



# Rethinking the national interest in the world energy system

Yiming Song<sup>1</sup>

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*Power Grab: Political Survival through Extractive Resource Nationalization*, by Paasha Mahdavi, Cambridge University Press, 2020, 274 pages, \$99.99 (Hardcover)

*Chinese Energy Companies in Africa: Implications for the Foreign Policy of an Authoritarian State*, by T. Kasandra Behrndt-Eriksen, Routledge, 2021, 292 pages, \$160 (Hardcover)

*Modernization Through Globalization: Why China Finances Foreign Energy Projects Worldwide*, by Bo Kong, Palgrave Macmillan, 2019, 116 pages, \$59.99 (Hardcover)

Since the classic discussion of U.S. national interests in raw material investment by scholar and former diplomat Stephen D. Krasner in the 1970s, the international energy market and governance structure have undergone tremendous changes. What are the new national interests among the governments or regimes of developing countries and rising powers? How do they defend their national interests while interacting with domestic energy companies or policy banks involved in the energy business? This review selects three distinctive studies from the field of political economy of energy that discuss the questions above.

## 1 Nationalization of energy companies and regime survival

Nationalization of international energy companies' assets seems to be “common practice” in developing countries. The existing research offers many explanations for this particular government–company interaction, such as resource nationalism in these countries and government's desire to maximize their own rent shares. Instead, Mahdavi provides a new explanation from the perspective of regime survival, suggesting that leaders seek to nationalize energy companies to consolidate their rule.

Paasha Mahdavi, author of *Power Grab: Political Survival through Extractive Resource Nationalization*, provides a rigorous argument based on a sophisticated research design, robust data analysis, and solid historical description. He points out

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✉ Yiming Song  
sym915@ruc.edu.cn

<sup>1</sup> School of International Studies, Renmin University of China, No. 59, Zhongguancun Street, Haidian District, Beijing, China

that converting energy wealth into financial wealth is key for rulers of energy-rich countries to stay in power and strengthen their regimes. However, the rulers are facing a crucial political gamble: either nationalize the assets of foreign energy companies, which would undermine long-term prosperity, but would bring substantial fiscal gains in the short term and thus strengthen their grip on power, or maintain private ownership of energy companies, which would benefit the country's long-term economic development, but the rulers may lose power and dominance due to the lack of fiscal gains. The rulers have to make a complex trade-off between the two options, considering the respective costs and benefits. By and large, most rulers of energy-rich developing countries have chosen nationalization in the gamble, which brings them more capital in exchange for political support and deters potential challengers; thereby, prolonging their rule and consolidating the regime. For these rulers, there seems to be no better alternative to this path.

Of course, one should not simply generalize the observed policy outcomes. Whether the regime's foundation is stable or not directly affects the ruler's choice in the gamble. In countries with weak political foundations, unsuccessful governance, and fierce political competition, rulers are more inclined to choose the path of energy nationalization. However, in countries with stable political foundations, less political competition, and tenured or more powerful leadership, rulers are more likely to maintain private ownership of energy companies to obtain long-term economic benefits. Therefore, the question of regime survival adds a new dimension to our understanding of energy nationalization.

For energy-rich developing countries, if responding to resource nationalism and maximizing government's rental revenue are driven by the national interest, consolidation of power is, on the other hand, a private interest of the rulers. However, rulers of these countries tend to publicize their private interests through propaganda and mobilization, which then turns the maintenance of regime stability and consolidation of power into national interests. From this perspective, Mahdavi's research deepens our understanding of energy nationalization in developing countries and the national interests behind it. Re-examining energy nationalization in Iran, Libya, and Venezuela within this framework reveals the vital national interest in regime stability within these countries and the relationship of those national interests with energy nationalization. We can also analyze the motivation behind the Democratic Republic of Congo's nationalization approach with international companies producing cobalt accordingly, as well as predict its process for nationalizing such assets.

## **2 National energy companies: pursue economic interests and maintain domestic stability**

Although the United States is often regarded as a "weak state" in the sense that it has more diversified domestic interests, Krasner's research shows that the U.S. government can effectively respond to pressure from private energy companies and maintain national interests. In contrast to Krasner's study, T. Kasandra Behrndt-Eriksen, author of *Chinese Energy Companies in Africa: Implications for the Foreign Policy of an Authoritarian State*, focuses on China, which has more centralized state power

and is often seen as a “strong state” and authoritarian state. She points out that China’s national energy companies are mainly pursuing their own economic interests and can influence the government’s diplomatic efforts by doing so. Previous studies have already noted that Chinese national energy companies do not religiously follow the government’s instructions in their business abroad but rather have their own preferences and behave in an economically rational manner. Behrndt–Eriksen’s research further confirms this hypothesis, helping to break the stereotype that Chinese national companies are merely the extensions of interests and tools of the Chinese government.

She identifies three models for understanding the interactions between Chinese national energy companies and the government: the first is the national-interests-first model. Under this model, the activities of Chinese national energy companies are seen as serving China’s national interests, and their business practices are part of Beijing’s diplomatic and security strategy. The second model is the economic-interests-first model. In this model, the commercial interests of Chinese national energy companies dominate their commercial activities. Even in authoritarian states, national companies can prioritize their own economic interests. The third model is the domestic-stability-first model. Since maintaining domestic political and economic stability is one of the Chinese government’s priorities, the business activities of Chinese national energy companies abroad should serve the Chinese government’s efforts to maintain domestic stability. Based on the case studies about the operations of Chinese national energy companies in Sudan, Angola, Nigeria, and Tunisia, and extensive academic interviews, Behrndt–Eriksen finds that economic interests primarily drove the business activities of Chinese national energy companies from 2002 to 2012. However, Chinese national interests in pursuing diplomacy and security, as well as domestic stability, are also increasingly influencing the business decisions of China’s national energy companies.

Therefore, while the national interest is still an essential factor, companies’ economic interest should not be ignored when analyzing interactions between authoritarian states and their national energy companies. Given China’s unique political nature, the goal of maintaining domestic stability cannot be ignored, either. Therefore, when compared with earlier research on the overseas business activities of Chinese national energy companies that were based solely on the country’s diplomatic and security interests, we can better understand the logic of Chinese national energy companies’ behavior by including the economic interests of energy companies and the Chinese government’s goal of maintaining domestic stability in the analysis.

### 3 Energy development finance and development modernization

Two Chinese policy banks, China Development Bank (CDB) and China Export and Import Bank (CHEXIM), are regarded as “Super Banks,” not only because the value of their assets surpasses that of the World Bank by a significant margin, but also because they provide substantial financing to developing countries. In contrast to the discussion of these “Super Banks” in past studies, Bo Kong, author of *Modernization Through Globalization: Why China Finances Foreign*

*Energy Projects Worldwide*, focuses on China's efforts to modernize its economy by offering official development finance to developing countries in energy sectors through the CDB and CHEXIM. He points out that modernizing China hinges on the country's access to resources, especially energy, markets, and technology abroad in a way that allows it to reduce its exposure to foreign exchange risks and denominate its claims on the rest of the world in its own currency.

China's top domestic political and economic agenda, the "Two Centenary Goals," requires the Chinese government to promote modernization vigorously. In other words, fostering overall development and modernization is one of China's most important national interests at hand. To achieve this goal, on the one hand, the Chinese government should promote industrial upgrades, urbanization, coordinated regional development, and poverty alleviation at the domestic level. On the other hand, it requires the Chinese government to gain access to foreign resources, markets, and technology at the international level while avoiding financial risks. Kong points out that, to achieve modernization, China must promote globalization to ensure the security of resources, markets, and technologies and reduce the risk of its growing foreign exchange. Indeed, CDB and CHEXIM have taken on this critical mission, helping China achieve modernization by the globalization of energy development finance.

CDB and CHEXIM have become the driving force of energy finance globalization in China because the Chinese government has exercised effective control over these two policy banks through two mechanisms. On the strategic level, the Chinese government has a firm grip over its decision-making process and controls the appointments of its top officials. On the operational level, the Chinese government exercises regulatory oversight and engages in policy coordination through five central agencies: the Ministry of Finance; the People's Bank of China; the China Banking and Insurance Regulatory Commission; the National Development and Reform Commission; and the Ministry of Commerce. Through these two levels of control, the Chinese government has ensured that CDB and CHEXIM can achieve the primary goal of promoting modernization in energy development financing abroad. In short, if modernization is among China's national interests, then CDB and CHEXIM provide essential support for this goal by extending energy development finance to other developing countries.

These three studies contribute new knowledge surrounding the interplay of national interests with energy resources, assets, and enterprise. *Power Grab* is undoubtedly a rigorous scientific study with its analysis based on a sophisticated research design. It offers a good way to measure nationalization and expands the boundaries of existing knowledge with its academic findings. Because of this, *Power Grab* has been widely praised by those within the field of energy political economy since its publication. The analysis in *Chinese Energy Companies in Africa* is based on the in-depth case studies and academic interviews, with some attempts to generalize its findings to other authoritarian countries based on the study of China. *Modernization Through Globalization*, though short in length, provides a complete and detailed description of China's domestic political and policy agenda. The book reminds us not to overlook China's national interests and

domestic priorities when seeking to understand the logic behind China's external financing of energy development.

Following Krasner's classic discussion of "defending national interests," we should rethink the role of national interests in the world energy system. On the one hand, securing the survival of the regime, maintaining the country's internal stability, and promoting the modernization of the country are all national interests that cannot be ignored. On the other hand, we should also pay attention to the increasing diversification of interests that are in play. The emphasis on national interests should not overshadow the economic interests of national energy companies. Through a more balanced perspective, we can better understand the energy nationalization movement and further understand the logic of Chinese national energy companies' actions and energy economic statecraft.

## Declarations

**Conflict of interest** The author declares there is no conflict of interests regarding the publication of this article.