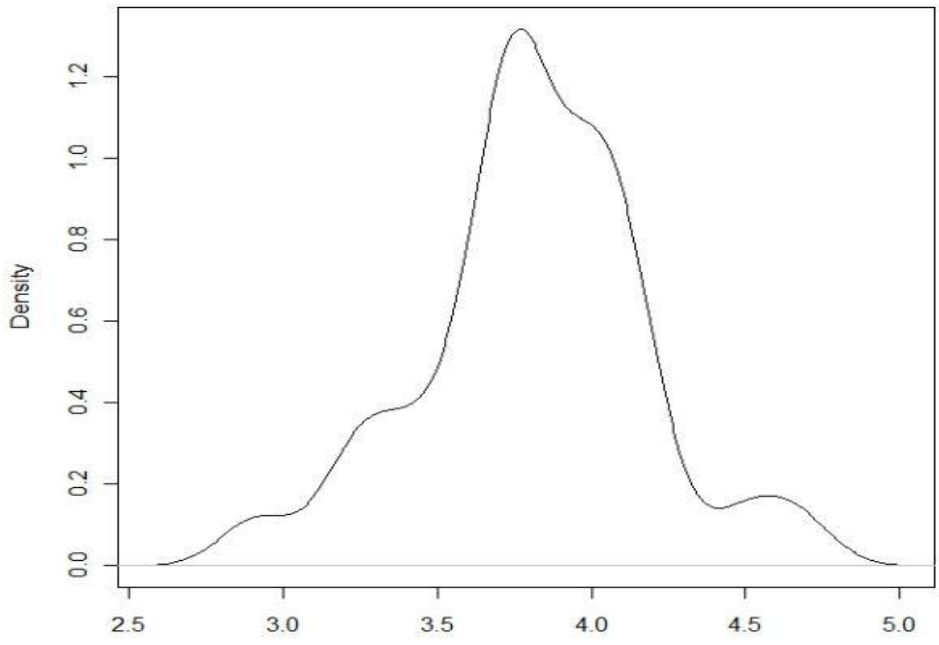


N = 27 Bandwidth = 0.2458

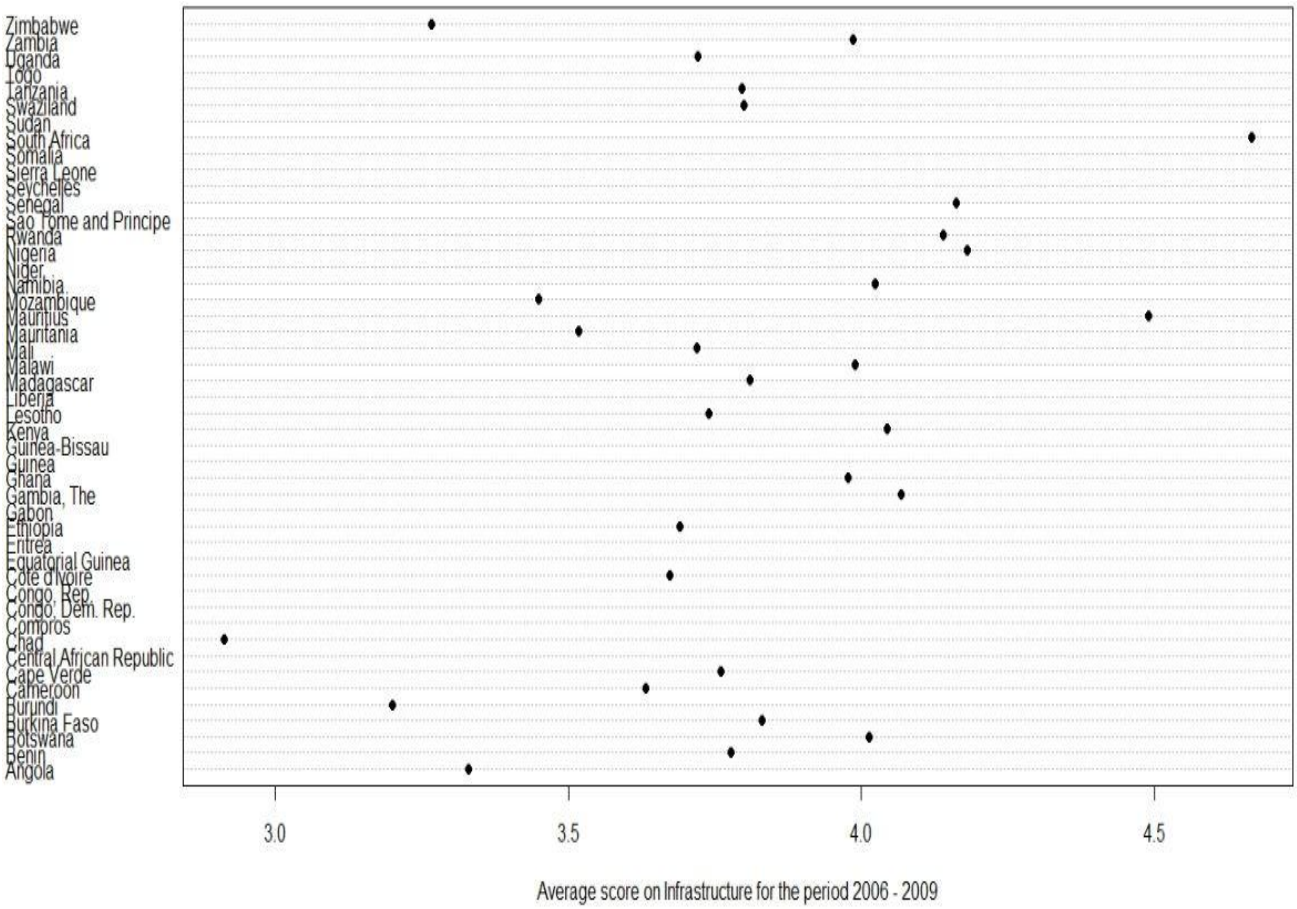
A.9 Goods Market Efficiency

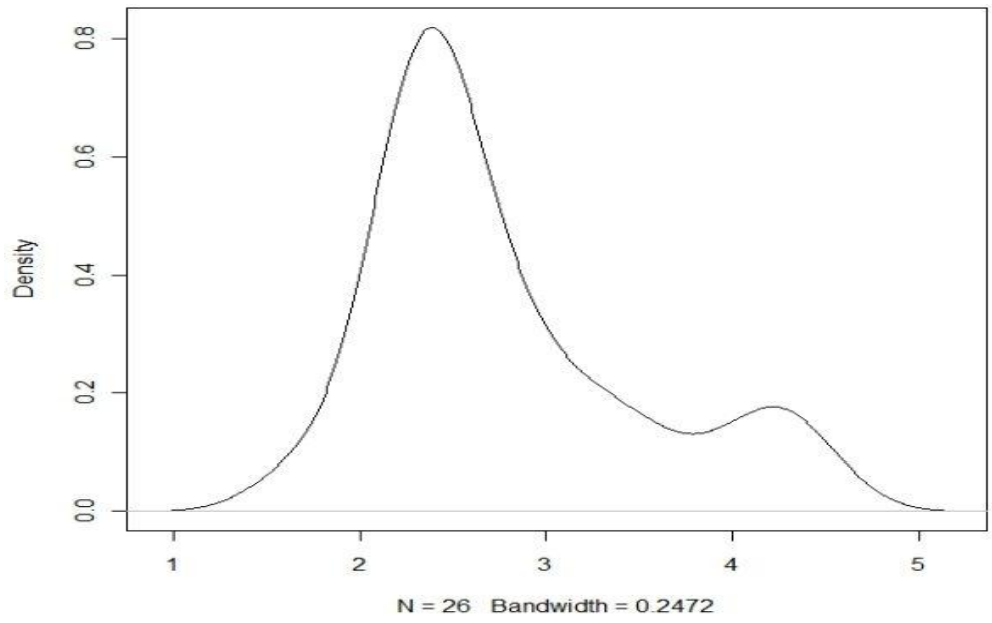


Average score on Goods Market Efficiency for the period 2006 - 2009

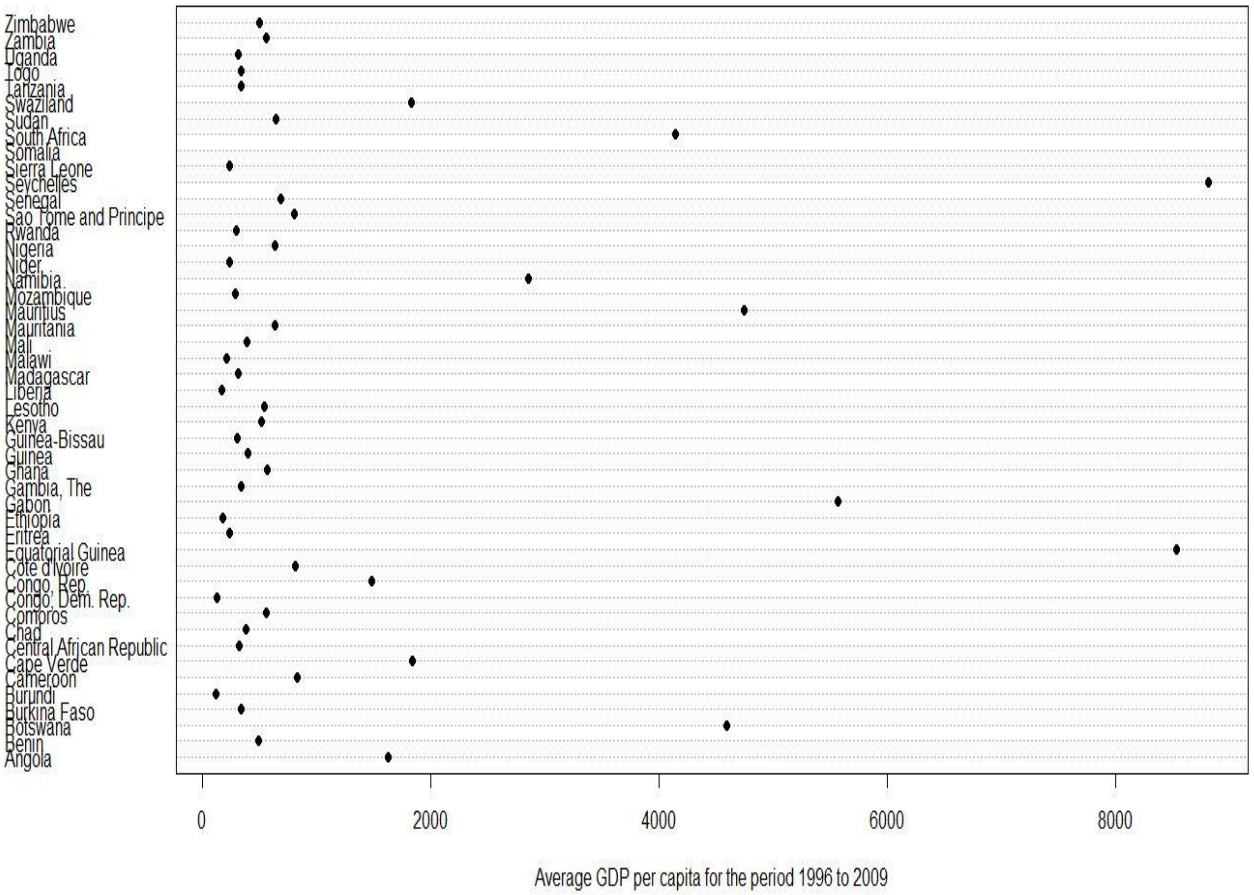


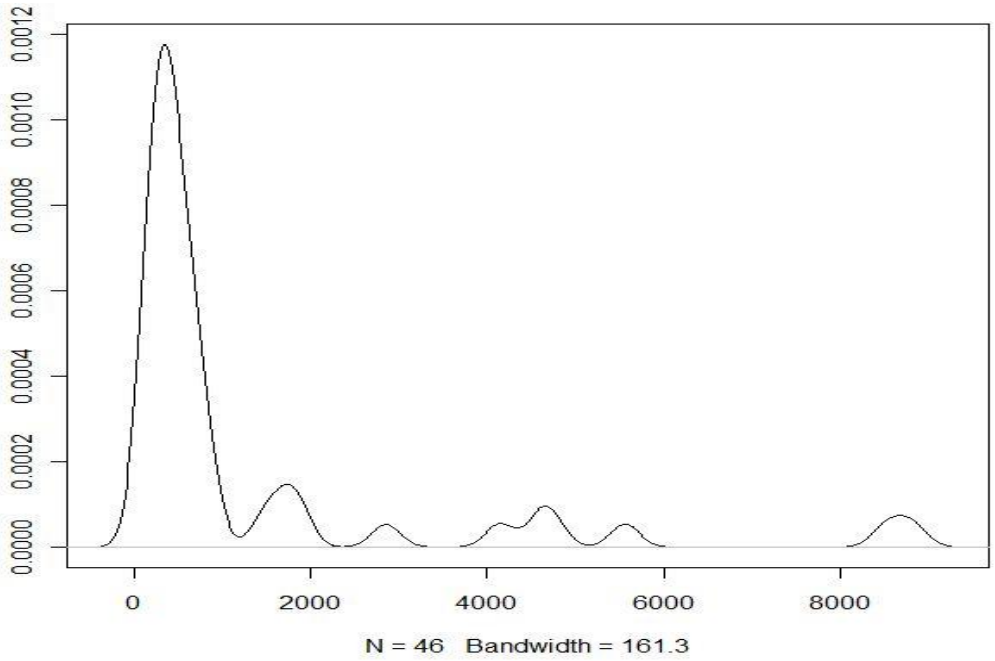
A.10 Infrastructure



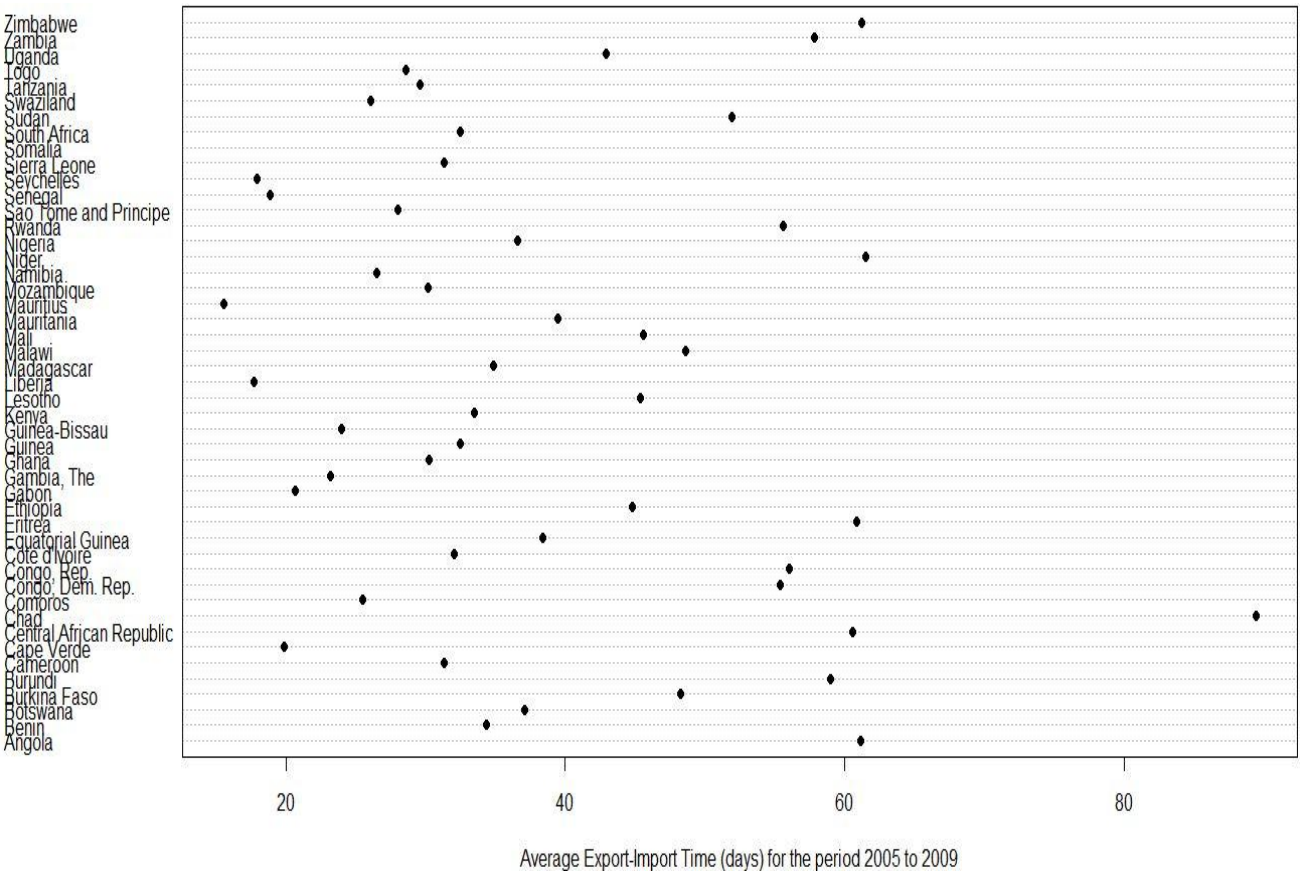


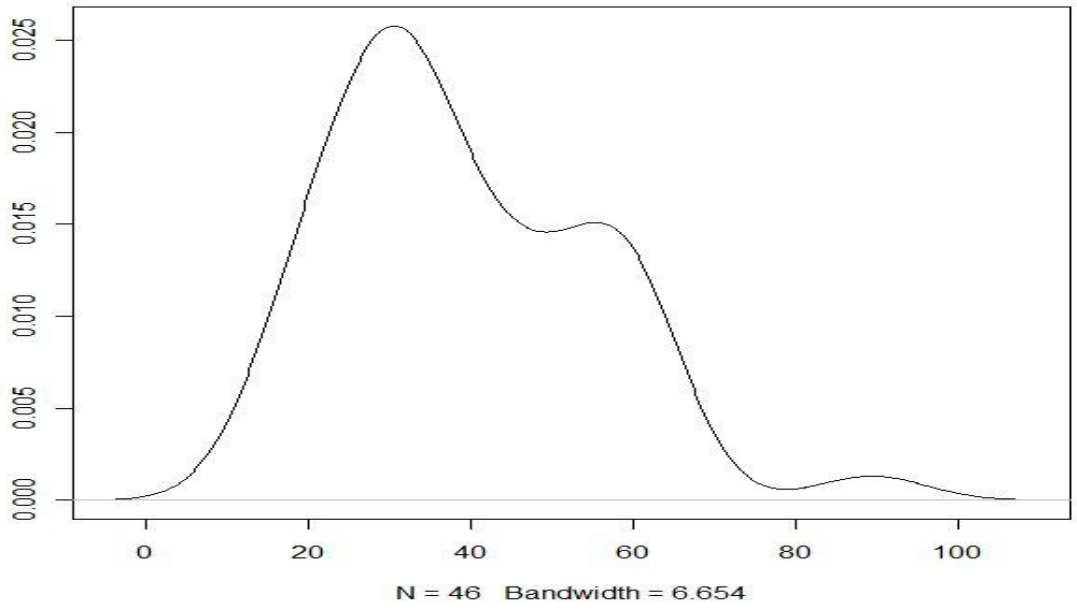
A.11 GDP per capita



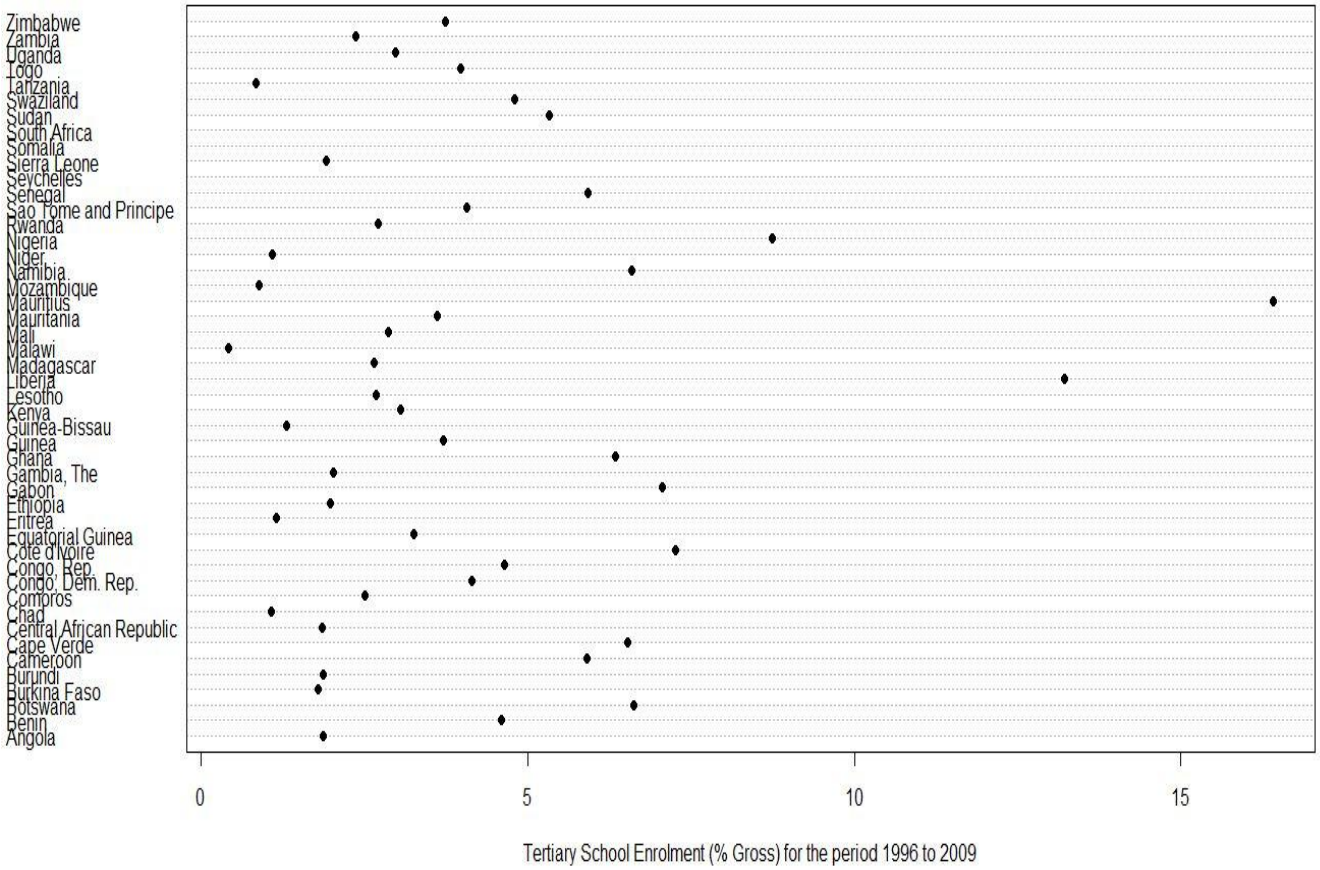


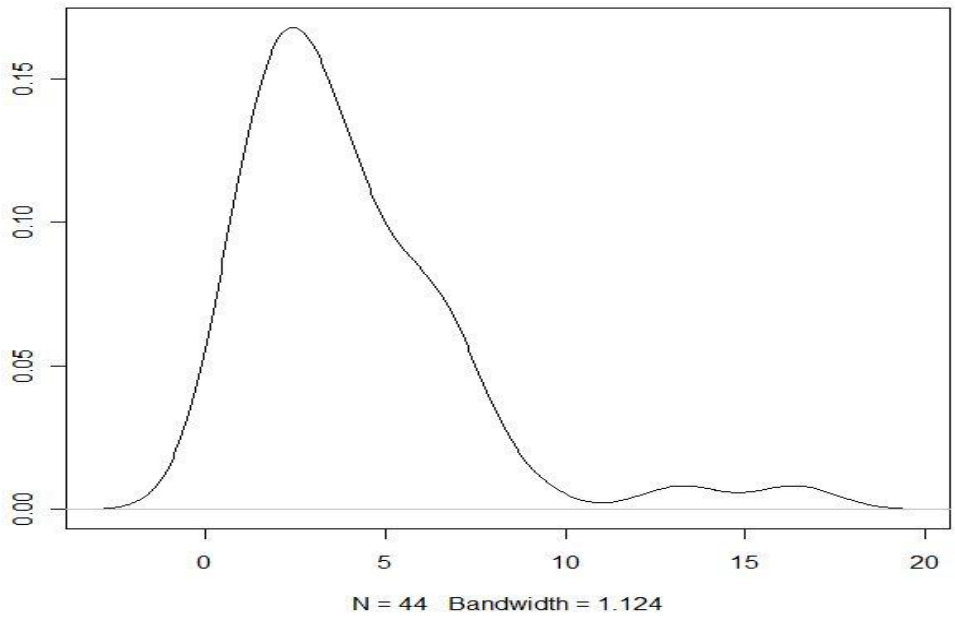
A.12 Time to export and import



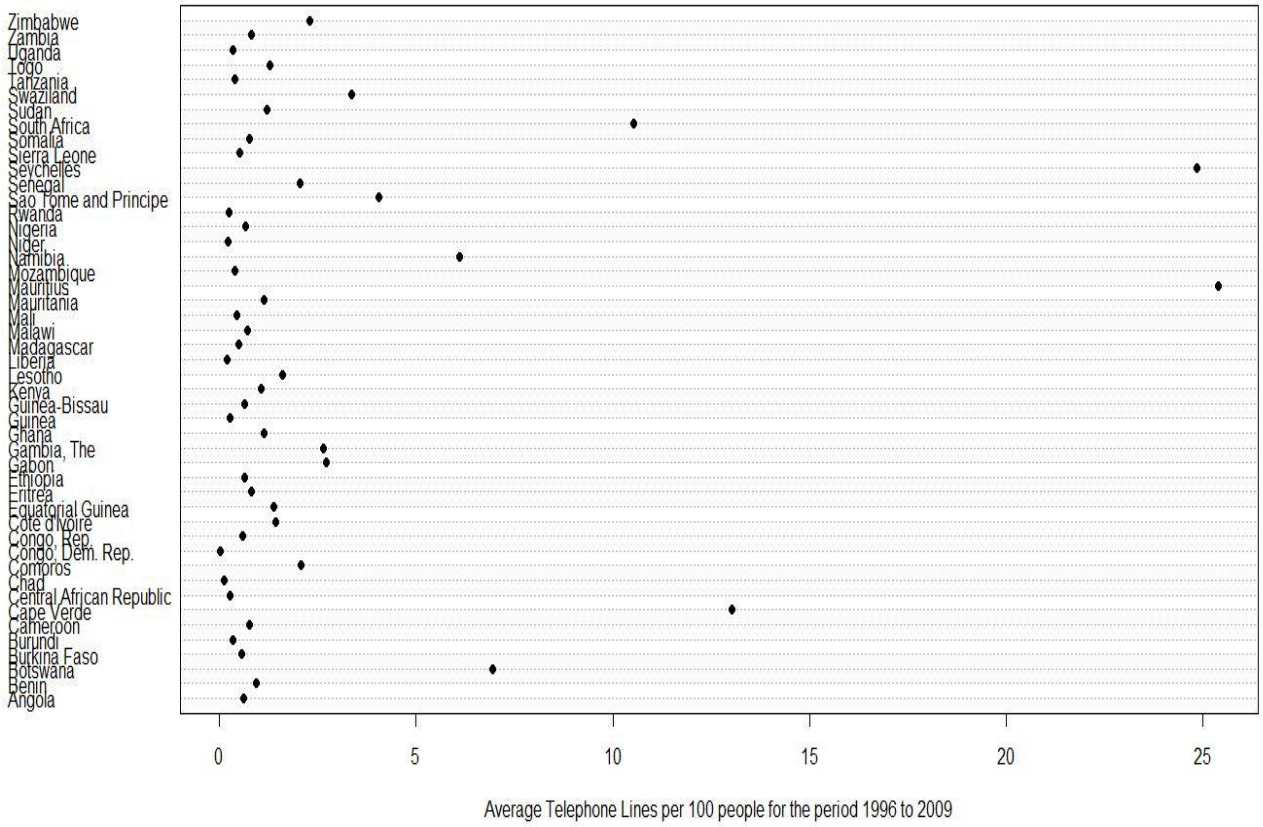


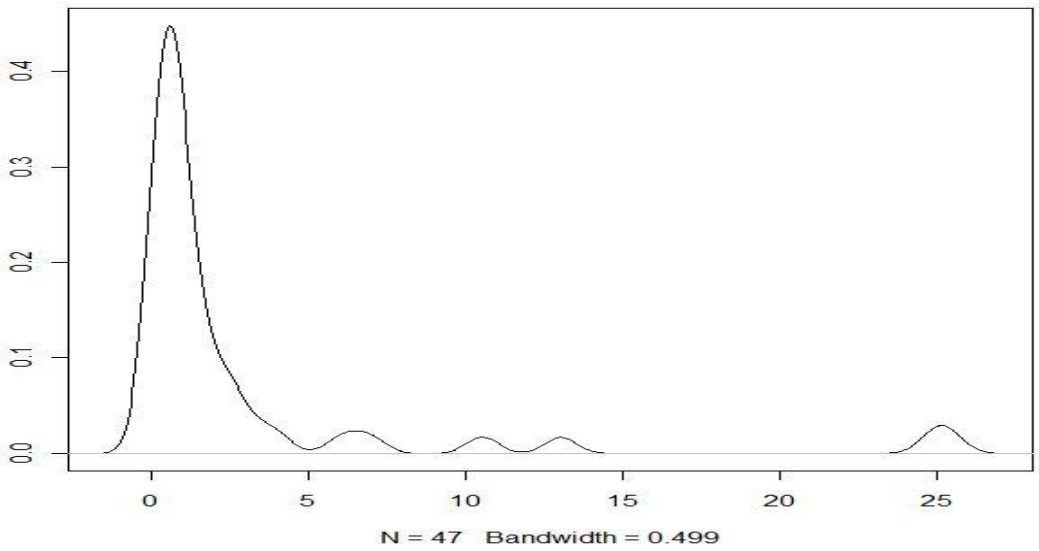
A.13 Tertiary School Enrolment



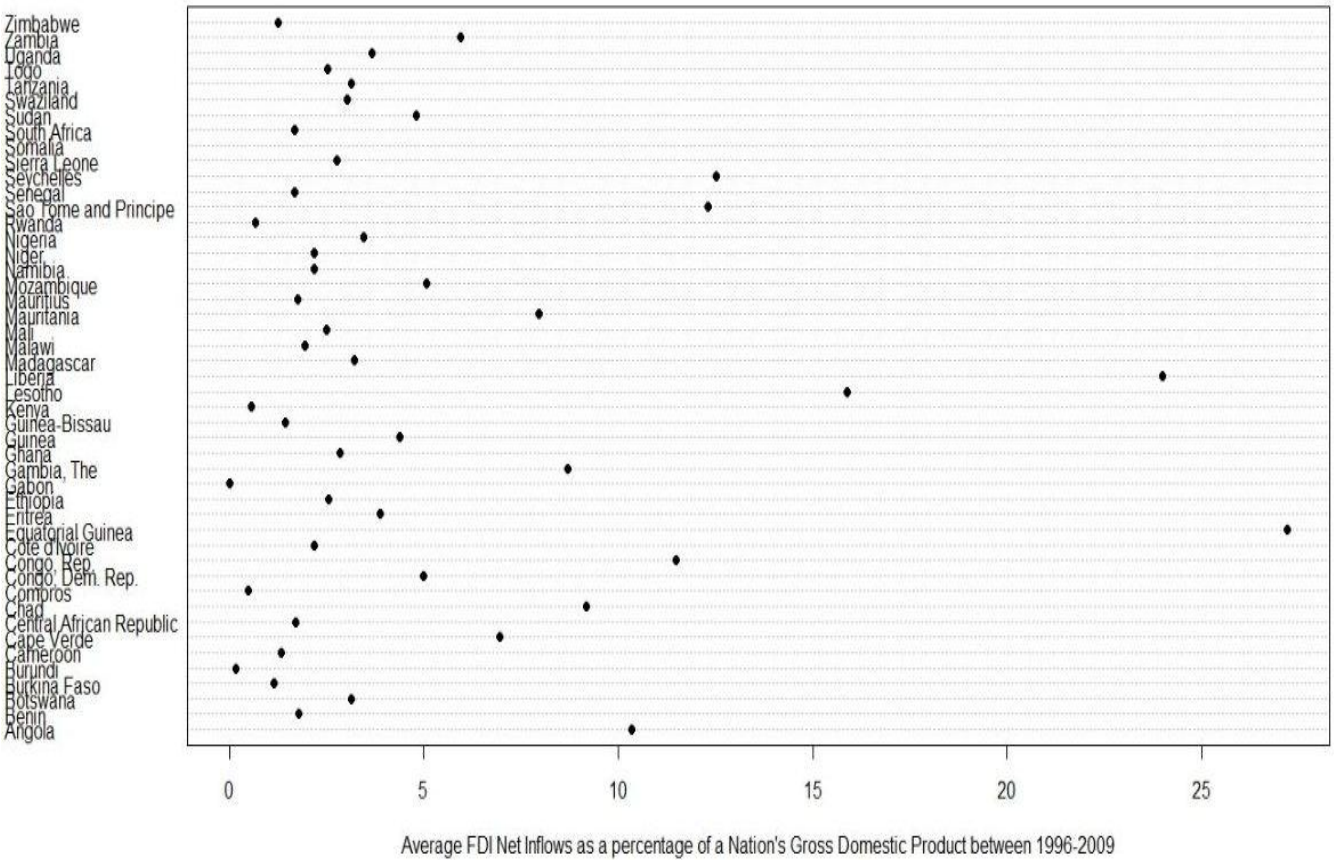


A.14 Telephone landlines

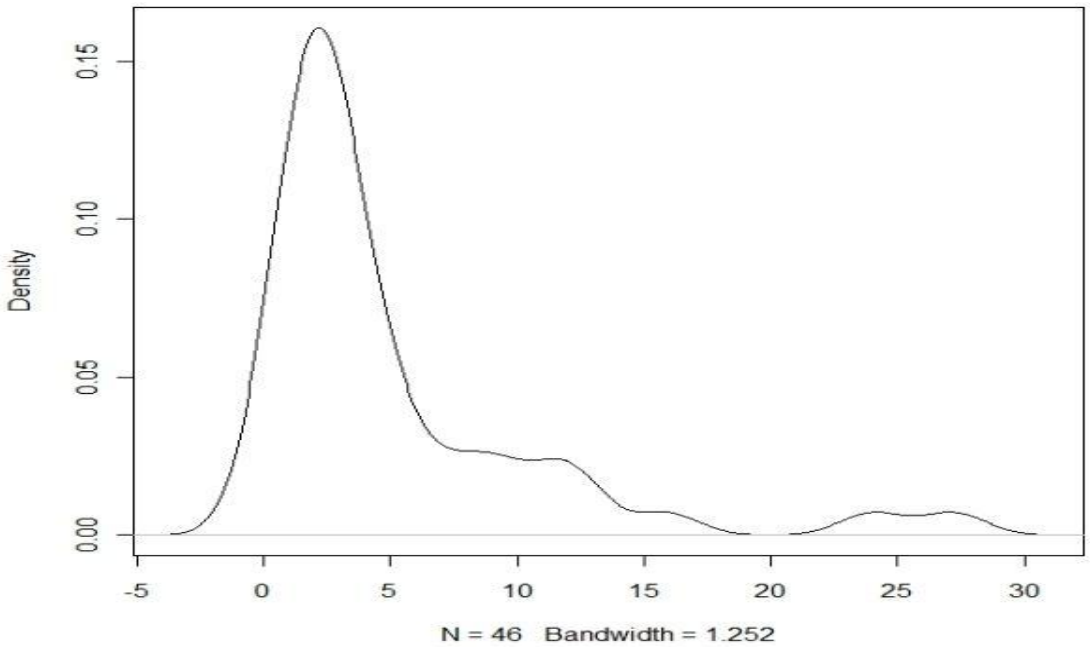




A.15 FDI as a percentage of a country's GDP



Average FDI Net Inflows as a percentage of a Nation's Gross Domestic Product between 1996-2009



Appendix B

Macroeconomic and Institutional Data Used in this Paper[261]

Table B.1

Country Name	Country Code	OIL PRODUCING	EXPORTS OF GOODS AND SERVICES	NATURAL RESOURCE RENTS	GDP PER CAPITA	GDP GROWTH	FDI NET INFLOWS AS PERCENT OF GDP	FDI NET INFLOWS IN TERMS OF BOP
Angola	AGO	1	73.46337992	53.1727668	1629.735566	10.16834414	10.35517462	1105510216
Benin	BEN	1	14.72727257	2.008060677	490.6230899	4.552389037	1.774324868	70664293.36
Botswana	BWA	0	47.57419417	2.553808698	4591.127594	5.111620775	3.122722416	295737140
Burkina Faso	BFA	0	10.17146722	3.578938138	338.6625438	5.848042912	1.136909085	68252120.67
Burundi	BDI	0	8.374715	10.83456718	121.5935532	1.502186312	0.170864534	1377051.931
Cameroon	CMR	1	22.64992824	9.699754136	831.7592357	3.850573328	1.322378457	168349111.1
Cape Verde	CPV	0	23.41272593	0.112418669	1842.410309	6.166804558	6.946723765	71562947.26
Central African Republic	CAF	0	15.03304751	6.015844907	325.3346623	1.327027934	1.690892695	26382149.85
Chad	TCD	1	33.33139255	25.5884162	379.894958	6.963559365	9.184877628	218281975.3
Comoros	COM	0	15.19991831	1.485215631	556.7568405	1.844636508	0.480064301	2113470.536
Congo, Dem. Rep.	ZAR	1	24.68971906	20.771685505	123.7101416	1.514367848	4.999370551	452994615.4
Congo, Rep.	COG	1	77.40465356	63.3702722	1481.671377	3.606166347	11.49046355	772715098.7
Cote d'Ivoire	CIV	1	44.94295537	5.257762837	814.7038269	1.757726173	2.176459512	317221160.2
Equatorial Guinea	GNQ	1	90.11429892	68.577655375	8535.316375	25.6383966	27.20817554	473696667.9
Eritrea	ERI	0	11.68992249	2.145235773	235.1715271	0.973808075	3.881525132	27339132.78
Ethiopia	ETH	0	12.41241164	8.896990769	173.7924048	7.018179687	2.558314868	268041176.9
Gabon	GAB	1	59.88355584	46.377633374	5564.304619	1.312767101	0.018687152	42548225.28
Gambia, The	GMB	0	41.25938275	2.741471777	340.3235268	4.028303567	8.696845684	46395891.65
Ghana	GHA	0	34.91457967	5.489313523	569.3842482	5.19622501	2.850532572	482193571.4
Guinea	GIN	0	27.44717349	9.514413435	396.4889994	3.398520649	4.382739419	161614459.1
Guinea-Bissau	GNB	0	23.00658892	4.036146982	304.6717889	1.072459604	1.42687151	6591233.864
Kenya	KEN	0	24.48356028	1.697462886	517.1924538	3.325622196	0.55320613	111281294.8
Lesotho	LSO	0	45.89291988	2.368231051	545.5753902	3.62978689	15.88193021	143793484
Liberia	LBR	0	24.516424	17.584651 01	167.4881181	14.91350818	23.99961243	138740556.3
Madagascar	MDG	0	25.96595776	2.214490871	312.3459574	3.285439764	3.211472124	228431476.5

[261] These tables represent the averages calculated for all variables for the period 1996 - 2009 included in the regression equations.

Malawi	MWI	0	26.02397678	2.872213053	208.1848415	4.260553309	1.944424456	55220716.14
Mali	MLI	0	27.08745854	1.795507806	392.7530603	5.500532566	2.503502036	104959787.6
Mauritania	MRT	0	40.6052144	18.02529167	632.3385292	3.519186308	7.958011349	146226855.3
Mauritius	MUS	0	59.51955086	0.009470141	4744.425968	4.477896605	1.761910233	115980808.3
Mozambique	MOZ	0	24.48050856	7.319254272	284.212472	7.848729798	5.074854794	301197531
Namibia	NAM	0	45.19608164	0.602807296	2857.859956	4.187192067	2.167254111	132111054
Niger	NER	0	16.40722062	2.665767552	236.4505086	3.665751158	2.1719975	100368778.3
Nigeria	NGA	1	41.99735024	35.866067777	638.7709914	5.141326202	3.44492914	3170562921
Rwanda	RWA	0	9.261889421	3.625106038	298.7960916	8.538229585	0.658998742	24995585.94
Sao Tome and Principe	STP	0		1.430721734	806.5655481	6.469359196	12.30531574	11798671.03
Senegal	SEN	1	26.90289393	1.638577177	687.6814277	4.067074478	1.68678561	134183986.5
Seychelles	SYC	0	85.61793263		8815.272973	3.320096026	12.5294391	99634072.35
Sierra Leone	SLE	0	18.53495315	5.711141894	232.9319899	5.369786844	2.765435438	35897578.29
Somalia	SOM	0						32317142.86
South Africa	ZAF	1	28.37452925	2.524308535	4147.553838	3.302361527	1.684892385	3211290704
Sudan	SDN	1	13.79814661	13.92549752	640.2053448	6.524101565	4.794156401	1351887857
Swaziland	SWZ	0	77.78551372	2.155650946	1834.112873	3.163661663	3.027875793	54444260.75
Tanzania	TZA	0	18.63006094	4.054651402	334.6882556	6.010172836	3.143844014	387723041.6
Togo	TGO	0	34.05253569	4.231898685	334.7192006	3.242619082	2.515957177	45749075.54
Uganda	UGA	0	14.20593978	6.191188943	310.4787279	7.068294302	3.668709344	342117143.1
Zambia	ZMB	0	32.25983937	9.446415381	556.5103881	4.479583661	5.932084251	416154285.7
Zimbabwe	ZWE	0	36.90449539	4.444009193	502.265378	-3.034741991	1.260380843	79142857.14

Table B.2

Country Name	Country Code	TERTIARY SCHOOL	INFLATION	VOICE AND ACCOUNTABILITY	REGULATORY QUALITY	RULE OF LAW	POLITICAL STABILITY & ABSENCE OF VIOLENCE
Angola	**AGO**	**1.865337143**	**394.4790661**	**-1.288089489**	**-1.24821168**	**-1.433972761**	**-1.155021767**
Benin	**BEN**	**4.600702**	**3.429247381**	**0.271277269**	**-0.37780093**	**-0.463963435**	**0.525760779**
Botswana	**BWA**	**6.621047778**	**8.608452707**	**0.618779971**	**0.671231312**	**0.61168312**	**0.878914106**
Burkina Faso	**BFA**	**1.786059231**	**3.051925958**	**-0.376097451**	**-0.252037078**	**-0.478629481**	**-0.059681716**
Burundi	**BDI**	**1.866463333**	**13.14291371**	**-1.149445172**	**-1.257331783**	**-1.246831832**	**-1.923148734**
Cameroon	**CMR**	**5.898080909**	**2.823210014**	**-**	**-**	**-1.170604652**	**-0.618636998**

				1.077562086	0.725353418		
Cape Verde	CPV	6.525288182	3.092121304	0.698169121	-0.206575887	0.515100507	0.922610854
Central African Republic	CAF	1.854924286	2.626782223	-0.954224235	-1.138735179	-1.384657588	-1.480054833
Chad	TCD	1.077643	3.905426994	-1.191616506	-1.00579621	-1.23268445	-1.533830186
Comoros	COM	2.511175714	3.310086072	-0.456079752	-1.433784606	-1.046927345	-0.204601425
Congo, Dem. Rep.	ZAR	4.1372	153.5271329	-1.608198027	-1.78647999	-1.895153881	-2.378562318
Congo, Rep.	COG	4.643946667	3.681973405	-1.079116072	-1.160778975	-1.32826916	-1.137265465
Cote d'Ivoire	CIV	7.2598325	3.014477553	-1.204250922	-0.695344897	-1.330199675	-1.588332156
Equatorial Guinea	GNQ	3.25893	5.233202851	-1.729709625	-1.440380417	-1.311328647	-0.33153373
Eritrea	ERI	1.142286667		-1.772294905	-1.630469446	-0.71485123	-0.756323063
Ethiopia	ETH	1.974400769	8.354684399	-1.10982148	-1.116843288	-0.749824313	-1.391599
Gabon	GAB	7.05579	1.712665694	-0.716321166	-0.29108326	-0.483934221	0.094393165
Gambia, The	GMB	2.01419	5.376006953	-0.881776188	-0.520935437	-0.13898598	0.27629979
Ghana	GHA	6.3430075	20.44517125	0.145727982	-0.113923976	-0.107787775	-0.007486387
Guinea	GIN	3.699073333	22.39628968	-1.270705073	-0.889177251	-1.339339818	-1.470055795
Guinea-Bissau	GNB	1.300478	9.795554362	-0.688400401	-0.969318001	-1.384908869	-0.629727955
Kenya	KEN	3.045348333	10.12924022	-0.432967796	-0.259399147	-1.005617475	-1.0827595
Lesotho	LSO	2.6794325	7.886239732	-0.145502078	-0.538002307	-0.166797169	0.094803967
Liberia	LBR	13.218725	10.85055614	-0.902923261	-1.712264314	-1.572308087	-1.690608004
Madagascar	MDG	2.647883571	10.39014227	-0.06318158	-0.396999753	-0.450936498	-0.038327163
Malawi	MWI	0.422106	18.84260251	-0.316545194	-0.407311641	-0.325452643	-0.106496453
Mali	MLI	2.869275385	2.506898991	0.252737956	-0.314866802	-0.363100077	0.188152208
Mauritania	MRT	3.616935	5.998931146	-0.914762545	-0.359623555	-0.645319629	-0.160248099
Mauritius	MUS	16.41874917	6.196252627	0.884209193	0.54638218	0.955130372	0.865620105

Mozambique	MOZ	0.881853333	11.9281261	-0.075681663	-0.436994596	-0.68400534	0.086798526
Namibia	NAM	6.5957975	6.353471586	0.378348152	0.172091455	0.216006844	0.549417448
Niger	NER	1.088607143	3.011009981	-0.502340199	-0.655155704	-0.780149534	-0.431765615
Nigeria	NGA	8.73986	12.62336809	-0.825255863	-0.960947149	-1.350616037	-1.706707256
Rwanda	RWA	2.702279091	7.496693821	-1.337875279	-0.786575486	-0.907819316	-1.127201234
Sao Tome and Principe	STP	4.07054	21.34021745	0.199082024	-0.767344303	-0.484758389	0.582718274
Senegal	SEN	5.9174975	1.956915031	0.030568224	-0.216404174	-0.16412011	-0.328529838
Seychelles	SYC		7.330249786	0.041921142	-0.748400408	0.25017815	0.8777377
Sierra Leone	SLE	1.911863333	11.91220898	-0.707617242	-1.120875319	-1.190701137	-0.95661201
Somalia	SOM			-1.829772493	-2.464008217	-2.3217972	-2.692865836
South Africa	ZAF		6.376356324	0.715642315	0.461979584	0.068369788	-0.199443936
Sudan	SDN	5.323713333	21.3703923	-1.651322727	-1.259949394	-1.479428271	-2.233050526
Swaziland	SWZ	4.791853333	7.636820659	-1.305141089	-0.423357029	-0.585309777	-0.002815401
Tanzania	TZA	0.834216667	8.994172222	-0.331957571	-0.325787326	-0.343544914	-0.268334807
Togo	TGO	3.97759	3.054939735	-1.240358441	-0.670403569	-0.934250121	-0.482108087
Uganda	UGA	2.972543	6.1103049	-0.648834486	-0.004805514	-0.580920058	-1.291042659
Zambia	ZMB	2.363326667	20.82907685	-0.37708648	-0.387964486	-0.510757943	0.028970416
Zimbabwe	ZWE	3.734526091	2243.9207	-1.33362587	-1.893013383	-1.52556423	-1.299104151

Table B.3

Country Name	Country Code	GOVT EFFECTIVENESS	CONTROL OF CORRUPTION	GOODS MKT EFFICIENCY	INFRASTRUCTURE	LABOUR MKT EFFICIENCY	MACRO STABILITY	MKT.SIZE
Angola	AGO	-1.162144294	-1.3096994848	3.33			3.61	3.76
Benin	BEN	-0.4404	-0.654	3.778	2.4	3.98	4.5225	2.27

		18187	185727					
Botswana	BWA	0.618019367	0.8521866266	4.014	3.7875	4.46	5.09	2.763333333
Burkina Faso	BFA	-0.695179093	-0.1831818077	3.83	2.4275	4.296666667	3.935	2.43
Burundi	BDI	-1.369691827	-1.0918679771	3.2	2.03	4.08	2.785	1.423333333
Cameroon	CMR	-0.861397449	-1.0383663641	3.632	2.195	3.933333333	5.15	3.096666667
Cape Verde	CPV	0.149535301	0.38731400 9	3.76				
Central African Republic	CAF	-1.482126931	-1.11151502 4					
Chad	TCD	-1.161979296	-1.2012687335	2.914	1.665	3.863333333	4.215	2.4
Comoros	COM	-1.54797691	-0.83614166 5					
Congo, Dem. Rep.	ZAR	-1.683368001	-1.60196569					
Congo, Rep.	COG	-1.255130272	-0.97437510 4					
Cote d'Ivoire	CIV	-0.976565375	-0.8527145662	3.673333333	3.42	3.95	4.665	3.035
Equatorial Guinea	GNQ	-1.441519 86	-1.52763065 3					
Eritrea	ERI	-1.128581006	0.04116147 2					
Ethiopia	ETH	-0.785694313	-0.6667483327	3.69	2.63	4.3	3.8	3.393333333
Gabon	GAB	-0.658290724	-0.71782568 3					
Gambia, The	GMB	-0.597796585	-0.4988786 05	4.068	3.3525	4.656666667	4.0825	1.38
Ghana	GHA	-0.119977399	-0.1419618 78	3.976666667	3.07	4.03	3.29	3.175
Guinea	GIN	-1.090111772	-0.8422834 89					

Guinea-Bissau	GNB	-1.199553103	-1.0610727763					
Kenya	KEN	-0.635529265	-0.992443383	4.044	2.8425	4.543333333	3.8775	3.35
Lesotho	LSO	-0.288501322	-0.1424448478	3.74	2.17	4.176666667	5.1625	1.876666667
Liberia	LBR	-1.475996873	-1.1140027449					
Madagascar	MDG	-0.521251338	-0.0462252933	3.81	2.335	4.34	3.5	2.643333333
Malawi	MWI	-0.610447813	-0.5636022766	3.99	2.465	4.54	3.235	2.405
Mali	MLI	-0.777633788	-0.4821169338	3.72	2.4975	4.013333333	4.1125	2.47
Mauritania	MRT	-0.457470414	-0.276554	3.518	2.22	3.986666667	3.5275	2.006666667
Mauritius	MUS	0.597479685	0.5238710966	4.49	4.1875	4.29	4.045	2.593333333
Mozambique	MOZ	-0.367011663	-0.5179136266	3.45	2.345	4	3.92	2.806666667
Namibia	NAM	0.202546035	0.3084197752	4.024	4.455	4.473333333	5.2125	2.473333333
Niger	NER	-0.877134432	-0.8544381266					
Nigeria	NGA	-0.992080065	-1.1567213144	4.18	2.2375	4.353333333	5.3325	4.306666667
Rwanda	RWA	-0.615039827	-0.4254575007	4.14				
Sao Tome and Principe	STP	-0.644249857	-0.4941496800					
Senegal	SEN	-0.163376342	-0.2007822211	4.1625	2.956666667	3.81	4.576666667	2.746666667
Seychelles	SYC	0.153632140	0.3139241500					
Sierra Leone	SLE	-1.297599885	-1.0418757511					
Somalia	SOM	-2.091294531	-1.7243468300					
South Africa	ZAF	0.630054639	0.3658549200	4.666	4.1975	4.17	4.885	4.85

			1					
Sudan	SDN	-1.260423491	-1.2137292778					
Swaziland	SWZ	-0.741238791	-0.3045088862	3.8				
Tanzania	TZA	-0.430841395	-0.7194092772	3.796	2.4825	4.306666667	4.1875	3.123333333
Togo	TGO	-1.311496692	-0.8719232628					
Uganda	UGA	-0.56244811	-0.7988592911	3.722	2.3375	4.75	4.48	3
Zambia	ZMB	-0.797525816	-0.7780933119	3.986	2.5225	4.04	3.905	2.416666667
Zimbabwe	ZWE	-1.060963175	-1.17156178	3.266	2.7675	3.546666667	1.5175	1.83

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