

**CHINESE 'LOAN-FOR-OIL' DEALS IN BRAZIL,
VENEZUELA AND ECUADOR:
LOCAL CONCERNS AND PERCEPTIONS**

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Certificate of original authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student: Selene Martinez Pacheco

Date: 14th August 2013

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Abstract

China's international behaviour has been the subject of scholarly attention in the past decade. The implementation of the 'going out' strategy of international relations in Latin American countries has been inserted in the mainstream debate about China's rise. The Chinese national oil companies' 'loan-for-oil' deals and other business projects in Brazil, Venezuela and Ecuador are good examples of the Chinese quest for geopolitical interests in the region. The local perception has drawn from the leading assumptions about China and China's international behaviour embedded in the Latin American hybrid perspective of international relations, namely that China is a unitary and homogeneous actor with a top-down hierarchy of command from the Chinese government. However, these premises are debatable.

The examples examined in the cases of Brazil, Venezuela and Ecuador show two constant elements, the presence of a plurality of Chinese actors and their interdependent relationship with the Chinese government. Yet, the predominant actors in the local debates about China's influence have not been swayed by these findings in a significant way. Their perception of China's international behaviour continues to hold a general negative image of China.

This study explores the implementation of the 'going out' strategy through the Chinese national oil companies' business practices in Brazil, Venezuela and Ecuador to illustrate the presence of a plurality of Chinese actors and their interdependent relationship with the Chinese government in this endeavour. The study calls attention to these neglected elements in the prevailing local perception of Chinese international behaviour, with the aim of contributing to international debates on the topic that could potentially improve Chinese international image and strengthen the bilateral partnerships.

List of abbreviations and acronyms

ALADI	Latin American Integration Association (Asociacion Latinoamericana de Integracion)
APEC	Asia-Pacific Economic Cooperation
BANDES	Venezuelan Economic and Social Development (Banco de Desarrollo Economico y Social de Venezuela)
BCBC	Brazil-China Business Council (Conselho Empresarial Brasil-China)
CAS	China Accounting Standards
CCP	Chinese Communist Party
Chinaoil	China National United Oil Corporation
CITIC	China International Trust and Investment Corporation
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CPEB	Changqing Petroleum Exploration Bureau
CVP	Venezuelan Petroleum Corporation (Corporacion Venezolana de Petroleo)
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EP	PetroEcuador
ERI	Energy Research Institute
Eximbank	Export-Import Bank of China
FIESP	Industries from Sao Paulo State Federation (Federacao das Industrias do Estado de Sao Paulo)
FONDEN	Venezuelan National Development Fund (Fondo Nacional de Desarrollo S. A.)
ICBC	Industrial and Commercial Bank of China
IEA	International Energy Agency
IMF	International Monetary Fund
IR	International relations
MOF	Ministry of Finance of the People's Republic of China

MOFA	Ministry of Foreign Affairs of the People's Republic of China
MUD	Democratic Unity Roundtable (Mesa de la Unidad Democrática)
NDRC	National Development and Reform Commission
NEA	National Energy Agency
NEC	National Energy Commission
NOC	National Oil Company
OAS	Organisation of American States
OCP	Heavy Crude Oil Pipeline
PDVSA	Petroleos de Venezuela S. A.
PEMEX	Petroleos Mexicanos
Petrobras	Petroleo Brasileiro S. A.
PRC	People's Republic of China
ROC	Republic of China
RMB	Renminbi
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SHP	Shougang Iron Peru (Shougang Hierro Peru)
Sinochem	Sinochem Corporation
Sinopec	China Petroleum and Chemical Corporation
SNPTC	State Nuclear Power Technology Corporation Limited
SOE	State-Owned Enterprise
UK	United Kingdom
UN	United Nations Organization
US	United States of America
WB	World Bank
WTO	World Trade Organisation

Chinese foreign policy challenges in Brazil, Venezuela and Ecuador: local perceptions of China's international behaviour

The Chinese government's international behaviour has been under constant scrutiny over the past decade following China's increased power in the international arena. Debates about China's rise and its new found power in world affairs have become a mainstream trend in many academic disciplines globally. In international relations, scholars have been engaging with China's rise in an effort to understand how China will use its international power and whether China will adopt revisionist behaviour or become a responsible stakeholder in the international system (Johnston 2003; Kaplan 2012; Mearsheimer 2001; Medeiros & Fravel 2003; Qin 2008; Walt 2011, 2012a, 2012b; Wang 2011; White 2012, 2013). Fear of a China threat has pervaded this analysis and has continued to be a challenge to Chinese foreign policy (Broomfield 2003; Gertz 2000; Halper & Nye 2011; Hays Gries 1999; 2005; Lederman et al. 2008; Pan 2004; Perenboom 2007; Qingren 2012; Roy 1996; Storey & Yee 2002; Yang 2010). However, few have questioned the perspectives through which China's international behaviour is understood and analysed by actors on the ground.

The way international actors¹ perceive and approach the study of international relations (IR) influences the way they assess the behaviour and build the international image of other actors. The predominance of American perspectives in the study of IR since the end of the First World War has left its mark on the inception of this discipline in other regions and countries, such as Latin America and China (Chan 1999; Feng 2012; Merke 2005; Qin 2009; Tickner 2003, 2009; Wang 2009). This impacts the interpretation of China's international behaviour. In order to address the study of Chinese foreign policy challenges in the Latin American region, it is imperative to understand the local perception of China.

¹ This study understands international actors to be states, governments, international organisations, media and individuals.

How is Chinese behaviour understood and analysed locally? Do local actors welcome Chinese behaviour? But most importantly, what constitutes this 'Chinese behaviour' in their view? Who do they perceive as 'China'? Which IR perspectives underpin their understanding of China, Chinese behaviour, and inform them in building China's international image? These questions centre on some of the relevant variables that need to be clearly grasped to address current Chinese foreign policy challenges in Latin America.

Despite the prominence of the mainstream international relations perspectives in the study of China's international behaviour in Latin America, they yield limited insights. They neglect many factors, amongst which the most critical is the existence of a plurality of Chinese actors conducting business in the region. This is particularly evident in the mainstream assessment of the implementation of the 'going out' strategy through the 'loan-for-oil' deals and other oil-related business projects. In these, the roles of the Chinese national oil companies (NOCs) in pursuing and negotiating their deals and projects with their local partners are usually attributed to the Chinese government.

It is interesting to focus on the international business ventures of Chinese NOCs because they have attracted much international attention in the past decade and, as such, they have been analysed through the lenses of dominant perspectives in international relations. Thus, mainstream scholars and major international actors (i.e. US government) have analysed the Chinese NOCs' international business projects as a strategy of the Chinese government in its quest for power in the international arena. Therefore, the 'loan-for-oil' deals have been seen as a strategy of the Chinese government to 'lock-in' or 'secure' oil and advance geopolitical interests in developing countries (Chellaney 2012; Goodman 2004; Lee 2012; Moran 2010; Moyo 2012; Rogers 2007).

The prevailing Latin American view of Chinese NOCs' business practices draws from the presumption that China is a unitary, homogeneous actor with a top-down

hierarchy of command; hence, the Chinese NOCs are controlled and directed by the Chinese government. Although it is accurate to state that the Chinese NOCs and the Chinese government have convergent interests in advancing the 'going out' strategy, there are limitations to their roles in its implementation. Furthermore, the Chinese NOCs have exhibited pragmatic business behaviour in looking to fulfil other commercial interests in their international activities. This suggests that, in practice, the main premises underpinning the local perception of the 'loan-for-oil' deals are difficult to ascertain.

In Latin America the Chinese NOCs have successfully negotiated 'loan-for-oil' deals with three countries: Brazil, Venezuela and Ecuador. These deals show similarities that point to the marriage of interests between the Chinese government and the Chinese NOCs in carrying out the 'going out' strategy. At the same time, they demonstrate there is a relevant presence of a plurality of Chinese actors involved and that their relationship with the Chinese government is best described as interdependent. However, in each case the deals have impacted the local perception of China's international behaviour differently.

The Latin American hybrid perspective of international relations has informed the predominant actors in the debate about China and Chinese international behaviour.² Economic dependency, sovereignty and development run through the local concerns and the arguments presented against China's influence in the bilateral relations. Additionally, the distinct characteristics of each country have infused the local debates with nuances in their focus. On this subject, for example, the Brazilian debate has emphasised economic concerns, while the Venezuelan and the Ecuadorian have directed their attention to the political realm.

² This hybrid IR perspective is the local adaptation of the same traditional assumptions of the classical IR perspectives of realism and liberalism, with consideration to concepts important to the Latin American context such as sovereignty, autonomy and economic development (Merke 2005; Tickner 2003, 2009).

Nevertheless, official Chinese discourse has taken neither the dominant local perspective nor the different contexts into consideration. The government's approach to Brazil, Venezuela and Ecuador has followed the same objectives embedded in the 2008 policy paper with regard to the region ('China's policy paper on Latin America and the Caribbean' 2008). Persistently, the official discourse and the blueprint for Latin America reflects the general logic of Chinese foreign policy, that of economic development as the path to prosperity. The bilateral Chinese discourse has consistently pronounced mutual benefit, common development and win-win results as the main goals of the relationships ('China's policy paper on Latin America and the Caribbean' 2008). Partially, the local concerns raised in the debate about China's influence have mirrored the local expectations bolstered by this discourse.

The Chinese government has strengthened the local perception and expectation of Chinese NOCs' business practices in Brazil, Venezuela and Ecuador by focusing on projecting a unified image in its foreign affairs. As a result, the Chinese government has understated its role in the implementation of the 'going out' strategy as well as the presence of a plurality of Chinese actors conducting business in these countries. This has reinforced the presumption of a top-down hierarchy of command that connects the Chinese NOCs' business behaviour directly with the Chinese government.

Altogether, these factors have inadvertently created a gap between the perceived China's international behaviour and official Chinese discourse. The widening of this mismatch when issues emerge with the Chinese NOCs' business practices in Brazil, Venezuela and Ecuador, damages China's international image and consequently challenges Chinese foreign policy in these bilateral relationships.

This study posits that the consideration of the existence of a plurality of Chinese actors and their interdependent relationship with the Chinese government in the implementation of the 'going out' strategy is relevant in two regards. Firstly, it

would help provide a more accurate account of 'China' and the Chinese government's international behaviour. Secondly, their incorporation would potentially improve the local perception of China's image. The discussion of these elements in the Chinese NOCs' business deals and other projects in Brazil, Venezuela and Ecuador, could lead to narrowing the aforementioned gap that has tarnished China's image amongst the prominent actors in the local debates.

This thesis concentrates on how other actors perceive China's international behaviour and the ways this impacts China's image. In doing so, it addresses other relevant topics, such as the structural setting of the Chinese NOCs and their relationship with the Chinese government, as well as some other assumptions drawn from mainstream worldviews on China's rise. Although these aid in the conceptualisation of this study, they are not its focus, therefore their discussion is brief and it precedes the examination of the case studies.

Contribution

The main contribution this thesis brings forward is the incorporation of the existence of a plurality of Chinese actors and their interdependent relationship with the Chinese government as relevant elements in the debate about China's international behaviour. Similarly, it increases the attention given to local perspectives and contexts in building China's image, pointing to their necessary inclusion in the Chinese bilateral approach and discourse.

In the case of China, it emphasizes the examination of the fragmented bureaucracy in the realms of foreign policy and energy security. The study will strengthen existing literature that indicates the influential role of diverse Chinese actors in the pronouncement and operation of Chinese foreign policy.

Most pointedly, the research concentrates on exploring the domestic context of the Latin American case studies to determine (1) the dominant perspective that guides

and informs the analysis of China's international behaviour, and (2) the importance of the local debates about the Chinese NOCs' 'loan-for-oil' deals and other business projects in Brazil, Venezuela and Ecuador. The examination of these factors will facilitate the identification of the current challenges to improve China's image in these Latin American countries. Therefore, the argumentation strives to revise the existence of a plurality of Chinese actors and the importance of local contexts in strengthening the bilateral relations.

More than a criticism of the analysis of states' behaviour by IR perspectives, this study provides evidence of the importance of incorporating these elements and the local context in the debate to have a closer account to reality. It is an objective of this thesis to propose a more open use of IR perspectives; after all, they are only tools to help actors make sense of the world they live in.

Likewise, the main contribution of the methodology is that it allows a general assessment of the prevalent perspectives of international relations that have underpinned the mainstream analysis of China and the local interpretation of China's international behaviour. At the same time, it enables a comparative study where the elements left out of the scope of the mainstream discussion are brought to the fore with a significant weight.

The original contribution of this thesis is nevertheless noteworthy in two accounts. First, it approaches the analysis of China's international behaviour through the lense of an indigenous IR perspective. This is a method that is rarely employed to examine Chinese foreign affairs. Second, by using the Latin American hybrid IR perspective and recognising the heavy weight of the local contexts, this study gives a voice to the predominant local actors on China's influence and to their perception of China's international behaviour. This advances the academic debate to widen the inclusion of other viewpoints that affect the practice of Chinese foreign policy.

Methodology

The methodology has two approaches to the argumentation, macro and micro. The macro level explores the current assumptions about China and China's international behaviour that help build a misinformed international image of China. Thus, it sets out the prevalent general presumptions that address China's influence in international affairs, as well as in the Latin American region. It assesses the dominant premises that run through the leading understanding of the implementation of the 'going out' strategy in developing countries.

Subsequently, the micro level analysis delves into examining whether the macro assumptions are indeed consistent with domestic realities. It finds that these are difficult to ascertain in practice because there are important elements that have been neglected in their account. It first pays attention to China's fragmented bureaucracy in foreign policy and energy security to illustrate the plurality of Chinese actors in these realms. It then sheds some light on the operation of the Chinese 'going out' strategy of international relations in Latin American countries.

Consequently, the micro level of analysis is then directed to the international extension of the plurality of Chinese actors in 'loan-for-oil' deals and other oil-related business projects in Brazil, Venezuela and Ecuador. Comparing the Chinese NOCs' deals to the main premise of China as a unitary and homogeneous actor and the idea of a top-down hierarchy of command as suggested by the multilayered diplomacy perspective, the examination further demonstrates that these assumptions are not consistent with reality.

Lastly, the domestic contexts of Brazil, Venezuela and Ecuador are also addressed at a micro level to determine the local concerns and perceptions of China's influence and China's international behaviour that affect the improvement of China's image in these countries. This approach calls attention to the importance of local contexts in understanding the challenges to Chinese foreign policy in each bilateral relationship.

This study is conducted through the use of documented analysis and interviews. The documents that have been used as valuable resources to the argumentation cover mainly official documents, relevant academic literature and media reports. The official documents include government statements, policy papers, company and institutional reports and international organisation reports, either in print or online. A small number of original documents were used as primary evidence in the case studies. These pertained to the enactment of laws and agreement bills that were presented in presidential decrees and sometimes published in the official gazettes.

The information collected from government and organisation websites was also used as official documents in this study. In general, the official documents consulted were helpful in providing authorized data and statements that translated into the credited position of actors about China's rise and Chinese government's international behaviour. At times, the documents were also a useful source in learning about the mainstream analysis on these subjects.

The relevant academic literature was of the utmost relevance to this study. It not only gave a complete understanding of the influence of the dominant IR perspectives, but also provided alternative views on the matter of China's rise and Chinese government's international behaviour. Additionally, the academic literature offered quantitative data and qualitative assessments about Sino-Latin American relations and Chinese NOCs' business behaviour overseas. The traditional sources of academic literature were used in print and online, i.e. books and journal articles, as well as scholarly work presented in conferences and lectures.

Finally, this thesis gathered a large amount of significant information from media reports and interviews. Given the dynamic nature of its subject of study and its contemporary characteristic, media reports were often times the best resource to get the most up-to-date information on government statements, specific data,

Chinese NOCs' ventures overseas, and most importantly, local perceptions on China's international behaviour. Furthermore, the interviews with high-ranked government officials and leading scholars gave access to a first-hand account of their position and ideas that otherwise would have been out of reach. The thesis examined major and influential newspaper reports, specialist magazine articles and scholarly weblogs. Notably, media reports made it possible to study the local debates in Brazil, Venezuela and Ecuador.

The original and secondary sources were researched in their native language in the belief that the study would have the best approximation of the local perspectives on a specific subject. Thus, this study collected and analysed documents from a myriad of sources in English, Spanish, simplified Chinese and Brazilian Portuguese, translated personally or as otherwise indicated.

This research also benefited from interviews with prominent academic researchers and professors in Beijing and Sao Paulo. They are leading academics in their discipline, either working at research institutes (Chinese Academy of Social Sciences, Energy Research Institute and Brookings Institution in China) or major universities in their countries (Tsinghua University and University of Sao Paulo). The interviews were conducted in Mandarin, English and Spanish and were translated personally in their entirety.

Organisation of remaining chapters

The thesis is divided in two parts. Part one presents the analytical framework, locates the study in context, and briefly approaches the Chinese energy security and foreign policy domestic realms. Although these are not the focus of this study, it is important to review them to enable a comparative analysis in subsequent chapters. The mainstream worldviews held about China's rise are reflected in the local perception of the implementation of the 'going out' strategy, and thus, of China's international behaviour. The examination of the Chinese NOCs' business

behaviour in the case studies is contrasted with these mainstream assumptions to allow a closer account of reality.

Chapter 1 explores in detail the theoretical framework; it explains what is understood as the mainstream perspective of international relations and the Latin American hybrid IR perspective, and how they will be used to approach the macro and micro level of analysis. Also, it takes a quick glance at the Chinese approaches to international relations, with a focus on the Chinese government's emphasis on projecting a unified and homogenous image in its foreign affairs.

Chapter 2 inserts this study into its contemporary context and provides it relevance to the discipline of international relations. It centres on the historical context of the development of Sino-Latin American relations over the past 60 years, which has been influenced by paramount policy shifts in China's domestic context, as well as by major international events. The emphasis on Sino-Latin American relations takes the analysis through the general changes towards developing countries in Chinese foreign policy over time. The chapter then addresses the current official Chinese discourse towards the region and the most relevant academic analysis related to this research.

Chapter 3 concentrates on assessing three main assumptions drawn from the mainstream perspective of international relations about China and Chinese NOCs, (1) that Chinese NOCs are state-owned and state-run, (2) that the 'loan-for-oil' deals follow a centralised hierarchy of command from the government, and (3) that China is a unitary, homogeneous actor with an equally homogeneous foreign policy. The plurality of Chinese actors, the important role of the NOCs and the existence of a dynamic, interdependent relationship amongst Chinese actors and the government are constant elements found in this assessment. This chapter does not aim to provide an exhaustive analytical examination on China's domestic structures or of Chinese bureaucracy, but only to outline context for the mainstream premises

about China that influence the perception of China's international behaviour in Latin America.

Part two concentrates on the Sino-Latin American relations and the case studies of Brazil, Venezuela and Ecuador. It is divided into three chapters. Chapters 4, 5 and 6 present the case studies of Brazil, Venezuela and Ecuador respectively. In these, in spite of nuanced differences, there are constant factors across the case studies. For instance, the presence of a plurality of Chinese actors, the important role of the Chinese NOCs with their pragmatic, at times aggressive, commercial business behaviour, and the existence of a dynamic, interdependent relationship with the Chinese government. Similarly, in all these cases, there is a strong influence of the Latin American hybrid IR perspective amongst the most prominent local actors that permeate their debates about China's influence.

However, each local debate has unique characteristics that are dependent upon the domestic context of each country. The main Brazilian actors in the debate are most concerned about commodity dependence, Venezuelans about political influence, and Ecuadorians about both, economic and political consequences. These unique combinations of variables challenge Chinese foreign policy in different ways, demonstrating the importance of considering the local contexts in the pronouncement and implementation of foreign policies and bilateral discourse. These examples also illustrate the shortcomings of having a Chinese 'one-size-fits-all' foreign policy towards the region, instead of specific, 'tailored' bilateral policies that could improve China's international image and lead to better bilateral partnerships.

Finally, the conclusion addresses the gap between the local perception of China's international behaviour and the official Chinese government discourse by comparing the findings in Brazil, Venezuela and Ecuador. It emphasizes the unique characteristics of each case study to bring attention to the impact of local concerns, perceptions and contexts on China's image. The final remarks explore alternatives to overcome the aforementioned gap and effect a change in the local perception of China's international behaviour.

Chapter 1: China's international behaviour: a local perception

China's international image is built on local perceptions. The dominant perspectives of international relations are the lenses through which the local actors make sense of 'China' and what they consider is its international behaviour. This understanding is markedly influenced by the local context, which not only helps the local actors in choosing how to analyse China, but also prevails in their specific concerns about China's influence in their countries. The Latin American hybrid perspective of international relations informs the local actors in the debates about the Chinese influence in Brazil, Venezuela and Ecuador. Its main concepts and assumptions have pervaded the concerns raised by the local actors in these Latin American countries. Hence, autonomy, sovereignty, economic development, commodity dependency and trade imbalances are constant arguments in the local debates.

The Latin American hybrid perspective of international relations is a local adaptation of classical international relations theories, realism and liberalism, that have prevailed to date in the academic debate. Their shared assumptions of the nation-states as unitary actors in the international system, power politics and anarchy have pervaded the academic discipline and the Latin American hybrid perspective of international relations. Presently, China's rise has been assessed by sub-theories or approaches that mainly draw from realism and liberalism. As leading mainstream approaches to the study of China's rise in world affairs, offensive and defensive realism and liberalism (economic interdependence and institutional liberalism) inform the local Latin American perceptions of China. They support the underpinning mainstream assumptions of power politics and the Chinese quest for geopolitical interests in the region vis-à-vis the United States (US).

This analysis focuses on how local actors understand China's international behaviour and build China's international image. Having a clear grasp on the mainstream perspectives that inform the local mindset and concerns about China is a prerequisite to analyse the local debates and their challenges to Chinese foreign

policy. This chapter provides the theoretical framework that has a hold on the local actors' perceptions and concerns in the debates in Brazil, Venezuela and Ecuador. Before considering the main concepts and specific assumptions of the Latin American hybrid perspective of international relations, there is a need to understand where this perspective comes from and its prevalent theoretical influences.

Thus, the first section of this chapter briefly reviews the development of the classical theories of international relations and their main assumptions through the academic debates in the twentieth century. The second section addresses the leading approaches to China's rise that have a contemporary influence on the local Latin American perceptions of China. The third section focuses on the Latin American hybrid perspective of international relations and its implementation in this study. Finally, the fourth section engages the characteristics of the academic discipline in China to highlight the focus on unity and homogeneity that has prevailed in Chinese foreign policy.

Realism and liberalism as dominant perspectives in the study of international relations

The history of the academic discipline suggests that there is no core analytical framework or perspective for the study of international relations (Chan & Moore 2006; Ikenberry 2009; Walt 1998; Wendt 1995). Moreover, the dynamic nature of its subject of study makes it impossible to have just one way of understanding its large reality. International relations scholars have shaped their observations and theories on their analyses subjectively. They concentrate on one section of the big picture based largely on their set of beliefs and personal experiences embedded within their national identities, which means that where they are coming from matters; history matters. Thus, Latin American national experiences and specific local contexts have informed the local academic analysis and the common perceptions on international relations and world events.

Similarly, the discipline of international relations has been shaped by history. International relations theories have emerged in reaction to paramount historical events such as the First and the Second World War, the treaty of Versailles, the institution of the United Nations Organisation (UN), the Cold War and its end, the fallout of the Bretton Woods system and the economic crises, i.e. the great depression and the oil price crisis in the 70s, to mention a few examples (Ikenberry 2009). Consequently, the field has been shaped by academic debates throughout its history that reflect the existing divergent theoretical perspectives and their effort to make sense of these world events. In the aftermath of these debates, the discipline of international relations is geographically widespread, taking the classical theories and their main assumptions to different regions, therefore having a strong influence in the local perception of international relations across countries.

Even though there is no core analytical framework in the study of international relations, the classical theories and their traditional assumptions have dominated the debate since the inception of the discipline. Realism and liberalism have influenced the study of international relations and its theoretical frameworks throughout the twentieth century and continue to predominate in international relations studies today. Although having different takes on how to deal with each, both theories basically share the traditional assumptions of nation-states as unitary, coherent and rational actors in the international arena, of power politics, and of the problem of anarchy in international relations. They have also paved the way for the proliferation of other sub-theories and approaches (Ikenberry 2009; Mearsheimer 2012; Walt 1998).

As aforementioned, the academic debates have been a reflection of the efforts by IR³ scholars to make sense of the historical context of the time according to their own national experiences, where both realism and liberalism have been the point

³ IR is used indiscriminately throughout the thesis when referring to the academic discipline of international relations.

of departure for the discussion.⁴ Drawing on Ikenberry's analysis (2009), in the first debate, scholars subscribing to realism and liberalism tried to understand the international arena that was left at the end of the First World War and previous to the Second World War in the 1930s (Carr 1966).

The second debate responded to changes to the international context, particularly the Cold War and the popularity of scientific approaches to social sciences in the 1960s. It took place between scholars advocating the classical approaches, realism and liberalism, with a particular focus on the former, and some others proposing the more scientific approach of behaviouralism (Kaplan 1966; Mitrany 1948; Morgenthau 1964). The next decade brought about many changes to the way states interacted amongst each other. Advances in technology, communications and intensified transnational trade, amongst other things, gave way to yet another debate between scholars from the classical realist approach with its focus on state-centrism, from new transnational liberal perspectives, and from structuralism (Banks 1984; Fox 1975; Ikenberry 2009).

In the 1980s, the focus of the debate shifted to a simplistic view of realism and liberalism through neo-realism and neo-liberalism, including institutional neo-liberalism. The perspectives in this debate tried to take on board the main contributions and major traditional assumptions of the classical approaches in a reductionist way (Doyle 1986; Keohane & Nye 1987; Waltz 1990). Finally, with a new set of variables in the international arena following the fall of the Soviet Union and the end of the Cold War, the scholars in the last debate of the 1990s were trying to find new meaning and understanding with rationalist and constructivist perspectives that relied upon, revised or criticised the classical approaches of IR (Buzan 1993; Mearsheimer 1994; Wendt 1995).

⁴ The next paragraphs about the academic debates draw mainly on Ikenberry's 2009 analysis on the topic.

Realism and liberalism have consistently dominated the study of international relations. The academic debates could be seen as the confrontation between scholars from these two perspectives in their efforts to understand the international context and adapt their tenets to world transformations (Ikenberry 2009). Presently, there are many theories and sub-theories following an increasing specialisation of IR scholars in one issue or area, however, realism and liberalism continue to permeate and influence their perspectives and, in one way or another, will lead the next academic debate in the field.

Most of the development of the IR discipline, as exemplified by the aforementioned academic debates, has taken place on American ground. Some IR scholars have even questioned the internationality of the discipline, stating that IR is overwhelmingly an American discipline (Crawford & Jarvis 2001; Hoffman 1977; Krippendorff 1989; Tickner & Wæver 2009). This is particularly due to the pre-eminent role of the US in world affairs throughout the twentieth century that has permeated the IR academia. The American scholars that engaged in the academic debates in international relations were concerned with the major questions of anarchy and balance of power, the exercise of power, and the role and importance of democracy and international institutions, since the US was at the forefront of international events. This also gave the American debates a distinct importance in the IR academic discipline in other countries.⁵

With a notable American influence in world affairs, the preponderance of these debates spread to the study of international relations in other countries, particularly in the West but also in Latin America and Asia. The weight of these debates in the study of international relations across the globe has left an indelible mark in the way IR scholars and government officials understand international relations, conduct their foreign policy and analyse the behaviour of other states. In

⁵ It is also worth noting that the debates were enriched by important European contributions, especially from British scholars, i.e. E.H. Carr, David Mitrany and Barry Buzan, and from European exiled theorists that found their home in American universities, i.e. Hans Morgenthau, Henry Kissinger and John Herz.

addition, their understanding has influenced the way local actors in any given country perceive not only international relations, but also the behaviour of other states, and build that state's image accordingly. In sum, realism and liberalism have been the main classical approaches that have taken a strong hold on the analysis of international relations worldwide. This has also been the case with the leading analysis of China's rise, and with Chinese and Latin American IR perspectives.

In relation to current world events, namely the so-called 'China's rise', the analysis of whether the Chinese government would opt for a responsible stakeholder or revisionist behaviour in world affairs depends greatly on the worldview or perspective the actor analysing the subject holds. Therefore, it is important to understand the leading theoretical approaches to the analysis of China's rise and their possible influence on Latin American actors.⁶ This knowledge will lead to a better grasp of the challenges that the Chinese government must face in its foreign policy towards this region and to its bilateral relations with Latin American countries. A second, though no less important, consideration is to have a general overview of how China's rise is analysed by the leading scholars in the discipline, since their influence is widely spread.

Leading theoretical perspectives on China's rise

Realism and liberalism, with their sub-theories and approaches, are the most common IR perspectives employed to examine China's rise and to create possible future scenarios. This analysis has permeated Latin America, reaffirming the traditional assumptions that underpin the Latin American hybrid IR perspective⁷ and informing the perception of the local actors in the debate about China's influence in their countries. Drawing on James Reilly's analysis on this topic (2011), there are perhaps three main theoretical frameworks from which the analysis of China's rise is led in the IR discipline: offensive realism, defensive realism and

⁶ It is noted that an in-depth analysis of each theoretical approach, while ideal, falls outside the scope of this thesis.

⁷ This will be further addressed in the next section.

liberalism, especially institutional liberalism and economic interdependence. Offensive and defensive realism are both sub-theories of neo-realism, while the approaches of institutional liberalism and economic interdependence have a predominant role in the liberalist perspective.

The main debate about China's rise is conducted with reference to how China would exercise its newfound power in the international arena; would it behave as a responsible stakeholder or as a revisionist state. Also, most of the assessments include prospective scenarios as to how to engage with China and the implications of China's rise in world affairs. The impact of China's rise on the American role in the international arena dominates the analyses, revealing the US-centrism of the discipline. This emphasis is important to Latin American scholars since the international relations of the region have been historically linked to the US hegemony in the continent.

As sub-theories of realism and liberalism, neo-realist and neo-liberalist theories derive from the same traditional assumptions in the study of international relations. These tenets are (1) the acknowledgement of the absence of a central authority in the international system; that is its anarchic nature; (2) the states are homogeneous, coherent and rational units and are the main actors in the international arena; (3) power politics dominates and motivates the behaviour of states. How power is exercised by states, whether or not there is room for cooperation, the role of institutions and of other actors in the international arena, amongst other variables and characteristics, give each theory and sub-theory its particularity. Together, they imprint varied nuances on the analysis of China's rise and in its consequences to the US and the international system.

Offensive realism

At one end of the theoretical spectrum, offensive realism posits that as a result of its increased power in the international arena, China will behave as a revisionist

state in an effort to maximise its power and ensure its security (Mearsheimer 2001). The main proponent of this perspective is John Mearsheimer. In his book *the great tragedy of power politics* (2001), Mearsheimer suggests that the anarchic nature of the international system motivates states to try to expand their power in the international arena. He argues that states are weary of their national security and seek ways to ensure it (i.e. military build-up), due to the fact that they can never be sure of the intentions of other states. His position strengthens power politics, anarchy and the states as unitary actors in the international system as the predominant assumptions in the study of international relations.

The security dilemma leads states to build up their militaries even more to enlarge their power in the international arena and ensure their security. In Mearsheimer's view, military force is paramount to achieving influence and guaranteeing a state's security. However, he argues that the main constraint on a state's international influence is geography, water in particular; thus, a state could just aim to be a regional hegemon (Kaplan 2012; Mearsheimer 2001, 2010, 2012; Reilly 2011; Snyder 2002).

According to his view of world events, China's rise will lead to an international dynamic similar to what emerged in the Cold War, where there were spheres of influence for each superpower. It is believed that China will be the hegemon of Asia, while the US will continue to be America's hegemon. Therefore, what has been perceived as China's quest for geopolitical interests in Latin America, such as 'securing' energy resources directly challenges the dominance of the US in its 'backyard'. The study of the Chinese NOCs 'loan-for-oil' deals in Latin America has at times been influenced by this theoretical approach.⁸

Leading the analysis of China's rise from this perspective, Mearsheimer argues that China will use its power, and its military, to achieve sufficient influence in Asia to

⁸ This will be discussed in the academic literature of Sino-Latin American relations in the next chapter.

become a regional hegemon and in this way ensure its security against regional and international rivals (i.e. Japan and US) (Kaplan 2012, Mearsheimer 2010, 2012; Reilly 2011). Mearsheimer explains his logic better

I—CHINA—WANT TO BE the Godzilla of Asia, because that's the only way for me—China—to survive! I don't want the Japanese violating my sovereignty the way they did in the 20th century. I can't trust the United States, since states can never be certain about other states' intentions. And as good realists, we—the Chinese—want to dominate Asia the way the Americans have dominated the Western Hemisphere (Kaplan 2012).

As a prominent scholar in the US, Mearsheimer's argument is important to consider, especially since the academic discipline in Latin America has a strong American influence (Tickner 2003). Not only is he a professor at the University of Chicago and an accomplished IR academic, but also his work has been cited and commented on widely in the American media, specifically after the publication of his book *the Israel lobby and US foreign policy* in 2007, which he co-authored with Stephen Walt, another leading IR scholar.⁹ Spreading his view across countries, Mearsheimer is a regular commentator in media outlets in the US, UK and Australia, such as *Foreign Affairs*, *Newsweek*, *The National Interest*, *The New York Times*, *Chicago Tribune*, *The Australian*, *Sydney Morning Herald*, *The Spectator*, *London Review of Books*, and *The Financial Times* (Mearsheimer 2013). Eric Labs, Fareed Zakaria, Randall L. Scweller and Robert Gilpin are amongst other scholars that subscribe to offensive realism (Toft 2003),¹⁰ while in Australia, Hugh White could be regarded as an advocate of this approach in his analysis on China's rise (2010; 2013).

⁹ For more on his publications refer to (Mearsheimer 2013). Concerning the scope of debate his publications have in the media, it is interesting to see the results Google has under his name (around 290,000).

¹⁰ Fareed Zakaria is amongst the most well-known offensive realists, particularly as he is an editor-at-large of *Time* magazine and the host of the CNN's flagship foreign affairs show (Zakaria 2013).

Defensive realism

Defensive realism in many instances is a response to offensive realism. The analyses that draw on defensive realism argue that China's search for Asian hegemony is one difficult objective for the Chinese. The logic behind this argument relies upon many factors; however, the most commonly stated are related to China's domestic challenges. For example, defensive realists emphasize the need to first ensure domestic security, maintain economic growth, and respond to social needs and related social protests that could limit China's international ambition. Additionally, defensive realists posit that China's objective could be just to control its periphery and not achieve regional hegemony (Reilly 2011). Therefore, they try to move the debate away from considerations of a Cold War dynamic in world affairs.

Defensive realists are distinctly concerned about China's international behaviour. War or an arms race is still a very possible outcome due to the security dilemma. They postulate that security is a priority for states because of the anarchic nature of the international system. Like offensive realism, the analysis of the Chinese NOCs 'loan-for-oil' deals in Latin American countries using this approach supports the assumptions of power politics, anarchy and China as a unitary, homogeneous actor. Unlike offensive realism, however, this perspective argues that having communications or hinting at intentions between states could overcome the security dilemma.

This approach suggests that even if regional spheres of influence are an unlikely scenario, China's rise can be threatening to the US position in the Latin American region. China's influence in Latin American countries could lead to political alliances in a time of war, especially since China has been securing energy resources in Latin American countries through 'loan-for-oil' deals. Offensive realism also proposes that the domestic politics of a state could influence its foreign policy, hence the emphasis on domestic factors that could limit China's international ambition (Walt 2011, 2012b).

Different sub-sub theories of defensive realism abound in the academic literature and have several supporters.¹¹ Arguably, amongst the defensive realists, Kenneth Waltz and Stephen Walt are most influential. Kenneth Waltz is regarded as the father of neo-realism with his *theory of international politics* published in 1979, which transformed the realist paradigm henceforth (Snyder 2002, Waltz 1990). Most defensive realists derive their theoretical perspective from his work.

Stephen Walt's influence parallels that of John Mearsheimer. In addition to being a professor at Harvard University's John F. Kennedy School of Government, he is a regular commentator and 'serves on the editorial boards of Foreign Policy, Security Studies, International Studies and Journal of Cold War Studies' (Harvard Kennedy School 2013). He has predicted that China will engage its weaker neighbouring countries to create an influence zone, in a way that could lead China to regional hegemony (taking the analysis back to a dynamic of regional spheres of influence) (Walt 2009, 2012a, 2012b, 2013), and he is one of the advocates of offshore balancing as a US strategy to deal with China's rise (Walt 2005, 2011).

Liberalism

Proponents of liberalism that analyse China's rise argue that the country's increased participation in international institutions is an indication that it will become a responsible stakeholder in the international system. They gather that through expanding trade and investment overseas, as well as increasing its participation in international institutions, China is gaining a stake in the system and hence it is in its benefit to protect the status quo in the international arena. Similarly to defensive realists, liberalists also argue that China's domestic needs are amongst its limitations to act as a revisionist state internationally (Johnston 2003; Medeiros & Fravel 2003; Reilly 2011; Qin 2008, Wang 2011). In this regard, liberalists look at China's domestic politics and identify the Chinese Communist Party's (CCP) need to deliver economic benefits to remain in power.

¹¹ Other defensive realists are: (Glaser 2011; Jervis 1978; Lynn-Jones 1998; Snyder 1991).

Traditionally, liberalism has taken a more positive approach to international relations than realism. Liberalism premises that wars are the exception to the rule, because they are quite rare in modern times (Reilly 2011). It argues that international institutions have helped to counter the anarchic nature of the international system. Likewise, it believes that international institutions have motivated states to participate and cooperate, made behaviour expectations from other states more reliable, and could organise the international system away from the zero-sum calculations of the security dilemma. Moreover, it presumes that institutions have made cooperation amongst states possible. On this subject, the increased participation of the Chinese government in Latin America's regional institutions and organisations is deemed as a positive step towards multilateral cooperation.¹²

In addition, liberalist analyses have a strong focus on economics (Reilly 2011), where economic cooperation is assumed to offset the possibility of confrontation. In Latin America, a military confrontation with China is less a concern than economic dependency. Thus, there is a slight difference to this emphasis on economy and trade in the Latin American perception. The historical context and local experiences in Latin American countries lead the local actors to question the positive effect of economic cooperation and trade to economic development, as well as to consider the possibility of becoming too dependent on China. Notwithstanding this, the Latin American hybrid IR perspective takes the liberalist approach to China's rise to support the underpinning influence of the traditional IR assumptions, adapting its economic analysis to the historical and local context.

Liberalist analysts of China's rise subscribe to the sub-theories of economic interdependence and institutional liberalism; amongst some of their proponents are Medeiros and Fravel (2003) and Qin Yaqing (2008). For instance, Qin Yaqing, a Chinese scholar who is well known in the US argues that China's participation in the World Trade Organisation (WTO) and International Monetary Fund (IMF), as well as

¹² This aspect of Sino-Latin American relations will be examined in the next chapter.

in UN peacekeeping operations, is an indication of China's intention to become a responsible stakeholder, pointing out that with these interactions China is gaining a stake in the international system. Also, Qin discusses how it is in China's best interest to avoid conflict with its neighbours and with the US, and to cooperate with, and integrate itself into, the international system. Although he does not identify himself as a liberalist, his arguments coincide with the proponents of this perspective (Qin 2008; 2011).

Leading approaches to China's rise

This thesis draws on the traditional assumptions of both realism and liberalism, and their sub-theories, to understand what constitutes the mainstream international relations perspective on China's rise. The anarchic nature of the international system, the focus on states as unitary and homogeneous actors in international affairs and power politics, are constant elements in the analysis of how China is being understood by other international actors. They are the main assumptions of the Latin American hybrid IR perspective.

The leading approaches to China's rise have a strong influence on the way China's international image has been built and China's international behaviour perceived. Offensive and defensive realism and liberalism analyse Chinese investments overseas and offer them as examples of their idea of a unitary Chinese actor. Therefore, it is important to this analysis to put forward this mainstream understanding, and to have a clear grasp on the concepts and assumptions that inform the local concerns and perceptions about China and China's international behaviour in Brazil, Venezuela and Ecuador.

International relations perspectives in Latin America

As important as the leading IR approaches to China's rise are to understanding how China is analysed by other international actors, they are not equal to the dominant

IR perspectives in Latin America. It is true that realism and liberalism have a strong hold on the study of international relations in the region; but they alone do not represent in full the mainstream theoretical approach (Merke 2005; Tickner 2003, 2009). It is paramount to this analysis to grasp the prevalent IR perspective in the region, so that it is possible to comprehend the way it weighs on the perception of China's international behaviour and Chinese international image in Brazil, Venezuela and Ecuador. The lenses through which Chinese behaviour in Latin American countries is analysed could improve the understanding of the challenges to Chinese foreign policy in this region.

Latin America's geographical location and its history, colonial and post-colonial, impact upon the IR discipline's development in the region. The common experiences amongst Latin American countries related to their colonial past, the continued dominance of the US in the region and the social and economic challenges they face, are all factors that have helped shape the way international relations is studied and the emergence of what is called the 'Latin American hybrid' approach to international relations (Merke 2005; Tickner 2003, 2009).

Tickner's analysis of international relations theories in the Latin American region has found that North American IR classical theories have dominated the study of international relations in Latin America; while the published IR literature in the region suggest a critical take on the traditional IR approaches (Tickner 2003, 2009). Tickner explains that this is a result of the strong influence of the North American IR tradition in Latin American universities, or at least in the ones with IR programs. She comments that Latin American academics are trained within the classical tradition, either locally or at universities in the US or Europe.

She draws attention to the fact that in most cases IR lecturers at Latin American universities are not IR scholars, but come from different disciplines such as law, history and sociology. In her study, Tickner also emphasizes that contemporary debates in the field have not made their way to IR programs in Latin American

universities (Tickner 2003, 2009). That leaves the study of international relations with a prevailing influence of classical realism and liberalism, and consequently, with a strong take on their traditional assumptions.

Tickner also observes that the study of IR in the region has been measured by its practicality, that is, whether or not the IR students can translate their knowledge into practical jobs (2003, 2009). This is a pressing matter in Latin American countries, where studying social sciences is considered to be a high-risk move for the student's future. Economic constraints and financial priorities have made IR and other social sciences a hard choice for interested students, since in comparison to medical sciences, law or business, their employability is uncertain. However, as Tickner argues, the IR programs in Latin America have been traditionally linked to the government (2003, 2009). Most of the IR graduates leave academia to work in government ministries, in particular, foreign affairs ministries. This is relevant to this thesis because there is a link between academia and government officials in these countries, and it is assumed that the IR graduates have taken the influence of the classical IR theories onto their jobs in the government.

Nonetheless, history matters and past national experiences have produced a critical view on the classical IR perspectives amongst Latin American scholars. Perhaps the most relevant has been dependency theory, and even though its influence has waned throughout the years, its tenets are still part of the dominant Latin American IR perspective. Advocates of dependency theory reacted against modernisation theory by putting forward the idea that underdeveloped countries had unique structures of their own and were not just at a different stage of the modernisation process (Love 1980; Prebisch 1950).

The main arguments of dependency theory state that underdeveloped countries were the weaker states in the international system, that is, they were on the periphery due to the historical context and the distribution of the terms of trade, in which they were only commodity producers for the centre; the latter being the

developed countries from where they imported high-end manufactured products (Cardoso & Faletto 1979; Dos Santos 1968, 1978; Furtado 1974, 1976; Prebisch 1950). The supporters of dependency theory were strongly influenced by Marxism and imperialism theories (Lenin 1999; Luxemburg 2003); nevertheless, the Latin American stream of dependency theory from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) was more structural than its American counterpart (Baran & Sweezy 1966; Frank 1978, 1980, 1981).

Even after the failed attempt to apply the suggestions by dependency theorists in Latin American countries,¹³ some ideas have remained in the academia. Amongst these ideas, three are arguably the most dominant in Latin American IR studies. Firstly, although there is no central authority in the world system, this is characterised not by anarchy but by a hierarchy amongst states. Secondly, the terms of trade have been a defining factor in the hierarchy of the world system and, consequently, in the economic development of weaker states. Thirdly, underdeveloped, weaker states are the 'periphery' while the developed countries are the 'centre', because of the terms of trade in the world system. It follows that the way they have been integrated into the world system through the structure of trade has kept them impoverished and they should aim to break this cycle by any means (i.e. import substitution, protectionism, trade diversification, industrialisation, production of manufactured and high-end products, etc.) (Cardoso & Faletto 1979; Dos Santos 1968, 1978; Furtado 1974, 1976; Prebisch 1950).

Latin American IR scholars, in their adaptation of classical IR theories, have taken on these tenets that remain from the dependency theory, resulting in a 'Latin American hybrid' perspective of international relations. They understand the world through the lenses of classical IR perspectives adapted to national experiences and circumstances that the dependency theory assumptions help better explain. The Latin American hybrid IR perspective is, then, the result of the critical perception of

¹³ Import substitution in particular. For a detailed discussion on this issue refer to (Colistete 2009; Meyer-Stamer 1997; Rozenwurz 2006; Silva 2007).

anarchy-hierarchy of the international system, the existence of a centre-periphery in trade terms and of dependent and interdependent relationships, and, in particular, the understanding that external factors carry weight in domestic possibilities, amongst them economic development (Tickner 2003).

In addition, there are two relevant concepts in the Latin American hybrid IR perspective that are worth considering, since their sway in the local debates about China's influence is significant. These concepts are autonomy and sovereignty. Again, history matters, and the colonial past of Latin American countries has placed an overwhelming importance on these two concepts since their independence as a way of reassuring their place as separate units (states) in the international system. Consequently, autonomy and sovereignty concerns have been traditionally at the forefront of foreign policies and government agendas (Tickner 2003). Together, the classical IR perspectives, realism and liberalism, the tenets of dependency theory and the concepts of autonomy and sovereignty, shape the dominant Latin American IR perspective. They help Latin Americans make sense of the world and of their international relations with other countries.

Dominant IR Latin American perspective

The Latin American hybrid IR perspective is understood in this study as the dominant perspective of international relations in the region. The ideas embedded in this perspective pervade the local concerns emerging from Sino-Latin American relations. Worries about sovereignty, economic development, the consequences of trade imbalances and the concentration on commodities in their trade with China are constant arguments amongst the local actors in Brazil, Venezuela and Ecuador. In this sense, it is important for this thesis to clearly grasp the way this perspective informs the understanding of China's international behaviour and its influence on Chinese international image.

The Latin American hybrid IR perspective helps determine who China is in the eyes of Latin Americans, its behaviour and its image in the region. By considering its influence on Latin American actors, this analysis can address the understanding of what has been neglected in this perspective, and this could shed light on the challenges to Chinese foreign policy that arise from the mismatch between theory and reality in Latin American countries.

Leading international relations perspectives in China

There has been a vast amount of literature about a Chinese perspective of international relations over the past decade (Chan 1999; Chen 2012; Feng 2012; Qin 2009; Ren 2009; Shambaugh 2011; Wang 2009; Zhang 2002). Although the academic study of the discipline in China began in the 1980s, it already faces some of the same characteristics as in Latin America. Western perspectives, American in particular, have prevailed in the discipline of international relations in China. As a result, it has been quite difficult to fit these mainstream perspectives into the Chinese context, or to fit the Chinese context into them (Chan 1999; Wang 2009; Chen 2012). The Western influence on Chinese IR and the search for a local perspective that accounts for the Chinese experience are both consequences of history; as in the Latin American case, history and national experience are of paramount importance to the development of the academic discipline.¹⁴

Arguably, most of Chinese IR approaches to date have been strongly influenced by the classical theories of IR, realism and liberalism. At the very least, they share some of the traditional assumptions, and reinforce the Chinese government focus on unity and homogeneity in its foreign policy and international relations.¹⁵ They

¹⁴ After the introduction of the open-door policy in 1978, the state of the social sciences was deplorable as a direct consequence of the Cultural Revolution (Chan 1999). The study of IR then started in this context of limited openness, where not only did scholars not have the resources or the knowledge, but their work also had to comply with government directives (Chan 1999; Feng 2012; Wang 2009).

¹⁵ Even though no major breakthrough in this regard has been accomplished yet, there are some approaches to the IR perspective with Chinese characteristics or a 'Chinese school' of

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acknowledge the absence of a central authority in the international system, they take the state as the main actor, just as they assume the state to be a unitary, homogeneous and rational actor, and they are concerned with power politics and what motivates the behaviour of the states.

Chinese IR theorising has some or all of the following characteristics:¹⁶ it has been influenced by Marxism; it looks into Confucianism and other ancient philosophies to draw parallels to existing IR perspectives or take some elements to propose a new 'Chinese' perspective, and most of all it reflects the authoritarian nature of the Chinese state (Chan 1999; Feng 2012; Huckel 2012). As a result, hierarchy, morality, modernity and culture (Confucianism) are all important concepts embedded in the Chinese approaches to international relations (Chan 1999; Feng 2012; Huckel 2012).

Two more concepts are worth mentioning in this brief account of Chinese IR: sovereignty and autonomy. Like Latin American scholars, Chinese scholars have been concerned with these two concepts even before the inception of the IR discipline in China. This is a consequence of China's history and national experience. Beginning with the 'century of humiliation' as a parallel to the colonial period in Latin America, and the Mao years in which China was isolated from and by much of the outside world, sovereignty and autonomy have been two concepts that have remained important in Chinese foreign policy to reassure its place and its legitimacy as a member-state in the international arena (Chan 2012). Thus, both concepts have guided Chinese foreign policy and have remained important to Chinese scholars in their theorising of a Chinese IR perspective.

international relations that are resourceful and fruitful in terms of publications, like the Tsinghua school with its main proponent Yan Xuetong (Feng 2012; Yan 2011, 2012) and Zhao Tingyang's Tian-xia (Huckel 2012; Zhao 2005, 2009).

¹⁶ There is certainly a close relationship between scholars and the government, but overall, IR theories should have a practical end in Chinese rationale, they should be useful in guiding Chinese government officials in foreign policy-making and in understanding world affairs (Chan 1999; Lanteigne 2009).

IR perspective with Chinese characteristics

This study places a particular focus on the dominant influence of Western IR theories in Chinese IR theorising and an emphasis on the fact that the Chinese approaches to IR reflect the authoritarian nature of the Chinese state. On the one hand, classical perspectives, realism and liberalism in particular, still dominate the study of the discipline in China and their traditional assumptions are arguably not disputed by any of the Chinese approaches to the study of international relations.

On the other hand, the authoritarian nature of the Chinese state permeates across all disciplines of knowledge, including IR. Theory is measured in the way it guides the government in policy-making. This logic has dominated the study of the discipline in China and thus, reflects the Chinese system. It could be argued that the idea of one state, a unity of domestic interests championed by only one party spreads across perspectives and is predominant in Chinese IR approaches.

These elements are intended to legitimate the CCP to remain in power (Lanteigne 2009), but it is also true that they originated in Chinese history even though they attempt to describe Chinese contemporary reality. This thesis takes these elements as the logic by which the Chinese government portrays a unified image in its foreign policy and places a strong emphasis on the state's unity and homogeneity in its foreign affairs. The study of the major characteristics of Chinese IR is important to understand Chinese international relations and foreign policy; even though it is still nascent, it holds much potential for future development and analysis. This is an area of study that has much promise in the understanding of Chinese IR scholarship and foreign policy behaviour.

The theoretical framework of this study

This dissertation focuses on other actors and their perspectives on China, who is China in their perception, how they analyse Chinese behaviour, what elements are important in their understanding of Chinese foreign policy in their countries, how

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they see the bilateral relations with China, and how all of this influences their perception of China's international image. More importantly, it proposes a different approach to the subject and an alternative perspective on China's relations with Latin American countries which is likely to produce fresh insights about Sino-Latin American relations and Sino-foreign relation more broadly. The IR perspectives are taken into consideration just to point out that they underpin the analysis on China's rise and China's international behaviour and to analyse what elements of reality are not taken into sufficient consideration in their assumptions, so that a more complete account of reality could be achieved.

This thesis proposes that taking the prevalent elements of the dominant IR perspectives is helpful in building a realistic approximation of local perceptions. In doing so, it pays attention to the main elements from the dominant perspectives of international relations that have a strong influence on the academic analyses and common perceptions in Latin American countries.

The emphasis on the main assumptions of the classical theories and the leading approaches to China's rise (henceforth referred to as 'the mainstream perspective of international relations') enable the insertion of this analysis in the international context and the debate of current world events. It also acknowledges the predominance of these perspectives in the study of international relations in Latin America and their indelible impression to the Latin American hybrid IR perspective. Thus, the historical and the local context are recognised as relevant to address the analysis of how Latin Americans view the world.

The theoretical approach to the case studies of Brazil, Venezuela and Ecuador provides a clear example of how the local actors perceive Chinese international behaviour, potentially leading the way to pinpoint ways to narrow the gap between their perception and their expectation of the bilateral relation with China and official Chinese discourse.

To this end, this study analyses Chinese NOCs 'loan-for-oil' deals and other business projects in Latin American countries. The fact that Chinese NOCs are increasingly major international actors, different to the Chinese government, makes an interesting case study for the local perception of Chinese behaviour in these countries. The mainstream perspective of international relations leads the analysis of the pervading understanding of the role of Chinese NOCs, their relationship with the Chinese government and the logistics of the 'loan-for-oil' deals. This study has a particular interest in what this analysis has left outside its scope in this regard.

In the case studies, the Latin American hybrid IR perspective is the dominant perspective of international relations in Brazil, Venezuela and Ecuador. Its influence is predominant in the local debates across these countries, where most of the local actors argue against Chinese oil investments using its concepts and assumptions. In these cases, the interest of this study also lies in the elements that are not accounted for by the dominant perspective. The gap between theory and reality, what is being understood and what is left behind, is particularly relevant to this study because of the challenges this poses to a positive Chinese international image in these countries and in the region.

Chapter 2: An overview of Sino-Latin American relations

The Chinese government's renewed engagement with Latin American countries in most instances is included as an example of China's quest to expand its power in the international system vis-à-vis the US. In its analysis, it assumes 'China' is 'locking up' energy resources through its 'going out' strategy in Latin America, possibly creating a sphere of influence in a region that is geographically and historically in the US dominion. This perspective has linked the Chinese NOCs' 'loan-for-oil' deals in this region with China's aforementioned quest, also pervading the Latin American local perception of the relation between the Chinese government's 'going out' strategy and the Chinese NOCs' business behaviour. The analysis of Sino-Latin American relations thus must be related to the mainstream IR debate about China's rise.

The Chinese government's engagement with the world throughout the twentieth century has influenced the analysis of the mainstream perspective of international relations on China's rise, and has informed the Latin American hybrid IR perspective on the Chinese influence in the region. Even though Chinese foreign policy objectives have shifted to have a more pragmatic and less ideological tone, China's rise is still regarded as a possible threat to the international system by international actors, such as the US, and as a threatening geopolitical and economical influence in some countries in Latin America, for instance Brazil.¹⁷

South-South cooperation, win-win relationships, common development and multilateralism are predominant aspects of China's official discourse in its engagement with developing regions. In the Latin American case, this discourse has been strengthened by the release of China's policy paper on Latin America and the Caribbean in 2008 ('China's policy paper on Latin America and the Caribbean' 2008). In spite of the Chinese government's emphasis on these elements in its bilateral relations

¹⁷ Despite this change in China's foreign policy, many developed countries, particularly the US, have remained suspicious of China's economic might. 'The concern of many Western observers, however, is about what China's objectives will be in the future when its continued growth increases its power and whether or not China's global and regional interdependence will limit its capacity for a substantially assertive posture' (Harris 2008, p. 29).

with Latin American countries, the China threat perception¹⁸ has pervaded both the mainstream analysis about China's rise and Latin American perceptions of China's influence in the region.

Why has the shift in Chinese foreign policy discourse not had a strong influence on the mainstream analysis of China's rise? Why has the official Chinese discourse to Latin American countries not prevailed in the local perception of China's international behaviour? How does it all influence Chinese international image in the region? How does it challenge Chinese foreign policy?

The mainstream analysis of China's rise and the local perception of China's international behaviour in Latin American countries are heavily influenced by the historical context, not only of the evolution of Chinese foreign policy towards developing regions, but also of Sino-Latin American relations. The former reflects the shifts in domestic needs, the importance of ideology and the reaction to international events that has led to the transformation of Chinese foreign policy objectives. The latter has reflected the shifts in Chinese foreign policy towards developing countries, the international events of the time, and the distinct regional experiences of engagement with the world. Therefore, the mainstream literature on China, Chinese foreign policy and Chinese international behaviour, needs to be inserted into an historical perspective to better account for its challenges to current Chinese foreign policy in Latin America.

¹⁸ The China threat perception assumes that the Chinese government has, or will have revisionist behaviour in its foreign policy. To some scholars the China threat is tridimensional: economical, ideological and strategic (Broomfield 2003; Storey & Yee 2002b; Yee & Feng 2002). In opposition to this view, other scholars point to China's behaviour as that of a status quo power in the international system (Kerr 2008; Qin 2008). Still, a more nuanced perspective that acknowledges the presence of both postures in Chinese foreign policy describes it more accurately. The Chinese government, as do many others in developing countries, agrees with some of the institutions and rules of the international system, while disagreeing with some others (Chen 2012). Having a nuanced position on China's rise could improve the international engagement with China and weather down the anxiety emerging from the China threat perception. For an insight on the debates on the China threat perception, refer to (Broomfield 2003; Gertz 2000; Jeffery 2009; Roy 1996; Storey & Yee 2002a).

To this end, this chapter focuses on addressing China's foreign policy in Latin America, emphasizing its important shift following the economic reforms since 1978. It then outlines Chinese foreign policy towards the region in the 21st century, when Chinese foreign policy has had to face the widespread growth of the China threat perception in the region. It proceeds to analyse the implementation of the current Chinese approach and engagement strategies to Latin America. Finally, it reviews the most relevant academic literature that has recently analysed Chinese foreign policy towards developing regions, with a particular focus on those that address Latin America and Chinese oil investments.

Chinese foreign policy towards Latin America in retrospect

In 1978, as the Chinese government started its economic reforms, it shifted its foreign policy orientation to one that supported such reforms; this was a watershed moment in the history of Chinese foreign policy.¹⁹ This reorientation was influenced by the domestic context, which was framed by the implementation of the 'four modernisations' (agriculture, national defence, industry, and science and technology) and the ensuing change in national priorities and energy demand (Hebron 2011, p. 26). Although this shift has left an indelible mark on Chinese foreign policy discourse and strategies to engage the world, the mainstream perception of a revisionist China remains strong in the debate about China's rise. Sino-Latin American relations have been an example of the transformation of Chinese foreign policy, reflecting the changes in China's domestic context and largely the international mainstream perspectives of the time.

After the CCP took power in 1949 and established the People's Republic of China (PRC), Chinese relations with the world deteriorated throughout the 1950s to the 1960s. The

¹⁹ Qin argues the importance of this shift to Chinese foreign policy and diplomacy: 'It is only since the shift in its national goals and foreign policy objectives in 1979 that China's diplomacy has been comprehensively directed toward improving relations with the major powers. This is the first time in the history of the PRC that it has adopted a 'no enemy' assumption in its relations with major powers in the international system' (Qin 2008, p. 43).

Chinese government had a strong ideological influence that permeated its foreign policy discourse. For instance, the changes of strategies from 'leaning to one side' to the 'double anti', although different in their scope, are both examples of the ideological and reactionary nature of Chinese foreign policy of the time (Hebron 2011, Hickey & Guo 2011a). In spite of the Chinese government's efforts to improve its international relations, the PRC was regarded as revisionist and communist. Partly, to calm anti-communist concerns in neighbouring countries in Asia, then premier Zhou Enlai stated the five principles of peaceful coexistence at the Bandung Conference in 1955 (Mitchell & McGiffert 2007, p. 14). These principles were later seen as the backbone of the so-called Bandung Spirit and Chinese foreign policy.²⁰

The extent of the deterioration of the PRC's international relations was also observed in Latin America. By 1960, Cuba was the only country in the Latin American and the Caribbean regions to have established diplomatic relations with the PRC. Cuban diplomatic recognition came mostly as a result of the Chinese government's support of its break from the Soviet Union. This is an example that also illustrates China's 'double anti' strategy. It took another decade for a second Latin American country to establish formal diplomatic relations with the PRC, Chile in 1970 (Cheng 2006, pp. 500-501).

Latin American countries were important to the Chinese government in this period as part of its main foreign policy strategies of hostility against one or both Cold War superpowers to transform the bipolar system. In the 1960s, the Chinese government became active in assuming a leadership role in the neutral and non-aligned movements from the developing world following the Bandung Spirit. However, the Chinese government's strategy in Latin America in this period, in a region that was strongly perceived to belong to the US sphere of influence at the time, was 'highly doctrinaire, mostly stressing the need for rural guerrilla wars to seize power around Latin America' (Ratliff 2009, p. 4).

²⁰ 'The five principles: mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in internal affairs, equality and mutual benefit, and peaceful coexistence (Mitchell & McGiffert 2007, p. 14). These five principles continue to influence Chinese foreign policy today (Lanteigne 2009; Ministry of Foreign Affairs of the People's Republic of China 2000, 2004; Richardson 2010; Shambaugh 2013).

Although there were some political parties in Latin America which supported the Chinese government, such as the Brazilian Communist Party (Jiang 2006), only Colombia, Bolivia and Peru answered the Chinese international call for real Marxist revolutionaries to side with China against Soviet 'social imperialism', and set up serious guerrilla armies (Ratliff 2009, p. 5). Cuba, which at the beginning of the decade was promoted by the Chinese government as a revolutionary model for Latin American countries, found its relations with the Chinese government strained at the end of the decade due to ideological differences between Maoism and Castro-ism, an example of the ideological splits of the time (Ratliff 2009, pp. 4-5).

The domestic context in China in the early 1970s did little to change the Chinese government's foreign policy orientation as revisionist (Lieberthal 2004; Saich 2011). This orientation was strengthened by the introduction of the 'theory of the three worlds' and the practice of 'triangular diplomacy' to manage Chinese international relations. According to this theory, the third world challenged the hegemony of the superpowers (Hebron 2011, p. 23). That meant that third world countries were revisionist in nature, and the Chinese government pictured itself as their leader. However, the international context suddenly changed when the United Nations admitted the PRC in 1971 as an official member, and especially when Mao Zedong received a US delegation in 1972 led by then president Richard Nixon and one of his advisors, Henry Kissinger (Hebron 2011; Lanteigne 2009).

The US change in strategy towards China greatly improved Chinese relations with Latin American countries, explicitly after both countries came together against the Soviet Union, their common enemy, and agreed on a joint defensive strategy (Cheng 2006; Ratliff 2009). The establishment of diplomatic relations between China and Latin American countries followed from these events, and by the next decade the only country in South America with no diplomatic relations with China was Paraguay. Also, bilateral trade with the region increased significantly from US\$30 million in 1960 to US\$100 million, with an annual average trade for the decade of US\$1.028 billion

(Cheng 2006, p. 501). Both facts demonstrate the strong influence of the US in the region and the consequences of the Cold War on Sino-Latin American relations.

After Mao's death and the arrest of the 'gang of four' in 1976,²¹ one of the most relevant shifts in Chinese foreign policy took place. As mentioned earlier, the implementation of the 'four modernisations' strategy and the economic reforms changed the orientation of Chinese foreign policy. During the 1980s, the Chinese government abandoned its ideological stance against the international world order and instead, began to pursue a more pragmatic bearing in its international relations, one that served its economic development (Lieberthal 2004; Naughton 1995; Shambaugh 1995; Zhou 2008, pp.116-118). As a consequence of this shift, Chinese foreign policy no longer supported the Marxist call for revolution against imperialism in developing countries.

By the mid-1980s this change further developed, leading the Chinese government to promote an 'independent foreign policy' reinforcing the significant reorientation of Chinese foreign policy from ideological to pragmatic (Hickey & Guo 2011b, p. 5; Levine 1995; Robinson 1995; Qin 2008; Zhou 2008). Also, aimed at improving its international image,²² the Chinese government began increasing its commitments to multilateral institutions and 'embraced much of the current world order's principles, rules, and norms for the conduct of international relations' (Hebron 2011, p. 27).

To Latin American and other developing countries, this shift in Chinese foreign policy meant that their relationships with China were no longer considered to be a priority. The focus of Chinese international relations was directed towards establishing good relationships with the developed world, which the Chinese government saw as

²¹ Refer to (Lieberthal 2004; O'Leary 1980; Saich 2011).

²² Since then, the Chinese government has been trying to dispel the concerns that have resulted from the China threat perception. Deng Xiaoping's (1989) '24 characters' guide to Chinese foreign policy is an effort aimed at this objective (Balderrama & Martinez 2010, p. 121). 'The 'guiding principle of twenty-four characters' is based on six central recommendations: observe world events with a calm mind; stand firmly; confront difficulties with confidence; keep a low profile; never assume a leadership role; take action' (Jiang 2008, p. 31).

paramount on their road to economic development. Consequently, China soon became a competitor amongst developing countries for foreign direct investments (FDI) and technological exchange (Hebron 2011; Ratliff 2009). As it is shown in table 1, FDI utilisation increased dramatically in the 1980s and the late 1990s.

Table 1: ‘The percentage of actual FDI utilization, 1979-1999’

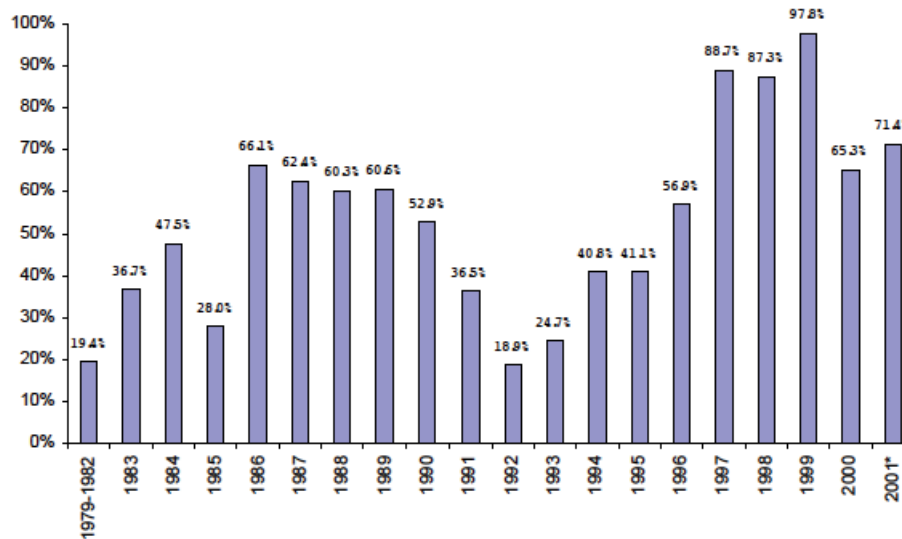


Figure 1: The Percentage of Actual FDI Utilization, 1979-1999
Source: China Foreign Economic Statistical Yearbook, 2000

Source: Fung et al. 2002, p. 20.

China became isolated internationally in the wake of the Tiananmen events in 1989 and the fall of communism in Eastern Europe from 1989 to 1991.²³ Facing this international context, the Chinese government directed its foreign policy towards developing countries once more. Nonetheless, during the 1990s, the Chinese government did not pursue major strategies to approach Latin America, instead, it focused its foreign policy on establishing diplomatic relations, strengthening its international relations, supporting China’s economic development and increasing its participation in multilateral organisations (Cheng 2010; Hebron 2011; Ratliff 2009).

²³ For further analysis on these historical events refer to (Fewsmith 2001; Lieberthal 2004; Meyer 2009; Smith 2005).

The restructure of government bodies, in particular in the energy sector (i.e. NOCs), as will be discussed later in this study, and the party's adaptation to the growing influence of successful entrepreneurs, enhanced the capacity to implement foreign policy strategies overseas by actors different to the Chinese government. Jiang Zemin's introduction of the 'three represents' in the party discourse shows not only the emphasis on adapting the party to include the new economic elites, but also the Chinese government's co-opting of entrepreneurs to support economic growth (Dickson 2010; Saich 2011). For example, the ban that prohibited recruiting private entrepreneurs to party ranks was finally lifted in 2002, but even before this development local officials had found ways around the ban to cooperate with successful entrepreneurs (Dickson 2010). These domestic shifts, by the end of the decade, paved the way to the emergence of a plurality of Chinese actors in Chinese foreign policy-making and international relations.

Following on Jiang Zemin's 'new security concept'²⁴ and China's accession to the WTO,²⁵ the Chinese government's attention to Latin America started to change at the turn of the century. Given China's rise as a major power in global affairs, the pace of economic growth needed to maintain the development of its national industries and the scarcity of national energy supplies,²⁶ the Chinese government introduced its

²⁴ The Chinese leadership under former president Jiang Zemin continued with the effort to send the message to the world that China had shifted its foreign policy bearing, and that ideology had become less important under the economic reform and opening policy (Harris 2008, p. 16). Jiang Zemin promoted a foreign policy of 'peace and development' with his pronouncement in 1999 of the 'new security concept'. This concept consisted of four main elements: mutual trust, mutual benefit, equality and coordination, also aiming at easing the anxiety over the China threat perception that had gained momentum at the time (Teng 2007, pp. 88-89). For further examination of Jiang Zemin's new security concept refer to (Finkelstein 2003; Gill 2007; Ministry of Foreign Affairs of the People's Republic of China 2002).

²⁵ For different perspectives on China's accession to the WTO, refer to (Bhattasali et al. 2004; Ianchovichina & Martin 2001; Li 2002; Shafaeddin 2004).

²⁶ China became a net importer of oil products in 1992 and of crude oil in 1993. It became clear then that China could not return to the era of energy self-reliance and net exports (International Energy Agency 2000, p. 13). The International Energy Agency in its 2000 China report affirmed that the Chinese economy 'had developed so far and so fast that, barring discovery of vast new energy resources, even complete rationalization and development of the energy sector could only limit, but not reverse, the dependence on imported oil' (International Energy Agency 2000, p. 13).

support to Chinese national oil companies to 'go abroad' as a strategy in 2000 (Zhu, n.d.).²⁷

With this strategy, the Chinese government supports the Chinese NOCs' business internationalisation and diversification of oil supplies, particularly in developing regions such as Latin America (Ellis 2009). 'Going out' has become one of the Chinese government's main international strategies to engage with the developing world, particularly when approaching resource-rich countries such as Venezuela and Brazil in the Latin American region. The trade of and investment in commodities and energy resources, especially oil, is the main objective of the 'going out' strategy (Dittmer 2010, p. 218). Chinese NOCs have implemented this strategy by venturing into business projects overseas, including the 'loan-for-oil' deals. Their pragmatic and aggressive business behaviour has at times clashed with other aspects of Chinese foreign policy; challenging Chinese international image.

In addition, the increased number and frequency of official Chinese visits to Latin American countries from 2000 onwards indicates this new level of interest in the region (Economic Commission for Latin America and the Caribbean 2010, p. 22; Roett 2010). In the implementation of the 'going out' strategy of international relations Chinese NOCs ventured to Latin American countries looking for business opportunities whilst the Chinese government concentrated on the bilateral relations through official visits, discourses and documents.

The China threat perspective started to regain momentum at the beginning of the 21st century, as the mainstream academic analysis on China's rise continued to debate China's future international behaviour (Lanteigne 2009). In Latin America, despite an engaging Chinese official discourse, the perception has pervaded amongst local actors who see China's influence as mostly negative to their countries. This could be explained on the one hand by the historical context of Sino-Latin American relations,

²⁷ For an in-depth analysis of this topic refer to (Bi & Zweig 2005; Eisenman et al. 2007).

and on the other hand by the current gap between perceived China's international behaviour and official Chinese discourse.

Previous Chinese behaviour in international relations, which, as already noted, was ideologically driven and revisionist in nature for many decades, could explain the anxiety about China's rise that has prevailed in the international arena. To ease international apprehension and improve China's international image, former president Hu Jintao launched the 'peaceful rise' strategy of international relations in 2003 and initiated China's call for a 'harmonious world' in international affairs in 2005 (Glaser & Medeiros 2007; Jiang 2008; Medeiros 2009; Teng 2007).²⁸ His main objective with these pronouncements was to allow the development of China in an enabling international context.²⁹ President Xi Jinping's most recent slogan 'Chinese dream' appears to follow on from the effort to abate tension over China's rise in the international arena.³⁰

The current Chinese government's official discourse towards Latin America is delineated by the logic of its foreign policy. The Chinese government's blueprint to Latin America and the Caribbean ('China policy paper to Latin America and the Caribbean' 2008) follows on the government's discourse of 'peaceful development' and 'harmonious world' in its international affairs. At its most basic, Chinese foreign

²⁸ The replacement of 'peaceful rise' by 'peaceful development' in some cases, and the use of both terms together in other official documents, exemplifies the distinct aim of the strategy against the China threat perception (Buzan 2010; Cabras 2011; Economy 2010; Glaser & Medeiros 2007; Suettinger 2004).

²⁹ For example, he pointed out that 'in pursuing peaceful development, China strives to advance both the fundamental interests of its own people and the common interests of the peoples of the world, and it plays a responsible and constructive role in promoting world peace and development' (Embassy of the People's Republic of China in the United States of America 2006).

³⁰ President Xi referred to the Chinese dream officially in a speech in November 2012, where he called for the joint efforts of the people to work together for the party and for the country, to realize the Chinese dream 'of national rejuvenation' ('China voice: salute builders of the "Chinese dream"' 2013). 'Chinese dream' has caught international attention because of its resemblance to the 'American dream', but its characteristics and whether or not this would be a new policy or slogan are not yet clear (Dzuba 2013; Gosset 2013; Guo 2013; Kuo 2013; Liu 2013; Sebag-Montefiore 2013; Stout 2013; 'Xi Jinping and the Chinese dream' 2013). President Xi said that his government hold only peaceful intentions and that the Chinese dream will be good not just for China but for the world (Stout 2013).

policy discourse derives from one statement that underpins its logic. 'As the largest developing country in the world, China is committed to the path of peaceful development and the win-win strategy of opening up' ('China's policy paper to Latin America and the Caribbean' 2008). It then underlines the adherence to the five principles of peaceful coexistence to promote friendly relationships and cooperation with other countries, and the willingness to 'build a harmonious world of durable peace and common prosperity' ('China's policy paper on Latin America and the Caribbean' 2008).

As vague as it is, the logic behind the main premise of current Chinese foreign policy is revealing to this analysis. There are three elements in this statement that show the main logic of Chinese foreign policy. First, it is clear that the Chinese government views itself as a developing country. This creates the idea of common ground and understanding in its relations with other developing countries. At a discourse level, this identification separates China from an imperialist image; it draws it together through the experiences of colonisation, oppression and national humiliation that developing countries had experienced at the hands of Western powers. This effort to evoke a feeling of fraternity amongst developing countries could be directed at softening China's previous radical image. It could also precede a connotation, that China is the big brother of developing countries and could help them, by engaging in friendly cooperation, on their paths to development.

In other words, the Chinese government tries to portray itself at the leader of the developing world and in doing so it alludes to anti-imperialistic and anti-colonial connotations. In conjunction, these elements are used discursively by the Chinese government to engage other developing countries as a leader amongst equals that shares their opposition to colonialism and imperialism, since China has gone through foreign invasion as well (Chinese Academy of Social Sciences researcher 2011, pers. comm., 12 July). Identifying China as a developing country has other advantages, such as receiving preferential treatment from international organisations (WTO, IMF, WB) and using it as a license to engage with the world in a unique way that sometimes does

not agree with international mainstream standards (i.e. providing aid and/or investments without strings attached).³¹

Second, the Chinese government is still concerned about the spread of the China's threat perception, that is, promoting a positive Chinese international image is amongst its main priorities. Chinese foreign policy is explicitly committed to a path of peaceful development. This statement tries to resolve any doubts about China's behaviour in the international system. It is trying to move on from the previous image of Chinese foreign policy as radical and highly ideological. Implicitly, this element presents the idea of China as an international actor that wants and seeks peace in the international system. It does not state clearly that it is a responsible stakeholder, but it certainly suggests that the Chinese government will not be looking to overthrow the system while China is still developing. Possibly, this underpins the explicit mention of the five principles of peaceful coexistence as a subsequent idea to the main premise. In a similar way to the first element, this also has the connotation of China as an anti-imperialist power, which supports the feeling of shared experiences with other developing countries.

Third, the Chinese government understands opening up as essentially a win-win strategy. The overriding logic is that increasing trade flows will lead to common prosperity. Therefore, the main suggestion from this element is that prosperity is measured by advancement in economic development, which is the ultimate goal. As already mentioned, this is appealing to developing countries, since irrespective of their level of economic development, it is a shared national objective. However ambiguous in its pronouncement, the implication is that Chinese foreign policy would promote and enable common economic prosperity and development in its bilateral relations. This has translated to the local expectations of Chinese international behaviour. In

³¹ One of the most popular examples of this was the Chinese government's alleged violation of the international arm embargo to Sudan in 2008, specifically since at the time the Sudanese government was accused by the United States of genocide in Darfur (Andersson 2008; Yardley 2008).

Brazil, Venezuela and Ecuador its implementation has certainly been problematic, and has resulted in unforeseen negative consequences to China's international image.

These three elements are embedded in the Chinese foreign policy approach to Latin American and Caribbean countries. The basis of the Chinese government's strategy in this region is based on the ideals of enhancing solidarity and cooperation as an essential part of China's independent foreign policy of peace ('China's policy paper on Latin America and the Caribbean' 2008). At the same time, the Chinese government has clearly stated that their relations with countries of this region are framed within a strategic view, seeking 'to build and develop a comprehensive and cooperative partnership featuring equality, mutual benefit and common development' ('China's policy paper on Latin America and the Caribbean' 2008).

In this basic understanding of the Chinese blueprint for Sino-Latin American relations, there are two central ideas that are congruent to the three elements previously discussed. The first is the emphasis on solidarity and peace in Chinese foreign policy. Part of this emphasis is to level China with other developing countries, to evoke the feeling of fraternity amongst them, focusing on cooperation with common development, while reinforcing Chinese foreign policy as anti-imperialist. With these at the forefront of Chinese foreign policy to Latin American countries, the Chinese government is trying to promote a positive international image in the region.

The second refers to the Chinese government's focus on establishing that Sino-Latin American relations are seen from a strategic view of partnerships that will enable mutual benefit and common development. The important place of these ideas in official Chinese discourse connotes the Chinese emphasis on economic development and win-win results in its bilateral relations. This implication suggests that these are the Chinese expectations from Sino-Latin American partnerships, further strengthening the local expectations of a China's international behaviour conducive to local economic development and benefits.

These are the main underlying premises that support Chinese foreign policy objectives towards Latin American countries as established in China's policy paper on Latin America and the Caribbean in 2008. Chinese foreign policy logic and aims towards developing countries, and Latin America in particular, have been constant across official documents ('China's policy paper on Latin America and the Caribbean' 2008; Embassy of the People's Republic of China in the United States of America 2008a, 2008b; Ministry of Foreign Affairs of the People's Republic of China 2008). The key Chinese objectives in Sino-Latin American relations are to 'promote mutual respect and mutual trust and expand common ground; deepen cooperation and achieve win-win results; draw on each other's strengths to boost common progress and intensify exchanges', and the commitment to honour the one China principle ('China's policy paper on Latin America and the Caribbean' 2008).

The first three objectives reflect the Chinese government's emphasis on economic development as the underlying logic of its foreign policy. The Chinese goals in Sino-Latin American relations concentrate on enhancing and strengthening the strategic value of the relationships and direct the attention to both parties' major concerns. This consideration leads to the Chinese proposal of becoming 'each other's partners in economic cooperation and trade for mutual benefit and common development' while also supporting in conjunction the promotion of 'development and progress of human civilization' ('China's policy paper on Latin America and the Caribbean' 2008).

The Chinese government has high expectations in its foreign policy towards Latin American and Caribbean countries. The promotion of common development and mutual benefit, in other words, of economic development and win-win results that lead to the former, is a rather attractive and engaging discourse towards developing countries in general. Regardless of the stage of economic development, most of the countries in this group need large amounts of foreign investment to fund national projects (i.e. infrastructure and social), as well as share the urgency to develop at a fast pace to meet their mounting social and economic problems. However, boosting economic development cannot be achieved only by encouraging bilateral trade and

investment with other countries, such as China; it is mainly a national project and the local government's responsibility.

This means that the Chinese government's discourse to Latin American countries is difficult to carry through. Here the Chinese discourse reflects China's foreign policy logic of trade as enabling economic development and prosperity. In Latin American countries this line of thought is debatable if the local concerns, like commodity dependence, and the domestic context are examined. Despite all this, the local expectations of China's international behaviour in Brazil, Venezuela and Ecuador are still informed by Chinese government's official discourse.

In addition to the Chinese objectives for its approach to the region, there are subsequent goals pertaining to each area in the Chinese agenda for Sino-Latin American relations. The four main areas are political, economic, cultural and social aspects, and peace, security and judicial affairs ('China's policy paper on Latin America and the Caribbean' 2008). The political goals³² enhance the Chinese government's commitment to sovereignty and describe China as the largest developing country.

The economic goals are focused on trade, cooperation in investment, finances, industries, resources and energy, as well as infrastructure construction amongst others. The implementation of this area of the agenda has been criticised by the local actors in Brazil, Venezuela and Ecuador. The main reason behind this criticism is the gap between the expectation and the perception of China's international behaviour in this aspect. The commentary on each subsequent goal in the economic area follows the logic of promoting economic development as an end in itself to produce win-win results in the bilateral relations.

Thus, in relation to trade, the Chinese government proposes, 'in the spirit of equality and mutual benefit', to 'expand and balance two-way trade and improve trade

³² The goals in the political field are: high-level exchanges, exchanges between legislatures, political parties and local governments, and cooperation in international affairs ('China's policy paper on Latin America and the Caribbean' 2008).

structure to achieve common development' ('China's policy paper on Latin America and the Caribbean' 2008). In investment cooperation, for instance, Chinese companies are prompted to invest in the countries in the region to advance joint economic and social development. In sum, the subsequent goals in this area carry on the discourse of mutual benefit and win-win cooperation in Sino-Latin American relations that has misled the local expectations of Chinese international behaviour. In spite of having an engaging and attractive official discourse, Chinese international image has not had a dramatic improvement after the release of the policy paper in 2008.

Altogether, the predominance of the mainstream perspective of international relations in the analysis of China's rise and Chinese international behaviour; the Latin American hybrid IR perspective in informing the local perception of China; and the focus on state unity and homogeneity in foreign affairs by the Chinese government, have reinforced a local expectation of China's international behaviour that cannot be met in practice.

Assuming that China is a coherent and unified actor, other international actors (i.e. Latin American governments, IR scholars, activists, institutional organisations such as workers' unions and industry chambers of commerce) perceive any action by any Chinese actor as following Chinese government orders and pursuing its interests, i.e. the Chinese NOCs. But the existence of a plurality of Chinese actors in foreign policy and international relations renders this assumption unsustainable.³³

This approach equates the NOCs' business behaviour with China's international behaviour to the detriment of Chinese international image. This is the case particularly when the NOCs' aggressive business behaviour differs from reaching a win-win relationship that could promote common development for all the parties. The situation leads to a misinterpretation of 'Chinese' interests and questions China's 'real intentions' in the region, promoting the widespread growth of the China threat perception. It has led to a misinformed local perception of China's international behaviour and to its gap with the aforementioned official Chinese discourse.

³³ This issue will be addressed in the next chapter.

As a result, local Latin American actors have continued to debate China's threat to their countries, motivated by a myriad of reasons including trade imbalances, fear of China exporting communism to the region, the consequences to the countries' bilateral relation with the US, China's 'real' interests in Latin America and the risk of falling back to a dependency model that does not contribute to economic development (Blasquez-Lidoy et al. 2006; 'China, amenaza para America Latina' 2011; Gutierrez 2011; Lora 2004, Malvina-Sosa 2008; Martinez 2004; Moreira-Valdez 2011; Oppenheimer 2005).

The implementation of the Chinese official approach to Sino-Latin American relations

Following the implementation of the 'going out' strategy, both Chinese trade with Latin America and the level of political and cultural engagement with the region increased (Ellis 2009). Politically, the Chinese government has developed strategic partnerships and comprehensive strategic partnerships with major, resource-rich countries in the region, such as Brazil, Chile, Mexico and Venezuela.

The concepts of strategic partnership and comprehensive strategic partnership have been used by Chinese government officials vaguely, and in most cases they only mean Chinese willingness to increase the bilateral cooperation between the two nations with an emphasis on economic development and trade.³⁴ For example, on the strategic partnership between China and Venezuela, a spokesperson from the Ministry of Foreign Affairs of China (MOFA) replied that there was no other meaning to the 'strategic partnership for common development' between the two nations than the partnership was 'pursuing common development through increased bilateral cooperation' (Ministry of Foreign Affairs of the People's Republic of China 2001).

³⁴ While Chile was welcomed as a new strategic partner, Brazil and Mexico have recently 'upgraded' their strategic partnership with China to a comprehensive strategic partnership. Nevertheless, they continue to reinforce the same vague official discourse of mutual trust, mutual investment, common development, and high-level official and cultural exchanges, to mention a few ('China, Brazil upgraded ties to strategic level' 2012; Deng 2012; Lara Moreno 2013; Pena Nieto 2013; Zhang 2012; Zhang & Liang 2013).

However, the establishment of strategic partnerships for common development has fuelled local expectations of a China's international behaviour that should be favourable for win-win relationships and common development. The Chinese government has reinforced this expectation by projecting a unified image and adding successful business projects from Chinese actors as winning results from its high-level official visits. For instance, it has included the official signing of the Chinese NOCs' 'loan-for-oil' deals in the context of an official visit, strengthening the local perception of China as a unitary actor, where there is a vertical hierarchy of command from the Chinese government to the Chinese NOCs.³⁵ In this way, the local perception of Chinese NOCs' business behaviour as China's international behaviour is encouraged, and their gap is widened when win-win results and common development are not met by the Chinese NOCs' business agenda.

Illustrating the Chinese government's increased engagement with the region, there have been an increasing number of high-level official visits from Chinese government officials to Latin American countries and from Latin American heads of state and delegations to China. In 2001, former president Jiang Zemin toured Latin America and the Caribbean, visiting Chile, Argentina, Uruguay, Brazil, Venezuela and Cuba, while receiving delegations from Peru, Chile, Mexico and Venezuela in Beijing. He then returned to Mexico in 2002 to attend an Asia-Pacific Economic Cooperation (APEC) meeting, and hosted visits from Ecuador (2002 and 2003), Uruguay (2002), Cuba and Guyana (2003) (Economic Commission for Latin America and the Caribbean 2010, p. 22).

Former president Hu Jintao was even more active in this regard, starting in 2004 with the most well-known Chinese official visit to Latin America. His four-leg tour to Chile, Brazil, Argentina and Cuba, avoided stopping in any of the countries that, at the time, overtly opposed the US in their official discourse, like Bolivia, Ecuador and Venezuela (one of China's strategic partners). This showed a growing concern from the Chinese government about these countries' regimes, particularly because local and

³⁵ The case studies provide a detailed analysis of this topic.

international perceptions of its relationships with these countries (specifically with Venezuela) had already drawn attention to possible political and ideological links (Ellis 2008, p.18, 2009; Erikson 2006, p. 87).

Former president Hu Jintao returned to visit Latin American countries in 2005 (Mexico), 2008 (Peru, Costa Rica, Cuba) and 2010 (Brazil, Venezuela and Chile). Latin American delegations continued to visit China on a yearly basis: in 2004, Argentina, Brazil, Venezuela and Suriname; in 2005, Peru and Colombia; in 2006, Venezuela and Bolivia; in 2007, Costa Rica; in 2008, Peru, Chile, Mexico, Brazil and Venezuela; and in 2009, Chile, Brazil, Venezuela and Uruguay (Economic Commission for Latin America and the Caribbean 2010, p. 22). Recently, in 2011, Xi Jinping, the then vice president, had a four-leg tour that included Italy, Cuba, Uruguay and Chile, where in Santiago he addressed the ECLAC ('Vice president eyes boosting common development of China, Latin America' 2011).

Furthering the local expectations of a homogeneous Chinese international behaviour, in June 2012, former premier Wen Jiabao attended the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro, and paid official visits to Brazil, Chile, Argentina and Uruguay (Lu 2012; 'Premier Wen attends Rio+20, tours Latin America' 2012). During this trip, Wen established a strategic partnership with Chile, a comprehensive strategic partnership with Brazil and deepened bilateral ties and cooperation with Argentina and Uruguay ('China, Brazil upgrade ties to strategic level' 2012; Qin & Zhou 2012; 'Wen's Argentina visit to boost bilateral ties: Chinese diplomat' 2012; Zhang 2012).

Likewise, on his first official visit as a head of the Chinese state to the Latin American region, President Xi Jinping visited Trinidad and Tobago, Costa Rica and Mexico in early June 2013, when the bilateral relations with the latter was 'upgraded' from a strategic partnership to a comprehensive strategic partnership ('From pivot to twirl, the Chinese leader tries a smooth move in America's backyard' 2013; 'President Xi Jinping visits three Latin American nations, meets Obama in US' 2013; 'Xi Jinping heralds new

‘golden era’ for Latin America’ 2013; Zhang & Liang 2013). These examples have been inserted in the mainstream debate about China’s rise by leading IR scholars,³⁶ supposedly demonstrating China’s quest to expand its power into the US natural sphere of influence (‘From pivot to twirl, the Chinese leader tries a smooth move in America’s backyard’ 2013).

The frequency of the visits and the high-level government officials touring with the delegations, are an indication of the Chinese government’s increased engagement with the region, while it also shows China’s increased importance to Latin American countries. The visits have been more than official tours; they have been one of the tools with which the Chinese government has delineated and made public its foreign policy towards the region through official press statements, speeches to Latin American congresses and regional forums.³⁷ They have also provided the opportunity to the Chinese government to include the signing of the agreements on oil trade as successful advances in the common development and mutual benefits of the bilateral relations. For instance, during late president Hugo Chavez’s visit to China in 2004, the official signing of a Chinese NOC deal with PDVSA took place, which established a business project to operate oil fields in the country and invest in new refineries (‘Venezuela and China sign oil deal’ 2004).

Another example of the role the visits play in bolstering Sino-Latin American relations and portraying Chinese international image as a unified entity is the signing of nine agreements, including agriculture, mining, banking and telecommunications during the then vice president Xi Jinping’s visit to Chile in 2011 (Chen 2011). Finally, President Xi Jinping visited Mexico recently and signed what has been labelled as the ‘Tequila agreement’ to promote the Sino-Mexican trade in tequila and pork, and increase both the flow of tourism and the number of scholarships available to Mexican students to study in China (Mallen 2013; Kahn 2013; Resendiz 2013; Mexico, Presidencia de la

³⁶ See for example the academic work of offensive realists like John Mearsheimer (Kaplan 2012; Mearsheimer 2001).

³⁷ See for example (‘Chinese president urges joint efforts to expand economic cooperation with Mexico’ 2013; Embassy of the People’s Republic of China in New Zealand 2012; ‘Hu pledges strategic partnership with Brazil’ 2004).

Republica 2013). These examples illustrate the way these visits have informed local expectations for a China's international behaviour that corresponds to the image of a unitary China, and, therefore, is conducive to the objectives of the Chinese official discourse.

Other examples of the Chinese government's increased engagement with the region in the last decade include the publication of China's first policy paper on Latin America and the Caribbean in 2008, China's participation as a member or observer in regional forums such as the ECLAC, the Organisation of American States (OAS) and the Latin American Integration Association (ALADI), and in the specific case of Brazil, the elevation of the status of the Chinese ambassador in Brasilia to vice-ministerial rank in 2010 (Jakobson & Knox 2010, p. 9).

Culturally, Confucius Institutes have spread successfully in the region since 2006, from Mexico to Colombia, Chile, Peru, Argentina, Brazil and Costa Rica, opening the door to more cultural exchanges, expressly to Latin Americans who want to study in China sponsored by the Chinese government. On this subject, the opening of a Chinese cultural centre in Mexico City has been agreed with the Mexican government during President Xi Jinping's visit to the country, while, in reciprocity, a Mexican cultural centre is intended to open in Beijing (Mexico, Presidencia de la Republica 2013; 'Xi leaves Mexico for US' 2013).

Sino-Latin American relations: the academic literature

The engagement of the Chinese government with Latin America, as previously noted, has increased exponentially in the 21st century. From cultural and political exchanges, to participation in regional forums, the Chinese government's relationship with the countries in the region has taken an important place in Chinese foreign policy agenda. Although trade has been the most debated and analysed area of Sino-Latin American relations, there are two other trends that predominate in its analysis: the historical dimension of Chinese foreign policy to Latin America over time, and the political

dimension of Sino-Latin American relations in response to the longstanding history of US influence in this region and its geographical proximity.

The academic literature in these three major areas focused their analysis on a macro level, drawing on the mainstream perspective of international relations and the Latin American hybrid IR perspective. As a result, they understand China's international behaviour as the behaviour from any Chinese actor in their country, which they assume represents the interests and commands of the Chinese government. In other words, for them there is only one China acting through different agents.

The scholarly work on these areas has predominately neglected the existence of a plurality of actors and their interdependent relationship with the Chinese government. Thus, their review is important to this study in that it illustrates the mainstream analysis on China and China's international behaviour that pervades the local perceptions of China's image. It also delineates the existing literature's limitations in grasping the implementation of the 'going out' strategy by different Chinese actors in coordination with the Chinese government.

Trade analysis

First, trade analysis has been amongst the most recurred methods of engaging with the study of China's rise in Latin America. There has been plenty of literature in recent years about trade flows, composition of commerce and economic consequences to China's Latin American counterparts (Ellis 2009; Fernandez & Hogenboom 2007; Gallagher & Porzecanski 2008; Gonzalez 2008; Li 2007b; Rosales 2010; Santiso 2007; Teng 2007). Most of the authors with an interest on the impact of China in Latin America from an economic perspective have analysed the complementarity of Latin American economic structures with China or the lack thereof. Generally, their studies have taken China as a unitary and homogenous actor leaving aside the presence of a plurality of Chinese actors conducting business in Latin American countries.

For instance, they have concluded that China represents a major opportunity to diversify and improve the economies of the countries in the Southern Cone, like Chile, Peru and Argentina. By contrast, China's impact on the economies of Mexico and Central American countries, like Guatemala and Belize, has been generally negative, arising at the same time as their main competitor in their most important market: the US (Ellis 2009; Fernandez & Hogenboom 2007; Gallagher 2010; Gallagher & Porzecanski 2008; Gonzalez 2008; Leon-Manriquez 2006; Li 2007b; Rosales 2010; Santiso 2007; Teng 2007).

It is not surprising that the literature has focused on Sino-Latin American trade given that its flow has increased greatly in the last decade. Although the percentage of trade flow between the region and China is small in comparison to other regions like South East Asia, it is noteworthy that by 2008 it had increased from 1% in 2000 to 6% in 2007 (Phillips 2010). The total exports and imports statistics with specific countries show the significant role Sino-Latin American trade has taken during the last decade, to the advantage or disadvantage of the trading partner.

The new importance of China to Brazil, Chile and Peru, and Ecuador, Mexico and Guatemala, becomes apparent and worrisome to varying degrees to Latin Americans. Brazil, Chile and Peru have had a surplus of trade with China overall, while Ecuador, Mexico and Guatemala had trade deficits in 2010 (Economic Commission for Latin America and the Caribbean 2012). These results show the general trend in these countries' trade with China between 2000 and 2010, as shown in table 2 and figure 1.

Generalisations about the region as a whole are quite misleading if the particularities of each country's economic relationship with China are not considered. Moreover, the socio-political and historical contexts need to be addressed when analysing the Chinese government's approach to the region and to each individual country. These are reflected, for example, in the local debates about China's influence and perceived Chinese international behaviour.

Table 2: Balance of trade of Latin American selected economies with China, 2000-2010

Year /Country	Brazil	Chile	Peru	Ecuador	Mexico	Guatemala
2010	11526170.83	7466353.804	310589.671	-1277824.027	-41411648	-948712.615
2009	5216671.442	6330362.038	809126.991	-976075.819	-30321179.1	-1006002.492
2008	4279686.855	869539.079	-334495.21	-1248897.265	-32645558.14	-808700.026
2007	-3636983.379	5455983.59	577531.617	-1085185.1	-27848640.81	-719666.535
2006	-1868940.723	1782057.884	684998.878	-633454.334	-22750167.85	-423305.489
2005	413025.77	2355849.189	802932.159	-614528.208	-16560794.69	-715414.471
2004	1480477.822	1532106.673	476575.116	-654236.803	-13899707.94	-130074.146
2003	1731268.569	683222.976	36992.876	-468223.934	-8425905.644	-150674.664
2002	2385564.158	123493.446	134186.098	-205032.205	-5619858.447	-142757.998
2001	966985.031	51937.095	72673.088	-213747.999	-3642040.148	-123169.646
2000	573732.892	-47726.607	153867.968	-18317.588	-2567695.89	-40885.056

Source: Economic Commission for Latin America and the Caribbean 2012.

Continuing with economic relations, Latin American exports to China are highly concentrated in certain products, such as minerals, fuels, food, and industrial raw materials. For example, 72% of Brazilian exports to China are condensed in only 3 products: iron ore, soy and oil; Chile's 76.2% in copper and cellulose. Likewise 84.8% of Colombian exports are reduced to iron-nickel, copper and oil, and Ecuador's 84.5% of exports in oil and copper (Latin American Network for Research on Multinational Enterprises 2009, p. 75).

Because of the socio-political and historical context, these figures have an important contribution to the way China is perceived by Latin Americans. Therefore, it is imperative to understand the unique characteristics and possible implications of the local debates regarding China's role as a trading partner and what challenges these pose to Chinese foreign policy. Is commodity dependency seen locally as a winning result? Does it lead to common development? The effects of Sino-bilateral relations are diverse in Latin American countries; perhaps the official discourse should include them to produce a more realistic local expectation of Chinese international behaviour.

Historical and political analysis

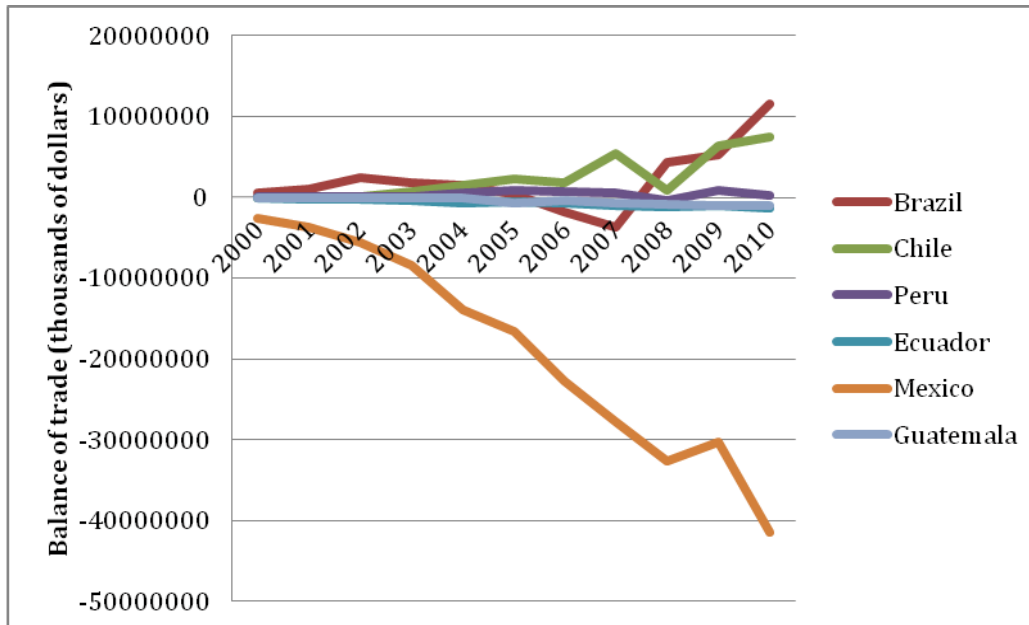
The scholars focusing on the second and third major trends in the academic literature on Sino-Latin American relations have tried to fill the gap left by the preceding trade analysis. The historical analysis of Sino-Latin American relations has been carried out following the evolution of the interaction amongst Latin American states and China. This valuable effort has resulted in general and descriptive accounts of Sino-Latin American relations and tended to concentrate on the analysis of trade flows, that is, on the economic characteristics of the relationship (Jiang 2006; Xu 2006). There have been some other studies in this trend that have emphasised the one China policy, especially the competition between the Republic of China (ROC) and the PRC for diplomatic recognition amongst the last countries in Latin America and the Caribbean accepting Taiwan (Erikson & Chen 2007; Mendelson Forman & Moreira 2008, 2009; Watson 2004).³⁸

Other scholars, like Cornejo and Navarro Garcia (2010), have tried to provide a holistic view of Chinese relations with the region by encompassing several topics in their assessment, such as trade imbalances, the Taiwan issue and the potential for collaboration on multilateralism. Following on the attempt to provide holistic studies on Sino-Latin American relations, there has been a significant body of academic literature centred on the political dimension of the Sino-Latin American relationship (Ellis 2011, 2012; Li 2007a; Paz 2006; Phillips 2010; Ratliff 2009; Zhou 2008). But most of these analyses approach their study with the objective of understanding the emergence of China's influence in the Americas and its implications for US hegemony in the continent (Eisenman et al. 2007; Hickey & Guo 2010; Roett & Paz 2008).³⁹

³⁸ The Latin American and the Caribbean countries that officially recognise the ROC are Guatemala, Belize, Nicaragua, El Salvador, Honduras, Paraguay, Panama, Dominican Republic, Haiti, St. Kitts and Nevis, St. Vincent and the Grenadines, and St. Lucia (Erikson & Chen 2007; Mendelson Forman & Moreira 2008).

³⁹ In this regard, these three edited volumes are of particular relevance in the academic literature, *China's expansion into the Western hemisphere, implications for Latin America and the United States* (Roett & Paz 2008), *China and the developing world, Beijing's strategy for the twenty-first century* (Eisenman et al. 2007), and *Dancing with the dragon: China's emergence in the developing world* (Hickey & Guo 2011a).

Figure 1: Balance of trade of Latin American selected economies with China, 2000-2010



Source: Economic Commission for Latin America and the Caribbean 2012, author's figure.

In spite of their value as holistic studies, they still have the shortcoming of addressing the subject only at a macro level. As a consequence, Latin America has been inserted as another developing region where China is emerging as an important influence, and, thus, it has not been seen as a significant region to China when compared to others (i.e. Middle East, South East Asia and Africa) (Eisenman et al. 2007; Hickey & Guo 2010; Roett & Paz 2008).

Hearn and Leon-Manriquez (2011) present an exception to this trend. Even though some of the chapters in this edited book use the mainstream perspective of international relations as their theoretical framework, they provide specific examples that give a voice to Latin American perspectives on their engagement with who they perceive as China. Nevertheless, a majority of these examinations continue to neglect the importance of considering the presence of a plurality of Chinese actors in Sino-Latin American relations.

There are other academic analyses that advance a China model for Latin American countries. In this logic, the countries in the region, particularly the ones with leftist governments, i.e. Venezuela, Ecuador and Bolivia, will use China as an alternative to move away from longstanding American influence. According to Ellis,

In addition to 'purely' economic interests, Latin America is interested in China because of the possibility that the Asian giant will help the region to offset the traditional political, economic, and institutional dominance of the United States, giving it greater freedom of action to pursue a more autonomous course politically (Ellis 2009, p. 28).

The approaches to Latin America in this group remain with a macro perspective (Fernandez Jilberto & Hogenboom 2010; Halper 2010; Kennedy 2010; Nye 2005; Ramo 2004). Consequently, they regard China as a unitary and homogenous actor in the international system. For them, Latin American countries are places where the China model has become increasingly attractive, and where the so-called 'Beijing consensus' has gained popularity over the Washington consensus. It is of particular interest that most of these analyses emphasise the authoritarian characteristic of the 'Chinese model' and look for the implications to the US global position, implicitly showing that power politics underpins their assumptions (Halper 2010; Kennedy 2010; Nye 2005; Ramo 2004). A possible critical account of this analytical trend is represented by Fernandez Jilberto & Hogenboom (2010), whose edited volume examines the existence and the viability of the so-called 'Beijing consensus' in different Latin American countries.

Finally, referring to the literature that assesses Sino-Latin American relations vis-à-vis the US, Santibanes (2009) advocates an offensive realist view. He argues, for example, that 'as some nations move toward China and others do not, a similar situation to the one we saw during the Cold War, in which states supported by one superpower confronted those that received the support of the other, might emerge'. This seems to imply that Latin America will be the battleground for international power between the US and China.

According to this account, the northern Latin American nations would be placed under the American sphere of influence while the southern ones would adhere to China's position (Santibanes 2009). Although there are not many scholars who support this view, Santibanes' study is representative of offensive realists in his understanding of China's rise and influence in Latin America, and as such it is important to consider in the mainstream academic literature. However, there is no substantive evidence that supports this claim.⁴⁰ This perspective reinforces the understanding of China as a unitary and homogenous actor, subsequently neglecting the existence of a plurality of Chinese actors in Sino-Latin American relations.

Energy security

The academic works reviewed so far, whether they have concentrated on the economic or the political aspect of Sino-Latin American relations, have not included the Chinese NOC's energy investments in the region as a focus of their analyses. On this subject, a substantial amount of academic literature has emerged about China's need for energy resources (Bi & Zweig 2005; Cheng 2008; Constantin 2007; Downs 2000; Ebel 2005; Houser & Levy 2008; International Energy Agency 2000; Kleine-Ahlbrandt & Small 2008; Lampton 2007; Lieberthal & Herberg 2006; Medlock III & Myers Jaffe 2005; Pollack 2008; Wesley 2007).

In describing and analysing China's energy needs, the majority of the literature has approached its subject of study only from a macro perspective and with a strong influence from the mainstream perspective of international relations. It has overlooked the existence of a plurality of actors in the implementation of the 'going out' strategy. Thus, the resulting assessment supports the idea that China is in a quest

⁴⁰ At the moment, there is no substantive evidence to indicate that the Chinese government is pursuing an antagonistic political position against the US in Latin America. 'While China's engagement in Latin America appears highly dynamic at a moment when the U.S. influence has diminished sharply across the region, there are few signs of any real frictions between the U.S. and China in Latin America' (Erikson 2008, p. 11).

to secure its position as a global power employing an international energy security strategy.

Understanding China as a unitary and homogenous actor, these energy-related studies cover a number of more specific topics. One is the obvious Chinese search for non-renewable resources as a requisite for its continued economic growth (International Energy Agency 2000; Downs 2000; Ebel 2005; Lee 2005). It has been argued that this will also be necessary in order for the CCP to continue in power (Bi & Zweig 2005; Kleine-Ahlbrandt & Small 2008; Lampton 2007; Medlock III & Myers Jaffe 2005).

There are also studies showing the role of China as a supplier and buyer of energy resources and its position as an international investor. These track where such investments are taking place, what are the terms of the package deals, and why they are relevant to the Chinese government (Eisenman et al. 2007; Lam 2008; Medlock III & Myers Jaffe 2005; Paz & Roett 2008).

A further interesting but less studied topic is the research on the impact of Chinese energy investments on other states. These include the domestic and the regional contexts, as well as the consequences of these activities for China's international image (Eisenman et al. 2007; Houser & Levy 2008; Lieberthal & Herberg 2006; Paz & Roett 2008; Pollack 2008). In some way a reservation to this has been the study of Sino-African relations in recent years. They have attracted some considerable amount of international scholarly attention, whose resulting examination comprises a strong emphasis on oil trade and Chinese loans (Brautigam 2009; Guerrero & Manji 2008; Harnet-Sievers et al. 2010; Power et al. 2012; Rotberg 2008; Sanderson & Forsythe 2012; Shinn & Eisenman 2012; Taylor 2006). Yet, the examination of the plurality of Chinese actors involved in the 'loan-for-oil' deals remains largely absent in these studies.

Amidst the range of materials that explore China's energy security, Chinese oil investments in Latin America have been somehow neglected in the literature as a

subject of study. One reason may be that although Chinese oil consumption from Latin America has recently shown an important increase on a year to year basis in comparison to other regions (Eisenman et al. 2007, p. 222),⁴¹ it remains quite a small percentage of the total of Chinese oil imports, and of China's energy investments abroad (Palacios 2008, p. 173).⁴² Therefore, any research that focuses merely on China's international energy policy and energy trade is likely to minimize its attention to Latin America.

Nonetheless, Latin America is a valuable case study, not only because the amount of Chinese NOCs' investment in Latin American energy has been increasing, but also because the mainstream academic analysis is mainly carried out in geopolitical antagonism to the US (Barrionuevo & Romero 2009; 'China to help Venezuela build 3 power stations' 2010; 'China's Sinopec expected to invest in Brazilian offshore oil blocks' 2010; Duffy 2009; Mitchell 2009; Molinski & Lyons 2010; Pomfret 2010; 'The dragon in the backyard' 2009; 'Venezuela receives the first instalment of \$20 billion Chinese loan' 2010). For instance, Phillips' assessment of Sino-Latin American-US relations illustrates the latter:

The perceived need to avoid geopolitical consequences that may arouse tension with the United States is indicative of the potentially tricky terrain that Latin America represents for China. Even when occasioned by investment strategies rather than overt political or geopolitical manoeuvrings, the long-term agenda and consequences of Chinese incursions into the Western Hemisphere have been subject to anxious (and occasionally alarmist) scrutiny in the United States. Latin America in this sense represents an intriguing microcosm of the geopolitical tensions and dilemmas that are intrinsic to China's wider strategy in the developing world (Phillips 2010, p. 197).

⁴¹ China's oil consumption from South and Central America percentage Y-on-Y grew 78.3% for the 2003-2004 period, and 29.3% for 2004-2005, the highest percentage for both periods in comparison with other regions (Eisenman et al. 2007, p. 222).

⁴² Latin America accounted for 7% of Chinese oil imports in 2006. Nevertheless, it is worth noting that this percentage increased in a short period. In 2003 South and Central American oil imports as a percentage of the total were only 0.8%, by 2004 they had reached 1.3%, and in 2005 accounted for 1.6% of Chinese total oil imports (Eisenman et al. 2007, p. 222).

In addition, the inclusion of energy trade in the analysis of Sino-Latin American relations has emerged arguably because of its contestation with the US. This has suggested a race to secure energy resources from the two major energy consumers in the world and has raised the question of whether the Chinese presence in Latin America is meant to be a threat to the US. In this examination, energy investments are often just added to these studies as an example of a controversial issue in discussions of trade and investment (Bi & Zweig 2005; Lieberthal & Herberg 2006; Pollack 2008; Stallings 2008). The plurality of Chinese actors is neglected in this analysis and thus this allows the mainstream narrative that puts forward a race to secure oil resources by China and the US.

Finally, Downs (2008; 2009; 2011), Jakobson & Knox (2010), and Liou (2009) offer a different point of view about Chinese foreign policy and energy security.⁴³ Downs (2008; 2009; 2011) has focused on the role of the Chinese NOCs and the CDB in Chinese energy security and energy investments overseas. She has taken the 'loan-for-oil' deals to illustrate the *modus operandi* of these Chinese actors. Liou (2009) concentrates in establishing the pragmatic and commercial behaviour of the Chinese NOCs in their international businesses. Jakobson & Knox (2010) make a significant case in validating the existence of a plurality of actors in Chinese foreign policy. Still, these authors do not take a special emphasis on Latin American countries; they do not compare the Chinese NOCs' international behaviour to Chinese official discourse, nor consider local expectations and perceptions of China's international behaviour and their significance to Chinese international image.

Local perception of China's international behaviour is an essential element of Chinese international image. In the cases of Brazil, Venezuela and Ecuador, the local perception of China's influence differs in varied ways, each reflecting the weight of the local context in this consideration. The Latin American hybrid IR perspective and official Chinese discourse have familiarised local actors with China and the Chinese

⁴³ Their work is referred to widely in different chapters in this study. For an in-depth account of their academic contributions, refer to (Downs 2008, 2009, 2011; Jakobson & Knox 2010; Liou 2009).

government's interests in the region, while they have also aided in building local expectations about bilateral relations and Chinese international behaviour. The current mismatch between what has been perceived as China's international behaviour and official Chinese discourse has had a negative impact on Chinese international image in Brazil, Venezuela and Ecuador, illustrating what could indicate a trend in Sino-Latin American relation.

Chapter 3: Mainstream assumptions about Chinese NOCs, their 'loan-for-oil' deals and Chinese foreign policy

The mainstream analysis on China's rise is limited in its scope. The elements that are neglected are in most instances related to the domestic context that extends to Chinese foreign policy and Chinese international relations. As a consequence, the mainstream perspective of international relations and the Latin American hybrid IR perspective do not account for the existence of a plurality of Chinese actors in and outside China. This has run through the leading debates about China's rise, and, consequently, about Chinese 'loan-for-oil' deals in Latin America.

As is often the case, the relationship between the Chinese NOCs and the Chinese government is examined according to disputable premises. One of them is that Chinese NOCs are agents of the Chinese government in their business ventures overseas. Another premise is that they advance not only energy security and commercial interests, but also geopolitical ones. Finally, it is also assumed that as the NOCs are commanded by the government, they must implement the objectives embedded in Chinese foreign policy official discourse. This is predicated on two basic assumptions. First, that China is a unitary and homogeneous actor in pursuit of power politics in the international system. Second, that China's system is a centralised, top-down hierarchy in which the Chinese government orders all departments, agencies and state-owned enterprises (SOEs). But in reality this is more difficult to ascertain than in theory.

It is true that Chinese NOCs advance some of the interests of the Chinese government, explicitly those supported by the 'going out' strategy such as business internationalisation and diversification of oil supplies. But, the Chinese NOCs' business behaviour and its local consequences do not carry the objectives of the bilateral relations through as presented in Chinese foreign policy official discourse. Inasmuch as changing the local perception of China's international behaviour, acknowledging the existence of a plurality of actors in Chinese international relations could help in narrowing this gap between perception and verity.

This chapter assesses three relevant mainstream assumptions about Chinese NOCs and the Chinese government that typically lead to a different account of reality and a more tangible expectation of the Chinese government's international behaviour. (1) Chinese NOCs are state-owned and state-run, (2) the 'loan-for-oil' deals follow a centralised hierarchy of command orchestrated by the government, and (3) China is a unitary, homogeneous actor with an equally homogeneous foreign policy.

Firstly, the study traces the main relationships between the Chinese NOCs and the Chinese government that could lead to the understanding of the former being controlled and commanded by the latter. That is to say, it looks for compelling evidence supporting the mainstream assumption of the Chinese NOCs not only as state-owned but also state-run entities. Secondly, this chapter goes on to explore the basic structure of the 'loan-for-oil' deals in order to establish a point of comparison with the assumed centralised hierarchy of command as proposed by the multilayered diplomacy perspective. Finally, it continues with a brief look at the Chinese domestic context in energy security and foreign policy-making, with the objective of putting forward the fragmented nature of these realms in China.

The existence of a plurality of Chinese actors is taken into consideration as a relevant element neglected by the aforementioned assumptions. Hereof, the increasingly important role of the NOCs and the interdependent relationship amongst Chinese actors and the Chinese government are also included as significant features to the examination of the mainstream analysis.

Even though this chapter tries to recognize the existence of a plurality of Chinese actors and other elements that have been ignored in the mainstream assessment of China's international behaviour related to oil investments, it carries it through with important limitations. These are connected to the main objective of this chapter, which is to provide a background setting for the mainstream assumptions about China that impact on the local debates about China's influence in Latin America. It is not intended to be an exhaustive analytical examination of Chinese domestic structures,

nor of Chinese bureaucracy. There are abundant resources already in the academic literature whose analyses are specifically directed to address these subjects of study.⁴⁴

Chinese NOCs- government relationship: state-owned but not state-run

The premise that Chinese NOCs are agents of the Chinese government derives mainly from the idea that because they are state-owned they must also be state-run. Accordingly, the commercially aggressive behaviour of Chinese NOCs in pursuing business projects overseas is deemed a reflection of the interests of the Chinese government, concerning energy or geopolitics alike. This line of thinking runs through the leading approaches to China's rise in their examination of Chinese NOCs' 'loan-for-oil' deals and the local viewpoint of these and other oil business projects and its local consequences in Brazil, Venezuela and Ecuador.

This logic also reinforces the expectation of the NOCs' business behaviour to meet the objectives embedded in Chinese foreign policy official discourse. Yet, the connection between Chinese NOCs and the Chinese government is more complex than a hierarchy of command and shows both the existence of a plurality of Chinese actors in and outside China, and an interdependent relationship between NOCs and the Chinese government with regard to energy security.

Despite the NOCs' multiple relations with several branches of the government, other SOEs (such as the banks) and the CCP, there are three relationships that could support the notion that the NOCs depend and respond to government orders. First, as any other SOE, the NOCs are under the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The SASAC's main connections to the NOCs are to select and appoint their employees and to administer and supervise the assets owned by the state in these enterprises (Jiang & Sinton 2011; State-owned Assets Supervision and Administration Commission n.d.; Wen 2003).

⁴⁴ See for example (Abb 2013; Bhalla 2005; Blanchard 2008; Frazier 2010; Lai 2010; Lampton 2001; Lanteigne 2009; Li 1998; Mertha 2012; Reilly 2012; Yi 2005; Zhao 1996; Zhou 1995) and (Kavalski 2012) particularly 'Part II: the domestic sources of Chinese foreign policy'.

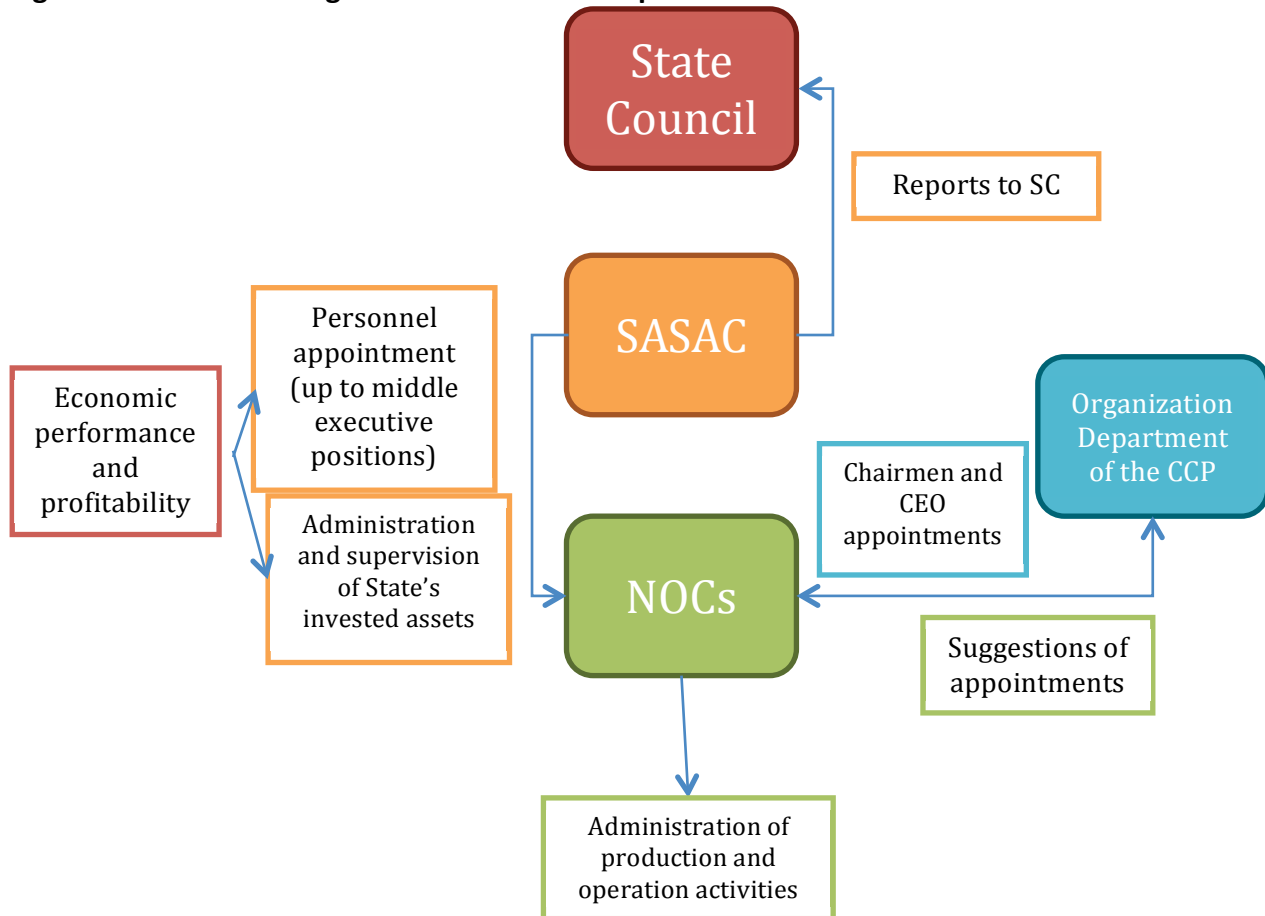
The selection and appointment of the employees is in practice the main relationship SASAC maintains with the NOCs. According to its main functions, SASAC can appoint or remove NOCs' personnel, as well as evaluate their performance and give those rewards or punishments based on this evaluation (State-owned Assets Supervision and Administration Commission n.d.). Since SASAC's evaluation is based on the profitability of the NOCs at the end of the year, this relationship holds a key to the pre-eminent pursuit of commercial interests by the NOCs in their overseas business behaviour.

Although SASAC is responsible for personnel appointment and evaluation, its scope in selecting personnel reaches only up to middle executive positions, since chairmen and CEOs are appointed by the Organisation Department of the CCP in a separate procedure that includes receiving suggestions about future promotions from the NOCs themselves (Jiang & Sinton 2011). A perspective of hierarchical, centralised chain of command would assume that the NOCs have no influence in these appointments, but the fact that the main positions of the NOCs are assigned with suggestions from the NOCs themselves advance the important role of the NOCs and their interdependent relationship with the Chinese government.

However, information about this procedure is highly limited and observers can only make assumptions about the relationship of the NOCs to the CCP, as well as suppositions about the coordination between the Organisation Department and SASAC itself, at least until more information becomes available. For instance, at the time of writing this chapter, the last recruitment notice published by the SASAC on its website was on 30 August 2010 (State-owned Assets Supervision and Administration Commission 2010). The recruitment was being implemented in coordination with the Organisation Department of the CCP and serves as an example of CCP-government collaboration without further information beyond the vacancies and application procedures. There were not any positions available for the NOCs, but there were some vacancies in the energy industry, amongst them one for a general manager at the State Nuclear Power Technology Corporation Limited (SNPTC) (State-owned Assets Supervision and Administration Commission 2010). It is clear from this example that

there is a level of coordination among the Organisational Department of the CCP, the Chinese government through SASAC and the NOCs to appoint the higher positions in these companies.

Figure 2: Chinese NOCs-government relationship⁴⁵



Concerning the supervision and administration of state owned assets, SASAC acts as the office of the State Council that represents the state and safeguards its interests in the SOEs as an investor. One of the most common mistakes drawing from the mainstream perspective of international relations is assuming that all these enterprises owned by the state are run by the state (Jiang & Sinton 2011). The state is an investor in the SOEs, since it owns assets in them, but does not run them.

In addition to taking care of the responsibilities of an investor, SASAC is not allowed to interfere in the SOEs activities (Wen 2003). This means that as long as the invested

⁴⁵ This author's figure draws from (Jiang & Sinton 2011; State-owned Assets Supervision and Administration Commission n.d.; Wen 2003).

enterprises are increasing the value of state-owned assets, in other words they are profitable, SASAC's evaluation of assets management remains positive. But even if the enterprise was not profitable, SASAC could not interfere in its production and operation activities; it would decide on, and meter out punishments for personnel, or even suggest the removal of some appointments.

SASAC's main focus of evaluation of the enterprises and their personnel is the economic performance of the enterprise; making profitability the main 'command' from the government. This could partly explain why the NOCs have placed commercial interests as their main objective in their endeavours overseas. SASAC's limitations reveal that there is a degree of autonomy in the operation activities of the NOCs. Thus, the Chinese government does not control their business behaviour, but this is delineated by the State Council's expectation of annual profitability.

If SASAC was able to interfere in the NOCs' operations, the case for a hierarchy of command from the Chinese government to the NOCs could hold. In this way, the NOCs would not only be state-owned but also state-run. But the available evidence of the relationship between SASAC and the NOCs does not support this description. Actually, it brings to the fore some characteristics of the NOCs-government connection that are sometimes ignored in the mainstream analysis. These include (1) that the state acts as an investor in the NOCs, (2) that the NOCs are independent in carrying out their activities, and (3) that because profitability is the main objective of both the enterprises and the government, it is the main interest that has led the NOCs' business behaviour overseas.

Beyond the support of the Chinese government to the NOCs to expand their business internationally in its official discourse through the 'going out' strategy, whether the NOCs respond to other government 'commands' is not clear and cannot be ascertained by SASAC's connection to the NOCs. This is also consistent with the findings of the case studies. While it is clear that there is a marriage of interests between the Chinese government and the Chinese NOCs to a degree, the fact that the Chinese NOCs are not

run by the state allows the Chinese government to disassociate from the Chinese NOCs when problems in their international business projects arise.⁴⁶

Instead of insisting on a dependent relationship with uncertain evidence, it is more accurate to say that the NOCs coordinate with the government on matters of recruiting personnel and of evaluating profitability, while they are autonomous in that they have the power to decide how to administer their operations to achieve a profit at the end of the year, and enjoy the support of the government while carrying out their business administration.

The second aspect of the relationship follows from the NOCs' connections with SASAC; it relates to the NOCs' payments of their after-tax earnings and dividends through the Ministry of Finance (MOF). In addition to the revenue from the state-owned assets in the enterprises, the Chinese government receives corporate income taxes from the NOCs. The 2011 International Energy Agency (IEA) report on overseas investments by Chinese NOCs notes that none of the NOCs paid anything other than taxes to SASAC or any other ministry from 1994 to 2008, while in 2008, in an effort by SASAC to better oversee state assets, the NOCs were mandated to pay 10% of their after-tax earnings to the MOF (Jiang & Sinton 2011). The report also mentions that this extra 10% was later offset by a 10% decrease in the NOCs' taxes the same year (Jiang & Sinton 2011).

Although this might be the relationship that best exhibits the dependency of the NOCs to the government, this is not particular to China. The most common form of collection of funds used by governments is taxes. While all companies pay taxes to their governments, this does not translate into a dependent relationship, nor does it mean that their governments run them. Moreover, it is not uncommon that energy companies, and oil ones specifically, are state-owned around the world.

If the percentage of taxes paid to the government was an indication of the level of dependency on the government, or of the level of control by the government, the

⁴⁶ A detailed account of Chinese government's behaviour will be addressed in the case studies.

Chinese NOCs would not be at the top of the list. In 2010, PetroChina, a CNPC listed company on the Hong Kong stock exchange, reported around 20.8% of effective taxes paid to the government under the China Accounting Standards (CAS) (PetroChina Company Limited 2010). In the same year, amongst the companies that paid more taxes to their governments were Petroleos Mexicanos (PEMEX) from Mexico that paid around 50% of taxes to the government, the Norwegian Statoil that paid 41.5%, Total (France) 30%, Chevron (US) 28% and Royal Dutch Shell 26.4% (Garcia 2010). Trying to establish a direct relationship between payment of taxes and the level of control by the government is hard to prove, and in any case, it will apply to most international oil companies, and not just to the Chinese NOCs.

Third, in theory, the NOCs work in collaboration with the National Energy Agency (NEA), which approves or rejects their projects. The NEA at the same time responds to the National Energy Commission (NEC) that reports directly to the State Council (Bo 2010; Downs 2008; Jiang & Sinton 2011). It is particularly worth noting that both the NEA and the NEC are relatively new in the Chinese energy policy-making scene; the National People's Congress approved them in 2008 (Downs 2008).

NEA's responsibilities are broad and they include managing the industry's SOEs, amongst them the NOCs, managing the pricing of power supply, administering market accessibility, energy policy-making and planning, approving projects and foreign energy investments, as well as negotiating with international energy agencies (Chen & Zhang 2011; Downs 2008; Jiang & Sinton 2011). If NEA exercised these responsibilities to its full extent, the mainstream analysis of NOCs as state-owned and state-run could have some ground. The relationship between the Chinese government and the NOCs would be more likely to follow a hierarchy, and the autonomy of the NOCs would be diminished, if not dissolved.

However, as Downs (2008) points out, the probability of the NEA fulfilling its responsibilities is slim when considering the amount of power the NOCs already have, and the fact that it still shares some of its responsibilities with other agencies and

departments, such as the National Development and Reform Commission (NDRC). In addition, due to this fragmentation of power in the energy policy-making context and the plurality of actors involved, the NEA still lacks the 'authority, autonomy, manpower, and tools to deal with the country's energy challenges' and improve energy governance (Downs 2008, p. 43).⁴⁷ Furthermore, neither the NEA nor the NEC has been found to have a substantial or clear influence in pursuing the NOCs business projects in any of the cases analysed in this study.⁴⁸

What is more, the amount of power that NEA has over the NOCs through the approval of projects and foreign energy investments is questionable. As already mentioned, the NEA was only established in 2008, following other attempts by the government to improve energy governance, such as with the previous NDRC Energy Bureau (Chen & Zhang 2011; Downs 2008; Jiang & Sinton 2011).⁴⁹ Additionally, the NOCs have grown stronger and have been capable of lobbying the government to discourage the creation of a powerful agency, maintaining the present status quo where there are various agencies regulating different aspects of their administration and operation without real authority (Chinese Academy of Social Sciences expert 2011, pers. comm. 12 July; Energy Research Institute professor 2011, pers. comm. 22 June; Jiang & Sinton 2011).

Likewise, the findings from the cases of Brazil, Venezuela and Ecuador point to the important role of the Chinese NOCs in actively pursuing, negotiating and closing business deals with no mention of the NEA at any point. As it will be discussed in detail in the case studies, the NOCs have been able to seek business projects with their

⁴⁷ The plurality of actors in China's energy security deal is addressed in the last section of this chapter.

⁴⁸ For more information about the NOCs business projects in Brazil, Venezuela and Ecuador, refer to the case studies.

⁴⁹ As this chapter was written, the NEA was subject to yet another restructure from the Chinese government to improve its supervision and regulation capacities in the Chinese energy sector ('China to restructure National Energy Administration' 2013).

international partners and then lobby for their approval directly with the State Council or the NDRC (Chinese Academy of Social Sciences expert 2011, pers. comm. 12 July).⁵⁰

The NOCs' past as ministry agencies, their experience and technical knowledge in their field give them an advantage in contrast to the current government agencies supervising them. These agencies are commonly understaffed, lack the technical knowledge and the political power that the NOCs have, thus rendering the fulfilment of their mandates almost impossible (Downs 2009). Concerning the approval of projects, the authority of the NEA over the NOCs is indeed doubtful, when in practice the NOCs venture overseas and the NEA involvement is dependent upon whether it is asked to assist or not by the NOCs themselves (Jiang & Sinton 2011). These considerations make the connection between the NEA and the NOCs dubious and, consequently, the defence of a dependent relationship between the Chinese government and the NOCs disputable.

In analysing the NOCs investment overseas, there are two other relationships that have captured international attention: the links between the NOCs and the Ministry of Foreign Affairs (MOFA) and the Chinese banks (i.e. China Development Bank, China Construction Bank, China Export and Import Bank and Agricultural Bank of China). The connections between these Chinese actors in relation to the implementation of the 'going out' strategy have aroused the premier debate about China's rise.⁵¹ The perception of a unitary China is at its strongest with the interaction of these Chinese actors overseas. If there existed compelling evidence that exhibited a top-down relationship between the MOFA, the NOCs and the banks, this argument could have some basis.

But, as it will be further analysed later, the relationship amongst Chinese NOCs, the banks and the Chinese government has multiple levels of cooperation and is highly

⁵⁰ See for example: (Kerneur 2012; Wang 2010).

⁵¹ For instance, a sample of the most recent media coverage on Chinese NOCs' ventures overseas emphasize China's need for oil, linking their commercial and pragmatic behaviour to the Chinese government's international behaviour (Arango & Krauss 2013; Coonan 2013; Hashem 2013; Hiscock 2013; Rosenbaum 2013).

dynamic. Sometimes it is the Chinese government that supports, through its official discourse, the endeavours of the NOCs and the banks to achieve a positive outcome for the Chinese parties involved, like in the 'loan-for-oil' deal in Brazil. At other times, it is the NOCs that look directly for funding among the Chinese banks without any government participation, such as in the PetroChina-EP deal in Ecuador. The findings demonstrate that if a top-down hierarchy of command exists, it is not always followed.

Even while granting that the Chinese NOCs carry through some of the Chinese government's interest in energy security, their business behaviour exhibits their own commercial interests in ways that are not consistent with all Chinese foreign policy objectives. The line of reasoning for this in a first instance is that the 'going out' strategy was instituted as a way to support the Chinese government's interests in energy security. In this, diversification of oil supplies and business internationalisation are the main priorities. Hence, the business behaviour of the Chinese NOCs and the banks agree with the implementation of these interests in their foreign projects. But to extend this to other international strategies or approaches in Chinese foreign policy is not justified.

The Chinese NOCs do not hold all the objectives and interests of Chinese foreign policy in their international business agenda. This statement applies to the Chinese foreign policy blueprint for Latin American countries. The Chinese NOCs' business behaviour in Brazil, Venezuela and Ecuador has supported the commercialisation of resources, increasing trade and investment, and the internationalisation of their business profile. Yet, considerations about the quality of their business ventures to the local context, or whether they enable common development and win-win results, have not figured as priorities. Although the local expectation is that the Chinese NOCs will fulfil these Chinese foreign policy objectives, this role is out of their control. To continue with the premise that China is a unitary actor is problematic when the existence of a plurality of Chinese actors is evident on this subject.

The structure of the Chinese 'loan-for-oil' deals vs. the multilayered diplomacy perspective

'Loan-for-oil' deals structure

In spite of the insufficient information about the collaboration between NOCs, MOFA and the banks when negotiating and signing 'loan-for-oil' deals overseas, there are links that can be identified and that could shed some light on their relationship and the basic structure of the deals. In some Latin American countries, as in other developing regions, 'loan-for-oil' deals have been signed recurrently. 'China's NOCs have signed loan-for-oil and loan-for-gas deals in nine countries: Angola, Bolivia, Brazil, Ecuador, Ghana, Kazakhstan, Russia, Turkmenistan and Venezuela' (Jiang & Sinton 2011, p. 22).

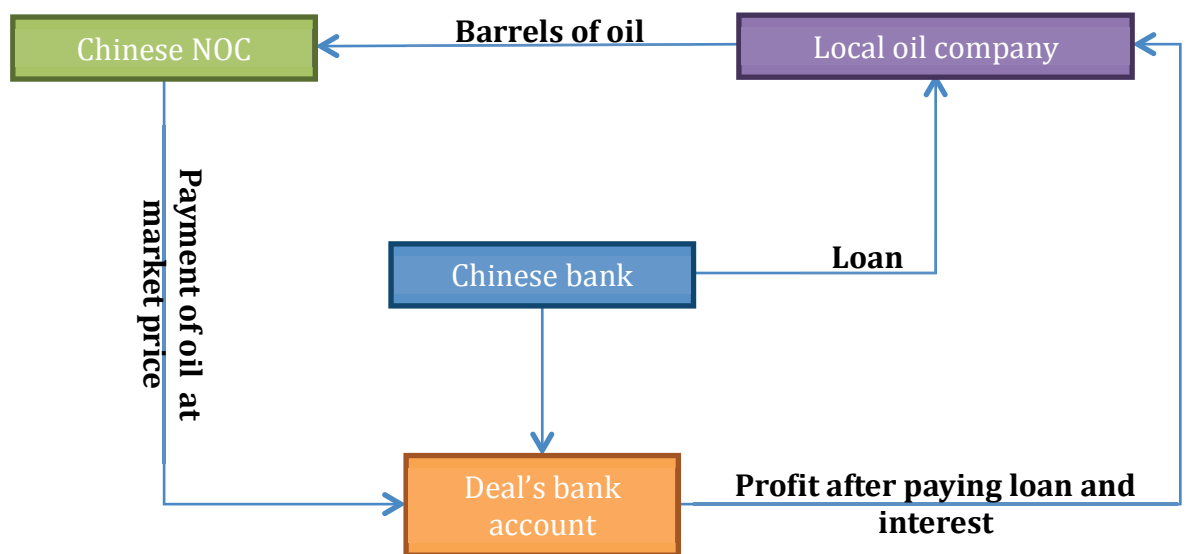
The Chinese government, through MOFA, has supported the implementation of these 'loan-for-oil' deals by the NOCs as part of the 'going out' strategy. This official support has had the ripple effect of backing the banks confidence in the security and profitability of the agreements, leading them to engage strategically with the NOCs and supply the funds needed to close the deals. This is the extent to which these Chinese actors serve the Chinese government's energy security interests. Yet they do not necessarily carry through these interests in a unified and homogeneous way, orchestrated by the Chinese government. This is illustrated by the diverse logistics of the deals in Brazil, Venezuela and Ecuador.

The most basic form of the logistics of the deals starts with MOFA's diplomatic engagement with the other country and setting the stage to initiate or close the negotiations between the NOC involved and its foreign partner. The stage is usually set in the context of an upcoming official visit to or from the foreign country, where representatives of the companies are included in the delegation.

The Chinese NOC and its counterpart will sign an agreement or a memorandum of understanding. In this, the foreign oil company will provide a certain number of barrels of oil per year for a specific period of time to the Chinese NOC sold at the market price

of the time, while the Chinese bank consents to provide the former with a loan, commonly for the same period of time and with a low interest rate. The Chinese bank will set up a specific account for the deal to manage its transactions. It receives the oil payments of the NOCs, deducts the loan payments and the due interest, and pays the profits to the foreign oil company, thus collecting its revenues from the invested loan (Chinese Academy of Social Sciences expert 2011, pers. comm. 12 July; Martin et al. 2011; Jiang 2009; Jiang & Sinton 2011).

Figure 3: Basic structure of the ‘loan-for-oil’ deals⁵²



The implementation of this structure in the ‘loan-for-oil’ deals in Venezuela, Brazil and Ecuador has different variations in its specific terms. Still, the main actors are consistent throughout: CNPC (PetroChina, Chinaoil) and Sinopec as the NOCs involved in the deals; Petroleos de Venezuela, S. A. (PDVSA), Petroleo Brasileiro S. A. (Petrobras) and Petroecuador (EP) as the foreign oil companies; and the CDB as the lending institution. Additionally, in the cases of Ecuador and Venezuela, there are some local institutions that participate as extra sources of funds, such as the Ministry of Finance of Ecuador, the Venezuelan Economic and Social Bank (BANDES) and the Venezuelan National Development fund (FONDEN) (Alvaro 2011; Ellis 2009; Escribano 2012; Gill 2012; Graham-Harrison 2008; Jiang 2009; Martin 2010; Romero 2010).

⁵² This author’s figure draws from Jiang & Sinton’s analysis and figure on ‘Sino-Russian loan-for-oil deal structure’ (2011, p. 22).

As previously mentioned, the basic logistics of the deals are not always followed. Sometimes the Chinese NOCs initiate and close the negotiations without clear participation from the Chinese government, i.e. Ecuador, while in some cases it is strictly followed, i.e. Brazil. Likewise, domestic institutions, such as in the Venezuelan 'loan-for-oil' deals, also contribute funds, and the advantage of a low interest rate varies the implementation on a case-by-case scenario; for instance Ecuador's local debate has focused on the high interest rates of the 'loan-for-oil' deals with Chinese international actors (around 7%) (Alvaro 2011; 'Condiciones chinas, al descubierto' 2012; 'Ecuadorians fear their country is being taken over by China' 2012).

Thus, the available information does not automatically lead to the conclusion of a unified Chinese approach to the 'loan-for-oil' deals directed by the Chinese government. Similarly, the findings in the Latin American case studies point to a dynamic, interdependent relationship amongst Chinese NOCs and the Chinese government that does not agree with the mainstream assumption on this subject. In any respect, the evidence of the existence of a plurality of Chinese actors is compelling.

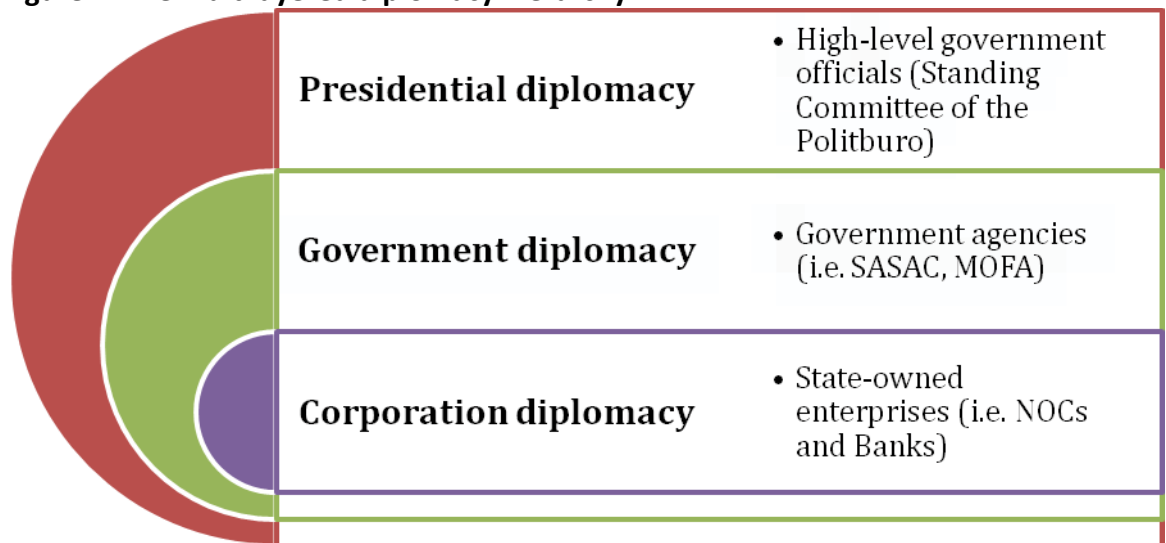
The multilayered diplomacy perspective

The interaction between Chinese international actors (government, NOCs and banks) in the implementation of the 'going out' strategy has been referred to as the best example of the Chinese government's 'multilayered diplomacy' (Teng 2010). From this perspective, there are three layers of interaction: presidential diplomacy, government diplomacy and corporations' diplomacy. Accordingly, high-level officials, usually members of the Standing Committee of the Politburo, who decide upon and officially sign the 'loan-for-oil' or 'loan-for-energy' agreements, implement the first layer. The second is carried out by different government agencies that coordinate and oversee the implementation of the 'loan-for-oil' agreements, such as MOFA and SASAC. In the third layer, the SOEs provide the relevant services to implement the agreements while transmitting their technical knowledge and information, i.e. NOCs and banks (Teng

2010, p. 108). In this way, a top-down hierarchy of command orchestrated by the Chinese government is expected.

By assuming China to be a unitary actor, this perspective links the interests and behaviour of all corporations to those of the Chinese government. In doing so, it misleads the local expectation that Chinese NOCs must carry through Chinese objectives, not only those pertaining to energy security, but also those embedded in official Chinese discourse to developing countries. The similarities with the mainstream assumptions on this subject convey the understanding of China's international behaviour as the actions of any Chinese actor, since the Chinese government commands them directly. As a consequence, this logic falsely extends the responsibilities of the Chinese NOCs to an area in the Chinese foreign policy agenda that falls out of their scope.

Figure 4: The multilayered diplomacy hierarchy⁵³



In sum, this theory translates the existence of a plurality of Chinese actors as a plurality of Chinese agents. Hence, it presumes no issues in the proper implementation of policies and the effective supervision by agencies, i.e. NEA. Similarly, it ignores the possibility of a dynamic, interdependent relationship between Chinese actors as an alternative to a top-down hierarchy of command. Most importantly, it neglects the

⁵³ This author's figure draws its information from (Teng 2010).

connection of this unified perception in Chinese foreign affairs to a negative Chinese international image. If the 'loan-for-oil' deals were bringing about common development and win-win results in bilateral relations, why would there be local debates against China's influence in their countries?

Unfortunately, to achieve a positive Chinese international image in Latin American countries, the multilayered diplomacy perspective reinforces the leading assumptions about China's international behaviour. Likewise, the Chinese government's emphasis on projecting a unified image in its foreign policy and international relations has not provided an alternative view of Chinese actors to Latin Americans. In fact, the Chinese government's actions have also misled local expectations. As mentioned earlier in this study, it has included successful NOCs' business projects and deals as main advances in the bilateral partnerships of common development during official visits. Consequently, the Chinese government has also promoted the widening gap between its official discourse and local perception of Chinese behaviour.

Unsurprisingly, there is a prevailing local assumption that the Chinese government is responsible for the SOEs' business behaviour, whether this has positive or negative consequences. Therefore, the Chinese government is expected to also see through local grievances against the Chinese SOEs and resolve them with conformity to its official discourse. Nevertheless, when issues surrounding the business projects have emerged, the local actors have had to face the reality of dealing directly with the companies in charge, the SOEs. Equivalently, for example, the Chinese NOCs have had to deal with high-risk political and economical contexts that have resulted in changes to local frameworks, i.e. Ecuador and Venezuela. Then the Chinese NOCs have made business decisions based on their commercial interests without the participation of government agencies.

On the subject of local complaints about the Chinese SOEs' business projects, there are numerous examples that do not relate to oil investments, although their consequence to Chinese international image is no less relevant, the workers' grievance against

Shougang Hierro Peru (SHP), for instance. Despite being China's first investment in the region, and thus preceding the implementation of the 'going out' strategy, the Shougang Corporation's investment in the Peruvian mine of Marcona stands as an example of the provision of services by a Chinese corporation that has resulted in an overall negative image of China in the foreign country. Furthermore, even if the investment precedes the official strategy of the Chinese government, the grievance has continued to this date and so is relevant to consider.

The main issue that has impacted unfavourably on China's image in Peru is the troubled relationship of SHP with its unionised workers. The fact that the miners are highly unionised has been a big challenge to the company, not least because it has had little experience of dealing with independent trade unions in China. Since 2002 SHP has faced a strike each year. Workers' complaints include lower than average wages, poor working conditions, safety issues, failing to meet social responsibilities, environmental pollution, and health regulations, amongst others (Kotschwar et al. 2011). The workers have denounced that SHP lacks a sense of social responsibility. While writing this chapter, there has not as yet been much progress of all the issues raised by the workers, with the exception of increasing wages and the workers' yearly bonus (Garcia 2009; 'Suspenden huelga en Shougang tras publicacion de resolucion del Ministerio de Trabajo' 2010).⁵⁴

Local perceptions are paramount to any company's successful engagement with the community, and in this case are at the heart of the problem. As a result of the poor company-worker relations, the Marcona community regards SHP as a company with poor social responsibility, and compares the Chinese to the previous American owners in a negative way (Emmott 2005; Garcia 2009). The situation at Marcona is best described by Peruvian Mining Workers Federation leader Luis Castillo's comment on the reasons to call for a strike in June 2010: 'the company is not used to negotiate with

⁵⁴ In the resolution of the July 2010 strike, the wage was increased by PEN\$3.10 (US\$1.13) and the bonus by PEN\$.1000 per day (US\$.036) ('Suspenden huelga en Shougang tras publicacion de resolucion del Ministerio de Trabajo', 2010). For an in-depth analysis on the topic refer to (Guo et al. 2012).

the workers and this is the eighth year the miners call to strike to get the Ministry of Work to be the one to resolve the grievances' ('Mineros de Shougang van a la huelga' 2010).

SHP has not acted as an agent of the Chinese government in Peru, nor has the Chinese government been involved in resolving the grievances against SHP. The Peruvian unions have had to deal directly with the company through domestic channels, as they would have done with any other company, regardless of its nationality. The assumption of China acting as a unified actor overseas is not sustainable in this case.

The behaviour of the company had a negative effect on the local perception of China's image when comparing it to the 'responsible Americans', who were the previous owners of the mine (Emmott 2005; Garcia 2009). There was no sign that the Chinese government commanded a change in behaviour to the company in order to comply with its foreign policy discourse, which would have suggested a coherent, centralised, top-down strategy.

The premises put forward by the multilayered diplomacy cannot be applied to this example in practice; however, they have largely informed the local expectation of China's international behaviour. This example shows that at the most basic, the assumption of China as a unitary, homogeneous actor underpins both, local expectations and perceptions of China's international behaviour.

China's domestic context: Is China a unitary, homogeneous actor?

The existence of a plurality of Chinese actors is not restricted to the implementation of the 'going out' strategy. This is a reflection of a more pronounced characteristic of Chinese domestic context in energy security and foreign policy. A brief look at both realms in China provides evidence in opposition to the idea of a unitary, homogeneous actor. All the same, the mainstream analysis still predominates in the local perception of the Chinese government's international behaviour, and as such it must be fully

grasped. But, furthering the knowledge of Chinese actors could aid in giving another account of China and clearing the relationship between official Chinese discourse and Chinese NOCs' business behaviour.

The mainstream perspective of international relations is largely predicated on the assumption that states are unitary, homogeneous and coherent actors in the international system, from which two overriding concepts are at the core: national interest and foreign policy.

'National interest' is understood as a society's homogeneous policy preferences or appropriate norms. The different preferences and norms within a society are aggregated by domestic institutions into a coherent collective ordering, thus making possible the premise that 'the state is a unitary entity with a collective preference or identity interacting with other similarly unitary entities' (Lake 2010, p. 43).

Therefore, this concept supports the assumption that all the interests from the Chinese actors have been aggregated by a domestic institution and have resulted in a coherent set of national interests. It is difficult to think of a country that would fit as an example to this ideal type, but in the case of China this analysis does not offer a complete account of the Chinese domestic context in energy security, or in foreign policy-making. As will be discussed later, China does not have a major institution that regulates this interaction of domestic actors either amongst them or as a unit with other states.

With reference to 'foreign policy', this concept is understood as the objectives, behaviour and actions of a state towards other actors on the international stage, which at the same time is partly conditioned by these actors (Qin 2008, p. 34). It follows from this perspective that (1) energy security is defined as a Chinese national interest, (2) it must be pursued coherently by Chinese foreign policy, and (3) it is consequently implemented by the Chinese NOCs.

These three assumptions are constant amongst the mainstream perspective of international relations and the Latin American hybrid perspective. It could be argued that they are also at the core of the multilayered diplomacy perspective, since they presuppose a top-down hierarchy of command from the Chinese government to the Chinese NOCs.

In spite of their disadvantages, the definitions of both concepts, 'national interest' and 'foreign policy' are useful to understand how one actor's behaviour is assessed by other actors (i.e. states, international organisations, media, individuals) in the international arena; how they perceive an actor as a threat or as a responsible stakeholder; how they build the actor's international image and how they react to this perception. In sum, they provide the grounds from which local expectations and perceptions about China's international behaviour are shaped.

Thus, these definitions are useful to having a better grasp on the underpinnings of the mainstream analysis of China's international behaviour. They are also effective in addressing the elements that are commonly neglected, particularly the existence of a plurality of actors in both Chinese energy security and foreign policy and, subsequently, the important role of the Chinese NOCs in the Chinese domestic context. The consideration of these elements at this level is advantageous in framing the background context for the presence of a plurality of Chinese actors in the implementation of the 'going out' strategy in Latin American countries.

The plurality of actors in China's energy security

The Chinese government's urge behind energy security policy⁵⁵ is related to the fact that since 1993 China is a net oil importer, and its demand for oil continues to grow substantially.⁵⁶ The consequences of a short supply of oil are unthinkable. Arguably,

⁵⁵ According to Andrews-Speed et al. (2002), energy security is understood as the availability of various forms of energy, in sufficient quantities, without disruption and at affordable prices.

⁵⁶ Currently, its imports of oil as a percentage of consumption (8 million barrels per day (mbd)) are over 50 percent. It is expected that this percentage will increase proportionately as

both China's social and political stability and the success of its 'peaceful rise' policy in the international arena depend on the Chinese government's ability to maintain the country's fast pace of economic development. At the same time, China's economic dynamism needs a growing supply of energy resources and commodities to keep up with national expectations.

Presently, China's energy security policy seems to focus on increasing domestic production and consumption efficiency, emphasizing innovation of production technologies and development of alternative fuels, creating a strategic reserve, converging foreign and international energy policies, diversifying supply resources through overseas investments and building the necessary infrastructure to transport the oil to China (Andrews-Speed et al. 2002; Constantin 2007; Lheem 2008). As stated by a professor of the Energy Research Institute (ERI), the think-tank for energy policy of the NDRC, 'energy security policy is a real concern to Chinese government officials; it's a priority to the party. That's the reason for all the support we've received at the Institute' (Energy Research Institute professor 2011, pers. comm., 22 June).

One of the main challenges facing China's energy security policy is the plurality of Chinese actors involved in making and implementing it. Currently this realm incorporates a set of domestic and international strategies that require the coordination of several branches of the Chinese government, leaving it subject to government bureaucracy. Erica Downs and Chih-shia Liou agree that the plurality of actors within the energy bureaucracy and their conflicting agendas have left China without an institution with real authority to coordinate and regulate the interests of the different actors involved (Downs 2008; Liou 2009).

If there was an institution with the characteristics suggested above, the argument of the organisation of all the actors' interest into one collective ordering could be made,

consumption reaches 16 mbd by 2030 (Martin et al. 2011, p. 17). Recently, there has been a statement by the Ministry of Land and Resources, forecasting the increase in Chinese oil consumption at a pace of 4.5% per year for the next 20 years ('China's energy demand to peak in 20 years: expert' 2013).

thus, validating the premise of China as a unitary actor in energy security. Yet, the present state of the energy security realm in China is not congruent with this assumption.

A glance at the actors involved in energy security policy-making and policy implementation in China shows the complexity of aggregating each actor's interest into a collective 'national interest' and of supervising the implementation of national strategies without a regulating institution. These actors include⁵⁷:

1. the top leadership of the CCP and the government;
2. the NDRC, ministries (Foreign Affairs, Commerce, Finance, etc.) and relevant government departments;
3. the leading SOEs in the energy sector (China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation (CNPC), Sinopec group (China Petroleum and Chemical Corporation), etc.);
4. the military;
5. provincial governments; and to a lesser degree;
6. the energy services firms;
7. major financial Chinese holdings and banks, such as the China International Trust and Investment Corporation (CITIC); and
8. government think tanks (Andrews-Speed et al. 2002, pp. 46-47; Constantine 2007, p. 26; Energy Research Institute professor 2011, pers. comm., 22 June).

Amongst the Chinese actors involved in this area, the Chinese NOCs play an important role. As mentioned earlier in this study, their increasing autonomy and influence remains strong even after they were restructured from government ministries to state-owned enterprises (Downs 2008; Liou 2009). This strategy was an important element of the major institutional reforms to government bodies in 1994-1996 (Andrews-Speed et al. 2000; Trough 1999; Wu 2003).

⁵⁷ This paragraph draws on (Andrews-Speed et al. 2002, pp. 46-47; Constantine 2007, p. 26; Energy Research Institute professor 2011, pers. comm., 22 June).

In restructuring the NOCs, they were given the right to acquire operating and rental rights, to establish subsidiaries, to undertake oil exploration and development, and to engage in agreements overseas. In addition, the ability and financial capacity of the NOCs to engage in such endeavours were enhanced by an increase in the state-controlled price of crude oil (Trough 1999).

It is important to consider that the NOCs have been restructured to act as commercial entities, even though they remain SOEs. Their power stems from their previous ministerial positions and the fact that, despite the realignment of the oil industry, they remain a monopoly of the oil industry's technical knowledge, skills and capacity in China. 'CNPC and Sinopec continue to play a key role in making rules governing energy-related policies, and their corporate documents are circulated around related regulatory departments to help in government decision-making' (Liou 2009, p. 686).

The NOCs have used their advantages to circumvent energy bureaucracy and get their business proposals approved directly at high levels of the government.

Researchers and government officials alike are beginning to be preoccupied with the amount of power the NOCs have, their CEOs have more power than many high-ranked officials and, in this way, they have access to the members of the Standing Committee of the Politburo and can get the government to approve their projects (Chinese Academy of Social Sciences researcher 2011, pers. comm., 12 July).

The preoccupation of Chinese scholars and government officials is evidence of the increasing autonomy and influence of the Chinese NOCs, enough to break the long held paradigm of the hierarchical structure of the Chinese government system, its unity, its centralisation and monopoly on power. This shows the existence of a plurality of actors in Chinese energy security, and also a dynamic, interdependent relationship amongst actors and the Chinese government.

The aforementioned concern partially addresses the matter of what would happen if Chinese government interests in energy security were contrary to the commercial interests of the NOCs, that is, when the interdependent relationship is put to a test.

Would Chinese NOCs obey Chinese government 'commands'? Or would they drive the interests of the energy industry as in a capitalist system? In such a scenario, the limits of China's 'socialist system with Chinese characteristics' would be at the core of the possible outcomes. This, however, is an analysis that falls out of the scope of this study.

The monopoly of the industry's technical knowledge, skills and capacity, along with the lack of a regulating institution, has empowered the NOCs in pursuing their commercial interests as a priority. Moreover, as established earlier, the NOCs, although state-owned, are not state-run, and their stakeholders evaluate the NOCs' performance in terms of their profitability at the end of the year, which also encourages the NOCs to prioritize their commercial interests in their business projects.

Additionally, the CEOs are still given administrative positions in the government, and their career advancement basically depends on the profitability of the NOCs, further enhancing this trend (Liou 2009). In this context, without a regulating and supervising authority for implementing government policies, the NOCs' business behaviour is disconnected from effective government control. This situation disputes the validity of the premise of China as a unitary, homogeneous actor with a top-down hierarchy of command.

In the context of a plurality of Chinese actors with diverse interests, it is problematic to agree with the mainstream assumption of a unitary China. This also derives from the difficulty in ascertaining if the NOCs would implement Chinese energy security should the case arise when the latter is at odds with their commercial interests.⁵⁸ This becomes an issue for the Chinese government if its expectation over the NOCs' business behaviour remains the same as when it realigned the oil industry, namely that 'the oil companies [would] forego windfall profits when there are price-hikes on the international market' (Andrews-Speed et al. 2002, p. 52).

⁵⁸ For an in-depth analysis on the NOCs' priority of commercial interests see (Liou 2009).

On this subject, the confusion about hierarchy, decision-making procedures, and who is in charge of supervising the implementation of the policies continues to be present, even amongst Chinese scholars who realise the mismatch between the Chinese government's emphasis on portraying a unified image, and the existence of a plurality of actors in Chinese politics; between the assumed top-down, 'control and command' hierarchy and the present dynamic, interdependent relationship amongst Chinese actors and the government (Chinese Academy of Social Sciences researcher 2011, pers. comm., 12 July).

The domestic context is often ignored when approaching the analysis of Chinese energy security from the mainstream perspective of international relations. As mentioned before, it is assumed that the state is a unitary actor and as such it behaves in the international community in pursuit of its national interests, energy security being a priority amongst them (Lake 2010). However flawed this perspective may be it has dominated the study of international relations, thus influencing the way governments perceive and analyse the behaviour of other states.

Despite the prevalence of a plurality of actors in China's domestic context, they are not considered when analysing the NOCs' business projects overseas, for instance when approaching the analysis of the 'loan-for-oil' deals. As will be discussed later, the NOCs' implementation of the 'going out' strategy is perceived as pragmatic and commercial, sometimes even aggressive, with a disregard for international politics or what is understood to be the responsible behaviour of a stakeholder in the international system. This perception assumes the Chinese NOCs as agents of the Chinese government, and thus, their business behaviour is analysed as the Chinese government's international behaviour.

These misconceptions have much to do with the mainstream perspective of international relations, and the Chinese government's focus on projecting an image of unity and homogeneity in its foreign policy and international relations. This not only

encourages the promotion of the China threat perception but also impacts negatively on Chinese international image.

The plurality of actors in Chinese foreign policy

Similar to the energy security realm within the Chinese domestic context, the mainstream perspective of international relations has informed the analysis on China's foreign policy-making. It follows the argument that government officials have used Chinese foreign policy over time to protect and promote China's socialist development, its security and Beijing's recognition as a powerful player in the international scenario.

Regardless of how Chinese leaders have defined socialist development, and no matter which political themes have dominated in particular times – from 'never forget class struggle' in Mao's day to 'harmonious society' today – they have conducted foreign policy in ways that seek to maintain control over the pace, methods, and strategy of economic development and political change (Gurtov 2010, pp. 14-15).

Its analysis portrays China as a coherent and homogeneous unit, that has a centralised hierarchy of command, and therefore the Chinese government has control over policy-making and its implementation. Nevertheless, the existence of a plurality of actors involved in foreign policy and the absence of a strong regulating and coordinating institution make consensus-building almost impossible, and policy-creation and the implementation of foreign policy confusing (Chinese Academy of Social Sciences researcher 2011, pers. comm., 30 June; Christensen 2011; Jakobson & Knox 2010; Shambaugh 2007; Wang 2011; Zhu 2011).

In foreign policy-making and foreign policy implementation, the presence of a plurality of Chinese actors stands in contrast to the mainstream premise of China as a unitary, homogeneous actor.

Almost all institutions in the central leadership and local government are involved in foreign relations to varying degrees, and it is virtually impossible for them to see China's national interest the same way or speak with one voice. These differences confuse outsiders as well as the Chinese people (Wang 2011, p. 79).

There are some Chinese actors that must be considered according to the particular issue at hand in the foreign agenda. In general, the most relevant actors are:⁵⁹

- 1) the Politburo Standing Committee, its individual members often represent different interests on their own, and the specialized group for foreign affairs, the Foreign Affairs Leading Small Group;
- 2) the relevant government offices and departments, such as the Policy Research Office, International Communications Office, International Department, Organization Department and the Publicity Department amongst others;
- 3) the different ministries like the MOFA, MOF, Ministry of State Security, of Commerce, etc.;
- 4) the regional party elites who advocate for their interests as well as the local governments';
- 5) the military;
- 6) and regarding energy and oil in particular: the NDRC with its specialized agency the NEA reporting directly to the State Council (Downs 2008); and
- 7) the SOEs, with two main groups in the business sector, the major exporters of manufactured goods and the NOCs (Christensen 2011; Jakobson & Knox 2010; Shambaugh 2007).

This context is reflected in carrying out the 'going out' strategy through 'loan-for-oil' deals in Latin American countries. The plurality of Chinese actors pervades these examples, though on a smaller scale. Hence, instead of having different groups of possible Chinese actors, there are only a few, the NOCs, the CDB and the Chinese government, in most cases represented by officials and delegations (MOFA).

⁵⁹ This paragraph draws on (Christensen 2011; Jakobson & Knox 2010; Shambaugh 2007).

Although there is a Ministry of Foreign Affairs, the experts in and outside China agree that its influence is waning and that it relies on and has to compete with the other Chinese actors to influence foreign policy-making (Chinese Academy of Social Sciences researcher 2011, pers. comm., 30 June; Christensen 2011; Jakobson & Knox 2010). Despite its official role to implement foreign policy, MOFA's declining influence, poor inter-agencies communication and coordination, as well as the competition with other government agencies have undermined its supervision authority across Chinese actors (Christensen 2011; Jakobson & Knox 2010).

If MOFA had significant weight in the coordination and supervision of foreign policy-making and its implementation, the premise of China as a unitary, homogeneous actor would not be as disputable. Additionally, the top-down hierarchy suggested by the multilayered diplomacy could also be defended in this scenario. But, the evidence suggests that there are many actors involved in Chinese foreign policy-making and its implementation, and that their connection is interdependent.

The situation emerging from the Chinese foreign policy-making context is confusing. On this subject, Christensen (2011) argues that the increasing number of bureaucracies involved in Chinese foreign policy-making is quite a new phenomenon in China and that the top leadership either cannot, or do not want to meld together their interests into a coordinated grand strategy. However, a grand strategy of international relations is, at best, an ideal in any case, in any state. When dealing with such a large number of domestic actors participating not only in foreign policy-making, but also in the implementation of its policies and strategies, it becomes difficult to have one strategy that encompasses all the interests of the different actors as a collective 'national interest' without being vague in its pronouncements.

Perhaps, if the Chinese government remains adamant in portraying a unified image in its foreign policy, an institutional analysis should be carried out on its behalf to find a way to coordinate the interests of the different Chinese actors with its own to narrow the gap between official Chinese discourse and other actors' international behaviour. If

there is an institution that provides clear guidelines to procedures, regulates the coordination among agencies and has the authority to supervise the international behaviour of Chinese actors, it will greatly improve the transparency of the inner workings of Chinese foreign policy.

This could be a viable alternative in light of the current Chinese domestic political context, where a transition in the group of power has recently taken place,⁶⁰ and the need for being perceived as a unified body continues.⁶¹ Thus, it is highly unlikely that the Chinese government would shift its focus to acknowledge the existence of a plurality of Chinese actors, their increasing influence in policy-making and in the implementation of strategies overseas.

Nevertheless, not acknowledging the existence and growing influence of a plurality of Chinese actors challenges the efforts to promote a positive Chinese international image. How could the Chinese government then explain the difference between its official discourse of win-win relationships and common development, with the commercially aggressive business behaviour of the NOCs in its bilateral relations? Especially when, on one hand, following the analysis by the mainstream perspective of international relations, the NOCs are assumed to implement such policy objectives and, on the other hand, the NOCs' business behaviour often times work to the disadvantage of their local partners.

As will be explained in the case studies, when problems with the local implementation of the 'going out' strategy have arisen, that is, when the Chinese NOCs' aggressive and pragmatic business behaviour has caused concerns and debates in the foreign countries, the Chinese government has tended to disassociate itself from the SOE in question. For example, when asked in an interview about the problems faced by the parties negotiating the Coca-Codo-Sinclair project in Ecuador (Eximbank and the

⁶⁰ Refer to (Coonan et al. 2013; Buckley 2013; Wee 2013) on the recent transition of power in the Chinese government.

⁶¹ There are many analyses with different hypothesis regarding this issue, amongst them party adaptation and legitimacy; see for example (Dickson 2010; Shue 2010).

Ministry of Finance in Ecuador), the then Chinese ambassador to Ecuador, Cai Rungguo, said that it was a matter of patience between the parties to reach an agreement, and although he did not know the official position of Eximbank, he reinforced the Chinese government's position to continue strengthening the development of Sino-Ecuadorian relations ('Cai Rungguo: China no ha cerrado negociacion del proyecto Coca-Codo-Sinclair con Ecuador (AUDIO)' 2010). His diplomatic discourse shows that the Chinese government supports the business ventures of Chinese SOEs in Ecuador, and there is a willingness to strengthen the bilateral relations from the Chinese side, but the negotiation and implementation of the project's agreement is Eximbank's business.

It is difficult to ascertain that the Chinese NOCs are the agents of the Chinese government overseas in a broad sense. It is more precise to establish their contribution to the advancement of some Chinese government's energy security interests and objectives, like diversifying the oil supplies. But, their business behaviour should not be expected to be consistent with other objectives in Chinese official discourse, such as enabling common development and win-win relationships. The Chinese NOCs are like any other international company in that they have to deal with business decisions and the administration of their operations without their government's intervention.

After all, the existence of a plurality of Chinese actors in the domestic realms of Chinese energy security and foreign policy is an invariable characteristic. Even when there are mechanisms and institutions (i.e. NEA and MOFA) in the Chinese political structure that could support the premise of a unitary and homogeneous actor, these do not work as efficiently and thoroughly as on paper. This domestic reality spreads through the implementation of international strategies such as the 'going out' in developing countries. In these cases, the perception of a unitary actor is supported by the assumption of a multilayered diplomacy with a top-down hierarchy of command from the Chinese government. Yet, in practice, these mainstream assumptions are also debatable in view of the presence of a plurality of Chinese actors, for example in the 'loan-for-oil' deals.

Chapter 4: Sinopec's 'loan-for-oil' deal and other Chinese NOC's business activities in Brazil: a local concern for commodity dependence

The implementation of the 'going out' strategy in Brazil can be explained with reference to its abundance of natural resources essential to the Chinese government's national objectives, such as foodstuff, iron ore and oil. Additionally, Brazil's technological knowledge, increasing prosperity and the purchase power of its extensive market, as well as its powerful position in South America and international forums, adds enormous value to the bilateral relationship. In any case, nurturing and promoting a positive Chinese image in Brazil should be paramount to Chinese foreign policy.

From the mainstream perspective of international relations, the potential of this bilateral relationship to China has two sides. On the one hand, the Chinese government could see in Brazil a potential partner to cooperate with in multilateral forums to advance some of the objectives in its foreign policy agenda, but conceding some others to the Brazilians. On the other hand, Brazil could emerge as a potential competitor to China in the international system, if it has not already in certain areas, for instance in Brazil's renewed relations with African countries.⁶²

These two sides, cooperation and competition, are present in the Sino-Brazilian relationship and are well represented in the association of the 'BRICS', where China and Brazil are member countries (Beausang 2012; 'BRIC wants more influence' 2009; Jain 2006; Marquand 2011; 'Nations eye stable reserve system' 2009; Sharma 2012; Smith 2013; Yardley 2012). This association acknowledges the powerful potential of both countries in the international system and it has explored the ways they can

⁶² In the past decade, the Brazilian government has opened embassies (17 to 37), signed South-South cooperation agreements, cancelled African debt and Brazilian companies, such as Vale and Petrobras, have invested heavily in commodities in African countries (Barbosa de Freitas et al. 2009; 'Brasil: Africa es prioridad al condonar y reestructurar deudas' 2013; 'Brazil 'to write off' almost \$900m of African debt' 2013; Latin American and Caribbean Economic System 2011; Stolte 2012; 'We have arrived in Benin' 2011).

cooperate, along with Russia, India and South Africa, to promote multilateralism while recognizing what they propose is the new structure of the international community, particularly with regard to restructuring financial institutions such as the IMF and the WB ('Nations eye stable reserve system' 2009; Smith 2013; Yardley 2012).

The idea behind the BRICS also recognises the emergence of these countries as powerful players in the international system and therefore as natural competitors to each other. But this mainstream analysis does not consider the way the predominant local actors in Brazil have perceived China's influence in the country, or if this has had an effect in Sino-Brazilian relations. Nurturing and promoting a positive Chinese image in Brazil should be paramount to Chinese foreign policy in the implementation of the 'going out' strategy.

The aggressive business behaviour of the Chinese NOCs in pushing for energy deals, together with growing local concern about commodity dependence in trade and market competition with China, has sparked debates about the advantages and the future of the bilateral relationship. The local actors in the debate about China's influence in the country have neglected the existence of a plurality of Chinese actors in their account of China's international behaviour. They have been mainly informed by the Latin American hybrid IR perspective and the Chinese government's official discourse. Thus, the predominance of the premise of China as a unitary and homogeneous actor pervades the expectations and perceptions of the prominent local actors to the detriment of Chinese international image.

The analysis of the Chinese NOCs' oil deals and business projects in Brazil demonstrates the plurality of Chinese actors involved in the implementation of the 'going out' strategy. Firstly, it reaffirms the existence of a number of Chinese actors overseas. Secondly, it contradicts the idea of a top-down, centralised chain of command from the Chinese government, as proposed by the multilayered diplomacy perspective, while putting forward the notion of a dynamic, interdependent relationship amongst Chinese actors and the Chinese government. Thirdly, this account

emphasises the important role of the Chinese NOCs in negotiating and implementing their own commercial deals and business projects, showing similar business behaviour to that of other international oil companies that are also concerned about profitability and business enhancement rather than championing their government's geopolitical interests.

Although these elements are constant across the examples of Chinese NOCs' business projects and deals, in this case the local perception that awaits Chinese NOCs business behaviour is to agree with official Chinese discourse on common development and win-win results remains. The ensuing mismatch has had a negative effect on Chinese international image amongst leading Brazilian actors, which has remained unwavering amidst an engaging, yet vague and general, Chinese official discourse.

This chapter examines the gap between the local perception of China's international behaviour and official Chinese discourse through the assessment of the Chinese NOCs' 'loan-for-oil' deal and business projects in Brazil. It addresses briefly the Chinese foreign policy official discourse towards the bilateral relationship, with specific attention to the official approach to the Chinese NOCs' operations in Brazil. It explores the various NOCs' business activities in their implementation of the 'going out' strategy. It analyses the positions of the most relevant Brazilian actors in the debate about China's influence. Finally, it assesses the Chinese government's position in facing the Brazilian context.

Chinese foreign policy discourse with regard to Brazil

In line with China's policy paper on Latin America and the Caribbean (2008), the goals of Chinese foreign policy on Brazil emphasize common development, mutual benefit and win-win results from the bilateral relationship (Embaixada da Republica Popular da China na Republica Federativa do Brasil 2011b; Ministry of Commerce 2010). Likewise, economic development is the logic that underpins these objectives. However, neither local concerns about the consequences of the increased trade, nor the Brazilian

context have been included in the Chinese approach to its bilateral relationship with its comprehensive strategic partner. The discourse has remained vague and general and has encouraged the perception of China as a unitary and homogeneous actor.

The same objectives of the 2008 policy paper are highlighted in the Joint Action Plan 2010-2014 between China and Brazil.⁶³ In its general principles, the plan states that both parties have agreed to implement it 'in a spirit of equality and pragmatism, and with a view to obtaining win-win results' (Ministry of Commerce 2010). However, there is no further detail, for example, of the expectations behind the win-win results, or their means and objectives. This analysis of official Chinese discourse sheds some light on the logic that supports Chinese foreign policy, that of economic development as prosperity, that is, as an objective and an end in itself.

The 'spirit of equality and pragmatism' mentioned above resonates with the identification of China as the largest developing country in the world (China's policy paper on Latin America and the Caribbean 2008). It agrees with the Chinese government's emphasis on evoking a feeling of fraternity amongst developing countries, i.e. Brazil, where China is the biggest. At the same time, it pinpoints the strategic nature of the relationship that the Chinese government wants to achieve with Brazil, in which friendly cooperation is seen as the enabling step towards supporting joint paths of development.

Accordingly, all this is set as the necessary bilateral context to bring about win-win results. This last element reproduces the Chinese government's perspective that opening up is substantially a win-win strategy that will naturally lead to common prosperity. As mentioned earlier in this study, the main thrust of this premise is that

⁶³ Explicitly, the four objectives China strives to achieve with its Latin American partners are: 1) the encouragement of mutual respect and trust to expand common ground; 2) the strengthening of cooperation and achievement of win-win results with regard to economic cooperation, trade and development; 3) the enhancement of common progress and development of exchanges based on the country's areas of strength; and 4) the acknowledgement of the one China principle as a requisite for developing relationships with countries in the region (China's policy paper on Latin America and the Caribbean 2008).

the advancement in economic development is in itself the measure of prosperity and the ultimate goal.

The Chinese focus on win-win results, common development and mutual benefit in its official discourse with Brazil, connotes that Chinese foreign policy will see to promote and enable common economic prosperity and development in its bilateral relationship ('China, Brazil issue joint statement' 2012; Ministry of Commerce 2010; Ministry of Foreign Affairs 2009). On this subject, former president Hu Jintao, commenting on the development of Sino-Brazilian relations, stated in 2011 that the bilateral relationship was instrumental to the economic development and the improvement of the quality of life of both peoples (Embaixada da Republica Popular da China na Republica Federativa do Brasil 2011b). The main Brazilian actors in the debate about China's influence do not concur wholeheartedly with his statement.

Chinese government officials have commended the increased trade flow as specific proof of the mutual benefit and win-win results of the bilateral relationship (Embaixada da Republica Popular da China na Republica Federativa do Brasil 2011a, 2012). Their perspective is informed by the prevailing logic of opening up as, essentially, a win-win strategy that evolves naturally to economic development. If the bilateral relationship is measured by this criterion, it has been an extraordinary success.

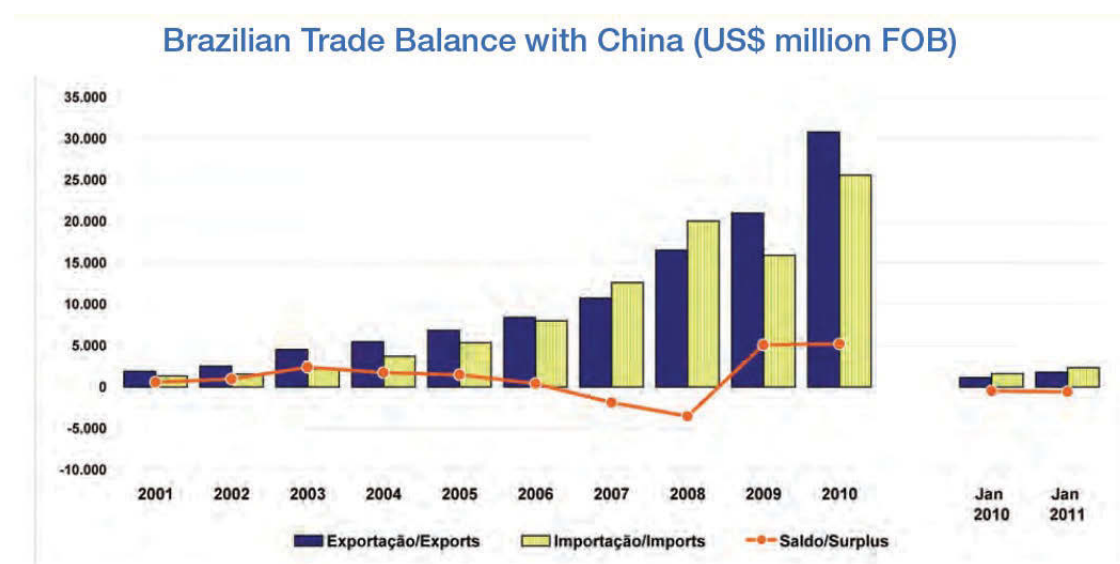
Brazil's economic complementarity with China has been based upon its commodity market: Brazil sells what China needs, raising trade volumes and making China Brazil's largest trading partner since 2009 (Moore 2009). For example, in 2001 bilateral trade between China and Brazil was US\$3,231 million, with a surplus for Brazil of US\$574 million; by 2010 trade had increased to US\$56,379 million and the surplus to Brazil to US\$5,193 million (See table 3) (Secretariat for Social Communication n.d., p. 2).⁶⁴

⁶⁴ Figures in US\$ million FOB.

However, the success is questionable upon closer inspection of the composition of trade. In 2011, trade to China was concentrated in only 3 products: iron ore, soybeans and crude oil, constituting approximately 80% of Brazilian exports to China (Fellet 2011; Landim 2012a). This trade in primary products or commodities, as previously mentioned, is the success story of the bilateral relationship, arguably providing both parties with what they need, commodities for China and increasing volumes of trade for Brazil.

Yet, it is offset by the figures of trade in semi-processed and processed products. In 2010, Brazil exported US\$3,622.2 million semi-processed products and US\$1,395.4 million processed products, whilst importing from China US\$104.6 million and US\$24,953 million correspondingly, leaving a marginal surplus for Brazil in semi-processed products of US\$3,517.6 million and a considerable trade deficit in processed products of US\$23,557.6 million (Secretariat for Social Communication n.d.).⁶⁵

Table 3: 'Brazilian trade balance with China (US\$ million FOB)'



Source: Secretariat for Foreign Trade (SECEX)/Ministry of Development, Industry and Foreign Trade (MDIC).

Source: Secretariat for Social Communication n.d., p. 3.

⁶⁵ Figures in US\$ million FOB.

If the Brazilian surplus in commodities and semi-processed products for the same period are taken into account (US\$8,710.6 million), the trade deficit in processed products looms larger in comparison (US\$23,557.6 million). In 2011 the figures showed the same trend, leaving Brazil with a trade surplus of US\$75.2 billion in commodities, US\$22 billion in semi-processed products, and a trade deficit of US\$75.9 billion in processed products, increasing the anxiety of the Brazilian industrial sector (Schneider 2012).

The concentrations on commodities and trade imbalances are important considerations embedded in the main assumptions of the Latin American hybrid IR perspective analysis, and therefore have pervaded the arguments purported by the local actors. These do not agree with the perception of success in the bilateral relationship that is put forward by Chinese government officials. Brazilians worry about the concentration on commodities and its effects on Brazil's economic development, such as de-industrialisation and dependency. Even if the definition of what they understand as winning results is not clearly stated, it is truthful to their concerns to state that they dissent from the Chinese on what this means and how they can achieve it.

The Chinese government-NOCs' relationship in the official discourse of Sino-Brazilian relations

The Chinese government's focus on appearing as a unitary, homogeneous actor in its foreign policy and international relations has reinforced that image in the Sino-Brazilian relationship. It has allowed the multilayered diplomacy perspective to prevail in the local perception of a top-down centralised hierarchy of command. The local expectation of the Chinese NOCs enabling a context conducive to common development and mutual benefit comes from the implementation of these premises in Chinese official discourse. In practice, the Chinese NOCs business behaviour has empowered the local claims on commodity dependence and de-industrialisation, widening the gap between China's perceived international behaviour and the Chinese government's objectives for the bilateral relation.

The Chinese government has taken the opportunity to project a unified image of China with the Chinese NOCs' business projects in Brazil. In this way, the Chinese government has presented most of the NOCs' business projects and the 'loan-for-oil' deal as positive developments of a comprehensive strategy in the context of a state visit. For instance, each of the oil investment examples that will be addressed in the next section (the 2009 'loan-for-oil' deal, the 2010 cooperation agreement, the 2011 technology cooperation agreement and the Memorandum of Understanding) have been negotiated and prepared before a state visit, where upon the deals or agreements were officially signed and presented as successful advances of the bilateral relationship ('Brazil's Lula, on China visit, secures 13 deals' 2009; 'Brazilian and Chinese state companies to sign agreements during visit by President Dilma Rousseff' 2011; Colitt 2010; Elliot Novacich 2011; Graham-Harrison 2010). This is no doubt an important factor that reinforces the local perceptions of Chinese NOCs as part of the Chinese government.

Although it is partially true that these business projects and deals advance the Sino-Brazilian relationship, the main connotation of the official Chinese discourse is that they are steps favourable for reaching the bilateral relationship's goals of common development, mutual benefit and win-win results. However, these objectives fall outside the scope of the Chinese NOCs business behaviour. Their business projects do not serve the political dimension of Chinese official discourse; they are positive developments in the implementation of the 'going out' strategy. That is to say, they improve the diversification of oil supplies and the business internationalisation of the companies. This subtle limit of the Chinese NOCs' scope in carrying through Chinese overseas strategies is relevant in order to have an accurate account of China's international behaviour.

Still, the Chinese NOCs are included in the Chinese government's usual commitments to promote stronger relationships and meet mutual interests in its bilateral relations. In the Sino-Brazilian relationship, the Joint Action Plan 2010-2014 illustrates this overriding trend. The Joint Communiqué between the People's Republic of China and

the Federative Republic of Brazil on Further Strengthening China-Brazil Strategic Partnership was signed during the 2009 Brazilian state visit to Beijing (Ministry of Foreign Affairs of the People's Republic of China 2009). It reaffirmed the governments' commitment towards building a stronger relationship through a Joint Action Plan 2010-2014 (Ministry of Commerce 2010; Ministry of Foreign Affairs of the People's Republic of China 2009).

Besides commending and signing the plan during his 2010 visit to Brazil, former president Hu Jintao, together with his counterpart former president Luis Inacio Lula da Silva, stated they had agreed on the earlier implementation of the China-Brazil High-level Coordination and Cooperation Committee's recommendations for the further strengthening of the bilateral strategic partnership and cooperation in key areas of mutual interest ('China, Brazil pledge to promote strategic partnership, strengthen cooperation' 2010; Ministry of Commerce 2010).

One of these key areas is energy and mining, included in article 6 of the Joint Action Plan, where both parties identify an ongoing cooperation in oil as an essential element in deepening the bilateral partnership (Ministry of Commerce 2010). They expect to further strengthen oil cooperation through the participation of Brazilian and Chinese companies in development and production in China and Brazil accordingly, mutual investments and purchasing of equipment (Ministry of Commerce 2010). The perception of a multilayered diplomacy is again reinforced by official Chinese discourse with regard to Brazil. But, as the examples of the Chinese NOCs' business projects and deals in the country will show, in practice, the existence of a plurality of Chinese actors and an interdependent relationship amongst them is evident.

Perhaps the crucial concept in analysing the official discourse in the Joint Action Plan is that the parties reflect their energy security agendas when they state the need for the participation of the oil companies. Even if their participation will further strengthen cooperation, their investments and purchases are the companies' own responsibility, while the governments boost their business context on the sidelines.

An indication of this assessment is found in President Dilma Rousseff's visit to Beijing in 2011. During this visit, she advocated Brazil's commitment to the bilateral relationship through the ongoing implementation of the Joint Action Plan as a comprehensive strategy. Energy and mining were still amongst the main areas discussed by both parties, in particular the importance of the two countries' companies in developing the bilateral relationship in these areas ('China, Brazil to promote trade, investment cooperation, says communiqué' 2011; 'China, Brazil vow to boost economic, trade cooperation' 2011; Wang Qishan meets with Brazilian President Rousseff' 2012). Both sides agreed on encouraging trade and partnerships amongst them, as well as using the Joint Action Plan and the High-Level Committee to promote good business environments for the companies to operate in ('China, Brazil to promote trade, investment cooperation, says communiqué' 2011).

Similarly, the same official discourse was followed during former premier Wen Jiabao's visit to Brazil in 2012, when both countries signed a 10-year Cooperation Plan. This plan's aim is to promote the implementation of the Joint Action Plan and support initiatives and projects in key areas of common interest, such as: economic characteristics and market needs, development strategies and domestic laws and regulations, and economic development and mutual benefit (Ministerio das Relacoes Exteriores 2012). Cooperation in energy, mining, infrastructure and transportation remains an important area for the bilateral relationship. Especially in oil and gas, both governments have agreed on their continued support for the oil companies to look for business opportunities and invest, while also agreeing to motivate them to invest together in third countries (Ministerio das Relacoes Exteriores 2012).

It is evident from the above examples that even if the Chinese government does not orchestrate, nor is directly responsible for, the business behaviour of the Chinese NOCs, it supports their international business ventures. Yet, instead of treating this as evidence of a grand comprehensive strategy of international relations, it is perhaps more grounded to state that in supporting the NOCs in its official discourse, the Chinese government is playing its role in the 'going out' strategy to advance the

diversification of oil supplies and the NOCs' business internationalisation. This also shows the extent of the marriage of interests and of the interdependent relationship amongst the Chinese government and the Chinese NOCs.

Nonetheless, the Chinese government's emphasis on its unitary and homogeneous image, and the influence of the Latin American hybrid IR perspective, inform the Brazilian expectations and perceptions of China's international behaviour. Thus, the leading local actors in the debate assume the Chinese government directs the business behaviour of the Chinese NOCs, neglecting in their analysis the presence of a plurality of Chinese actors doing business in their country. Subsequently, they also play down the important role of the NOCs and the interdependent relationship amongst them and the Chinese government which is unacknowledged in the debate about China's influence.

The plurality of Chinese actors in Brazil: Chinese NOCs' business operations

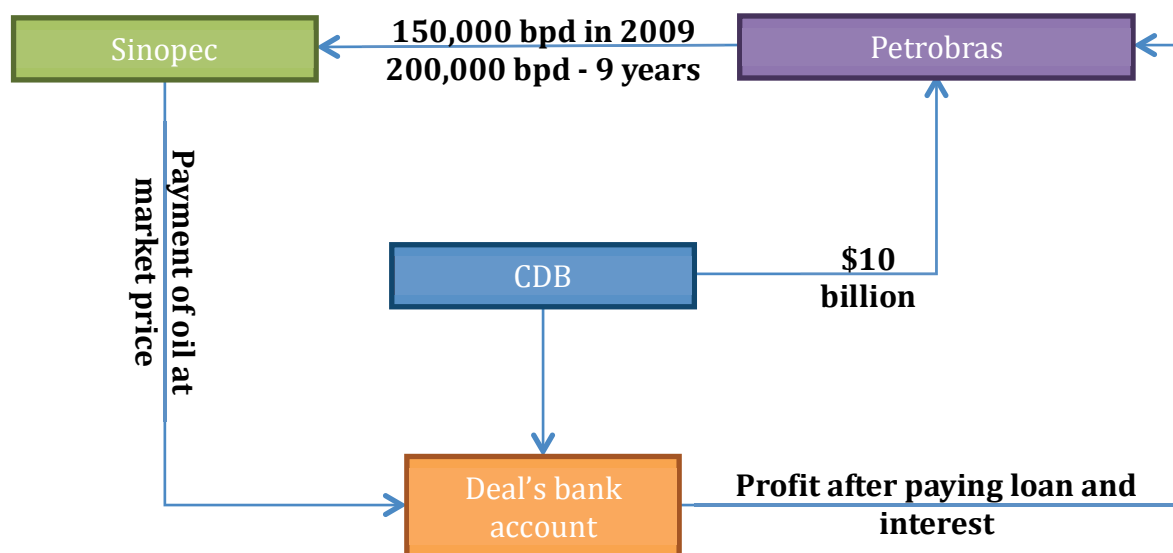
In Brazil, the practice of the 'going out' strategy is not consistent with the premise of China as a unitary actor. The Chinese NOCs implement the strategy at the same time that they advance their commercial interests. Their business deals and projects with Petrobras are the result of a commercial business relationship that has been developed over time by the oil companies. Although presented in the context of an official visit as advancing the objectives of the bilateral relationship, the business deals and projects only serve the goals embedded in the 'going out' strategy, those pertaining to the diversification of oil supplies and the internationalisation of the NOCs. The implementation of these goals has not strictly followed the hierarchy of command put forward by the multilayered diplomacy. In this way, the presence of a plurality of Chinese actors, the important role of the Chinese NOCs and the interdependent relationship with the Chinese government are constant elements in the operation of the 'going out' strategy in Brazil.

Sinopec's 'loan-for-oil' deal with Petrobras in 2009

The first 'loan-for-oil' deal signed between Sinopec and Petrobras was presented at Brazil's state visit to China in May 2009, and included the CDB as the lending institution (see Figure 5). During this visit, Brazil's former president Luis Inacio Lula da Silva travelled to Beijing with a government delegation that included businessmen from Brazil's leading industries ('Brazil's Lula, on China visit, secures 13 deals' 2009).

The 'loan-for-oil' deal was officially presented to the international press by former president Hu Jintao and former president Luis Inacio Lula da Silva, and gave Sinopec the right to buy 150,000 bpd that year and 200,000 bpd for the following 9 years at market prices, while Petrobras received a \$10 billion loan from the CDB (Arnson 2011, p. 4; 'China's Sinopec negotiating first oil exploration deal in Brazil' n.d.; Frayssinet 2012; Jiang 2009; 'Sinopec to benefit from Petrobras deal' 2009).

Figure 5: Sinopec-Petrobras 2009 'loan-for-oil' deal structure⁶⁶



In anticipation of the 2009 Brazilian official visit to China, Petrobras was in contact with Sinopec to negotiate this 'loan-for-oil' deal and prepare it for its official signing and presentation to the international press at the time of the visit (Blount & Dantas 2009).

⁶⁶ Author's figure, with information from (Arnson 2011, p. 4; 'China's Sinopec negotiating first oil exploration deal in Brazil' n.d.; Frayssinet 2012; Jiang 2009; Jiang & Sinton 2011, p. 22; 'Sinopec to benefit from Petrobras deal' 2009).

Prior to the deal, Petrobras and Sinopec signed a Memorandum of Understanding in July 2008 to explore business opportunities in response to their already high trade volume of oil (12 million barrels in 2008), which in turn was the result of a previous export contract between the two companies (Barra 2008; 'Petrobras e estatal chinesa vao ampliar trocas comerciais' 2008).

In February 2009, Sinopec signed an import contract with Petrobras, in which the latter committed to sell between 3 to 5 million tonnes of crude oil between 2009 and 2010 to Sinopec, while in another meeting with Sinopec and CDB, Petrobras signed a Memorandum of Understanding to explore cooperation opportunities in oil and finance that set the trade volume of oil between Sinopec and Petrobras between 10-12.5 million tonnes in 2010 (Embaixada da Republica Popular da China na Republica Federativa do Brasil 2009). These previous contracts and Memorandums of Understanding between the companies and the CDB set the stage for the 'loan-for-oil' deal that was officially signed in May 2009.

In contrast to what might have been expected under the assumption of China as a unitary actor with a strict top-down centralised hierarchy of command, the deal did not originate at the top echelons of the leadership. Instead, the 2009 'loan-for-oil' deal was a result of the business initiative of the companies, as part of their strategy to pursue their commercial interests in the first place, which was then taken to their respective governments to become an official understanding.

Petrobras approached Sinopec because it was interested in obtaining the resources to financially support its 2009-2013 business plan, which required approximately US\$174.4 billion in total (Blount & Dantas 2009; 'China's Sinopec negotiating first oil exploration deal in Brazil' n.d.; 'Sinopec to benefit from Petrobras deal' 2009). Sinopec's priority was to enter the Brazilian oil sector and diversify its international investments. The opportunity for the deal also came at a time when Sinopec was facing a 6.1 per cent decline in its proven reserves of oil, which placed the company at

a competitive disadvantage domestically (with CNPC) and internationally ('Sinopec to benefit from Petrobras deal' 2009).

Although the deal was officially presented in the context of a state visit, this does not necessarily imply that the 'loan-for-oil' deal in Brazil is an example of the multilayered diplomacy perspective. At first glance, it would seem that the three layers of diplomacy⁶⁷ were involved in the negotiation and signing of the deal, as this perspective argues. However, the relationship among the three layers of diplomacy, as illustrated by Sinopec's business behaviour in this case, does not follow a top-down, centralised chain of command from high-level Chinese government officials.

In this example, Sinopec looked for business opportunities with its local counterparts and provided the relevant services to implement the deal. After securing the deal, Sinopec advocated on its behalf to coordinate its official signing with the Chinese government, circumventing the suggested layered hierarchy. This is consistent with what some observers have pointed out about the growing influence of the NOCs as Chinese actors (Liou 2009; Downs 2008, 2011; Chinese Academy of Social Sciences researcher 2011, pers. comm., 12 July).⁶⁸

By initiating, negotiating and implementing the Petrobras-Sinopec 2009 deal, Sinopec has reinforced its role as a powerful actor, different to the Chinese government.⁶⁹ At the same time, this also reaffirms the existence of a plurality of Chinese actors overseas that behave pragmatically in their commercial endeavours with their local partners. The Chinese actors in this Brazilian 'loan-for-oil' deal (Sinopec and CDB) have distinct international business agendas that at times agree with some of the Chinese government's interests, such as oil supply diversification; while some other times, their aggressive business behaviour prevents the achievement of other equally important

⁶⁷ The multilayered diplomacy perspective argues that the NOCs are at the bottom of the chain of command, they are important actors of the 'corporation's diplomacy', commanded by the presidential and then the government's diplomacy (Teng 2010). Refer to Chapter 3 for a detailed account, particularly to figure 3.

⁶⁸ Refer to chapter 3 for a detailed assessment.

⁶⁹ The same could be argued about the role of CDB (Downs 2011).

Chinese government interests, for instance nurturing a positive Chinese image in Brazil.⁷⁰ Therefore, the assumption of a unitary, homogeneous actor with a centralised, hierarchy of command is difficult to sustain in this example.

Sinopec's and Sinochem's 2010-2011 investments in Brazil

The Petrobras-Sinopec 'loan-for-oil' deal in 2009 is not the only example that shows the presence of a plurality of Chinese actors, the important role of Sinopec as a Chinese actor overseas and a dynamic, interdependent relationship amongst Chinese actors and the Chinese government. These characteristics can also be found in other types of investments Sinopec has pursued in Brazil and the follow-up of the Petrobras-Sinopec 2009 deal in 2010.

Sinopec and Sinochem Corporation (Sinochem) have invested in Brazil's oil sector by purchasing existing assets of domestic or international companies operating in the country ('Brazil: Statoil completes USD 3.07 billion sale of Peregrino field stake to Sinochem' 2011; Chen & Dowsett 2010; Frayssinet 2012; Hook & Mulligan 2010; 'Perenco farms out Brazilian offshore concessions to Sinochem' 2011).⁷¹ These include (1) Sinochem's acquisition in 2010 of 40% of Statoil assets in the Peregrino field with an investment of US\$3.1 billion, (2) a US\$4.2 billion investment in the acquisition of 40% assets of Repsol's Brazilian subsidiary by Sinopec in the same year, and (3) an investment agreement in 2011 between Sinochem and Perenco, in which the former will fund the operations of the latter in some of Perenco's wells in five concessions in the Espirito Santo basin (deep water exploration) in exchange for their 10% working interest ('Brazil: Statoil completes USD 3.07 billion sale of Peregrino field stake to

⁷⁰ This will be addressed later in the chapter.

⁷¹ Sinopec has also worked together with Petrobras in the GASENE project signed in 2004, later divided into GASCAV and GASCAC. Sinopec provided its services as an EPC contractor for GASCAV to build a 303 km gas pipeline from 2006, while also providing the same services for GASCAC to build a 995 km gas pipeline from 2007 (Brazilian Securities Commission 2007; 'Gasene faz a integracao nordeste-sudeste' 2011; Sinopec Petroleum do Brasil LTDA n.d.).

Sinochem' 2011; Chen & Dowsett 2010; Frayssinet 2012; Hook & Mulligan 2010; 'Perenco farms out Brazilian offshore concessions to Sinochem' 2011).⁷²

These minority equity investments serve the interests of Sinopec and Sinochem in two ways: first, they allow the companies to diversify their portfolio financially and geographically, and second, they complement the companies by acquiring assets for operations that neither could perform technically nor technologically. One of the attractive elements of entering the Brazilian oil sector for the Chinese NOCs is precisely that there is the possibility of a transfer of technical knowledge and technology to perform offshore, deep-water oil exploration and production (Ellis 2009). Both companies, Sinochem and Sinopec, need these commercial advantages to increase profitability and their international competitiveness.

Sinopec's and Sinochem's investments in the Brazilian oil industry provide further evidence of their important role as Chinese actors and of the existence of a plurality of Chinese actors overseas. These corporations have exhibited similar commercial business behaviour as other international oil companies. They have pursued their commercial interests in Brazil pragmatically, advancing Chinese government interests with regards to the 'going out' strategy, but largely neglecting the implications of their pragmatic behaviour for Chinese international image; especially when this is contrasted with the official Chinese discourse of promoting a win-win relationship and common development in its bilateral relationship with Brazil.

As will be further addressed in the Brazilian debate about Chinese influence, this has become an issue for Chinese foreign policy because the local interpretation of China's international behaviour is heavily influenced by the Latin American hybrid IR perspective. The main assumptions that underpin this perspective coincide with the unitary and homogeneous ideal from the Chinese government. Thus, the main

⁷² Statoil is a Norwegian international oil company (Statoil 2007), Repsol is a Spanish international oil company (Repsol 2013) and Perenco is an independent oil & gas international company (Perenco n.d.)

Brazilian actors perceive the Chinese NOCs' business behaviour as China's international behaviour, questioning the real benefits of the bilateral relationship to Brazil.

The 2010 cooperation agreement between Sinopec and Petrobras

The commercial relationship that has been developed amongst Sinopec and Petrobras arguably enabled the companies to lobby for an extension of the original 2009 'loan-for-oil' deal with their governments in 2010 (referred to as the 2010 cooperation agreement). The international financial context⁷³ was a key element for the achievement of this extension, since, due to the global financial crisis, there were few international oil companies that were able to invest in new projects, and Petrobras was in need of international investment to carry on with its 2009- 2013 business plan ('Petrobras announces business plan 2009-2013' 2009; Rodrigues Alonso 2009; Tavares de Mello 2010). The 2010 cooperation agreement between Sinopec and Petrobras is another example of the increasing influence of the Chinese NOCs as Chinese international actors, and of the existence of a plurality of actors in Chinese foreign policy and international relations.

Similar to the deal in 2009, this agreement was negotiated and prepared by Sinopec and Petrobras in time for former president Hu Jintao's official visit to Brazil in April 2010. The areas in which the parties agreed to extend their deal in a cooperative agreement, subject to further negotiation, were 1) trade, giving Sinopec the opportunity to buy more oil for a longer period of time; 2) technology, with regard to engineering materials and equipment that were not clearly defined in the presentation of the agreement; and 3) future exploration and production partnerships in developing Brazilian oil deposits, giving Sinopec access to two Petrobras blocks in the Para-Maranhao basin (BM-PAMA-3 and BM-PAMA-8) (Colitt 2010; Graham-Harrison 2010; 'Sinopec to sign Petrobras oil deal' 2010; 'Sinopec, Petrobras reached cooperation agreement in Brazil' 2010).

⁷³ For different perspectives on the global financial crisis and credit conditions in this context refer to (Chor & Manova 2012; Claessens et al. 2010; Crotty 2009; Shiller 2008).

The deal does not include a new credit line by the CDB, an area that was still being pursued at the time by Petrobras because of its need for funding to invest in its working plan. The possibility of a new credit line remained open for negotiation with the CDB, which expressed its willingness to fund such types of agreements ('China Development Bank: ready to finance Sinopec, Petrobras cooperation' 2010; Colitt 2010; Graham-Harrison 2010). Like the 2009 'loan-for-oil' deal, the 2010 cooperation agreement was the result of the business relationship between the NOCs, Sinopec and Petrobras, the pursuit of their commercial interests, and the right international and domestic context to negotiate and materialise a business opportunity ('Petrobras assina Acordo de Cooperacao com a petrolifera chinesa Sinopec' 2010; 'Sinopec to sign Petrobras oil deal' 2010).

This 2010 cooperation agreement is basically an extension of the 2009 deal, a revision of where the companies want to see their business relationship go in the following years to maximise profit and their commercial opportunities ('Petrobras assina Acordo de Cooperacao com a petrolifera chinesa Sinopec' 2010). It is a business initiative led by the companies and later signed by their respective governments.

Petrobras' recent business engagement with Chinese NOCs

The agreements signed in 2011 between Petrobras and Sinopec, and Petrobras and Sinochem, follow the same business practices observed in the 2009 'loan-for-oil' deal and its extension, the 2010 cooperation agreement. Sinopec and Sinochem, while looking to progress their commercial interests in Brazil with these agreements, also advance the objectives of the 'going out' strategy concerning supplies diversification and business internationalization.

First, the Technology Cooperation Agreement between Petrobras and Sinopec provides the latter with the opportunity to materialise its long awaited interest to participate in the exchange of technology and technical know-how in the areas of 'geophysics, geology and oil engineering' ('Petrobras enters two important agreements

with Sinopec and Sinochem (China)' 2011). Second, the Strategic Cooperation Memorandum of Understanding between Petrobras and Sinochem is 'aimed at identifying and enabling business opportunities in the fields of exploration and production, oil commercialization and mature oil field recovery' ('Petrobras enters two important agreements with Sinopec and Sinochem (China)' 2011). This Memorandum of Understanding, although commercially advantageous for both parties, gives Sinochem the opportunity to continue diversifying its geographical and financial portfolio, while investing in projects that it alone could not explore due to limited technology and technical know-how.

Even though these agreements were signed at the time of the Brazilian state visit to Beijing in 2011, this time led by Brazilian President Dilma Rousseff, they are the result of a concerted effort between the NOCs and not a top-down strategy from the Chinese government. This not only attests to the existence of a plurality of Chinese actors in Brazil, but also suggests the interdependent nature of the relationship between these and the Chinese government ('Brazilian and Chinese state companies to sign agreements during visit by President Dilma Rousseff' 2011; Elliot Novacich 2011).

On this subject, Petrobras has recently started looking for partners to finish building two of its refinery projects, Premium I and II, while also looking for bidders for the 2013 oil blocks auctions (Goy 2013; Lima & Orihuela 2013; Rodrigues 2013). Petrobras has initiated talks with Sinopec about the possibility of a business cooperation regarding the refinery projects, and has invited Sinopec to bid in its oil block auctions later in the year. As this chapter was written, Petrobras chief executive officer, Maria das Gracas Foster, was in China seeking to enhance its partnership with Chinese NOCs (Goy 2013; Lima & Orihuela 2013; Rodrigues 2013).

This suggests that the initiative of business projects remains at the company level, with their governments to be lobbied later, circumventing, in the Chinese case, the assumed top-down centralised hierarchy of command suggested by the multilayered diplomacy perspective. It also sheds some light on the important role of Chinese NOCs

as Chinese international actors, as well as reinforces the idea of a dynamic, interdependent relationship amongst Chinese NOCs and the Chinese government. It would not come as a surprise if, during the next official visit, the presidents of China and Brazil signed another agreement or Memorandum of Understanding between Sinopec and Petrobras regarding their cooperation in the refinery projects and/or the oil blocks.

In spite of the evidence presented by these examples, the business projects and deals of the Chinese NOCs are still seen as organised and managed by the Chinese government. The constant elements present in these instances remain neglected by the mainstream analysis of China's international behaviour. A large majority of the most prominent Brazilian actors in the debate follow on this trend. China's international image in this manner has been tarnished by the perceived gap between official Chinese discourse of common development, mutual benefit and win-win results in the bilateral relationship, and the Chinese NOCs' business behaviour that is not focused on enabling a context for these objectives to prosper.

The local debate about the Chinese influence in the Brazilian economy: a challenge to Chinese foreign policy

The 'loan-for-oil' deal and other Chinese NOCs' business projects in Brazil are included in the concerns of local groups about increased commodity dependence in the Brazilian trade with China, as crude oil is amongst the three most exported products to China (Institute of Brazilian Studies expert 2011, pers. comm. 21 July; Latin American Network for Research on Multinational Enterprises 2009, p. 75). Although there are many Brazilian actors⁷⁴ that participate in the debate about China's influence in the country (Tavares Maciel & Nedal 2012), three lead the discussion, the Industries from Sao Paulo State Federation (Federacao das Industrias do Estado de Sao Paulo- FIESP),

⁷⁴ Amongst them trade chambers, commercial lobbies, industry associations in different sectors, such as textiles, toys, shoes and machines, single companies related to these associations, different ministries from the Brazilian government such as the Ministry of Finance and the Ministry of Development, Industry and Commerce, and the analysts from diverse organisations (Tavares Maciel & Nedal 2012).

the Brazil-China Business Council (Conselho Empresarial Brasil-China- BCBC) and the Brazilian government, particularly through its Ministry of Foreign Affairs. Additionally, there are some Brazilian scholars who have addressed the concerns of these three groups with regard to China's influence in Brazil, and therefore could be considered a fourth actor in the debate.

Industries from Sao Paulo State Federation (FIESP)

The FIESP represents 130,000 industries from different sectors, distributed amongst 130 employer's unions, defending the private sector's objectives and analysing the current issues that influence the industrial activities and challenge Brazil's economic development (Federação das Industrias do Estado de São Paulo 2012). The group led by FIESP sees Chinese influence as a threat and argues that relying on exporting commodities to China not only hurts the local industries but also limits Brazil's economic development. It advances three main arguments (Fellet 2011; Landim 2012a; Landim 2012b; Schneider 2012). First, the concentration on commodities has led to a de-industrialisation of the Brazilian economy. Second, this concentration of trade could potentially lead to a dependent relationship with its main buyer, China, and a commodity dependent relationship, which is subject to market price fluctuations. And third, the Chinese are at an advantage due to dumping practices by the Chinese government and its currency manipulation.

These arguments have led FIESP to propose imposing restrictions on the buying of land and reserves of energy resources (Rehder & Friedlander 2010). In this regard, and with a marked influence of the Latin American hybrid IR perspective, FIESP's first vice president Benjamin Steinbruch stated that since one State is behind the buying of the land and the resources, the issue becomes intergovernmental and hence this is a question of national sovereignty, adding that he does not look favourably at any country that buys Brazilian assets (Rehder & Friedlander 2010). Steinburch's standpoint does not account for the existence of a plurality of Chinese actors different to the Chinese government, and is primarily informed by the main assumption that

Chinese SOEs are state-owned and state-run, hence the connotation that the Chinese government is violating Brazil's national sovereignty.

Moreover, further displaying the Latin American hybrid IR perspective in their analysis of China, FIESP members use the trade deficit in processed products in their arguments against the negative Chinese influence in Brazil's industries. Concerning this subject, they also emphasize the fact that Brazil's market share in industrialized products has been decreasing (Fellet 2011; Tavener 2011). FIESP members propose that Brazil needs its industrial sector to thrive and to provide solutions to its domestic challenges and developmental needs; the aforementioned decrease in the market share of industrialized products, they argue, does not help with these objectives ("Made in China' e pedra no sapato de Dilma em Pequim' 2011; Riedher & Friedlander 2010).

Their expectation of win-win results in the bilateral relationship with China certainly does not equate to increased trade flows. FIESP members do not share the Chinese government's logic that increasing trade flows and opening up will naturally evolve towards economic development. They bring to the fore the loopholes in this logic as a consequence of their local and historical context.

In their view, irrespective of an extraordinary trade flow, commodity dependence and de-industrialisation do not lead to economic development and mutual benefit. In this line of reasoning, the Chinese NOCs' 'loan-for-oil' deal and business projects illustrate the Brazilian path to commodity dependence with China. Since the trade is mainly in crude oil, there is no added value for Brazilian industries, hence strengthening the FIESP's argument of de-industrialisation.

Brazil-China Business Council (BCBC)

The BCBC aims to promote trade and good business environments for Chinese and Brazilian companies to establish dialogue, strengthen their relationships and negotiate investments in both countries (Conselho Empresarial Brasil-China 2011). The BCBC

includes Brazil's leading companies, for instance Embraco, Embraer, Banco do Brasil, Itau BBA, Vale, Suzano Papel e Celulose and Usiminas, and some industry associations such as FIESP (Conselho Empresarial Brasil-China 2011).

BCBC proposes that the bilateral relationship is beneficial to both parties, but that the parties involved must collaborate to create opportunities and overcome its challenges (Conselho Empresarial Brasil-China 2011). Thus, this group focuses on trade and business opportunities. Although leading the group that supports the bilateral relationship, BCBC does it cautiously, and its president, ambassador and former minister of development, Sergio Amaral, has at times criticized certain aspects of the relationship. Therefore, BCBC at times agrees with FIESP in the points the latter has raised in the debate, while some other times its arguments focus on the positive aspects of trade with China and of the potential of the business relationship.

For instance, Sergio Amaral has aligned his concerns with FIESP regarding the type of Chinese investments going to Brazil and their negative consequences for local industries and the Brazilian agenda for economic development.⁷⁵ For example, he has stated that 'the Chinese are selective with regard to the investments they receive. They do not accept all types of investments...we should think if we should follow the same principle here' (Wentzel 2010). Furthermore, he has raised concerns about Chinese restrictions on Brazilian exports and licensing requirements that build obstacles to Brazilian investments and operations in China (Chen 2012a; Chen 2012b) and about the need to build a more 'sophisticated relationship with China', moving away from exporting commodities (Prada 2011).

However, Amaral has also made clear that China should not be held fully responsible for buying commodities, that the Brazilian government is partly responsible for not having a strategic vision in its bilateral relationship with China that would contribute to create trade opportunities beyond commodities (Chen 2012a; Olivion 2012), and that

⁷⁵ It is important to note that the FIESP, along other federation of industries from other Brazilian states, are also members of BCBC (Conselho Empresarial Brasil-China 2011).

the current trade imbalance has made public the 'vulnerabilities and lack of competitiveness' of Brazilian industries (Chen 2012a).

Although the BCBC focuses on the positive aspects of the relationship, such as the increased trade flows, and points to the negative aspects as shared responsibility between the Chinese government and the Brazilian government, it does not offer any strong viewpoint in opposition to the China threat perspective in Brazil. In fact, by adding commentaries that partly agree with the FIESP leading group, it helps build up the momentum for its strengthening and spreading amongst the leading Brazilian actors in the debate.

However, an important contribution from BCBC is its objective of motivating and building relationships between Brazilian and Chinese enterprises. Concerning this goal, it has helped establish the Confucius institute for business in Sao Paulo in 2012 to increase awareness of the cultural and business differences in the bilateral relationship.⁷⁶ Of particular relevance to this study, it publishes the 'China-Brazil update' report, where the BCBC provides information on official data about trade flows in specific industries, and informs on the new agreements, deals and meetings between companies of both countries, including a brief statement describing the different Chinese companies and their international business profile (Conselho Empresarial Brasil-China 2012; Conselho Empresarial Brasil-China 2013). This suggests an understanding of sorts of the existence of a plurality of Chinese actors and their important role in seeking, negotiating and implementing business deals overseas.

Despite its tacit acknowledgement of the presence of a plurality of Chinese actors in Brazil, the Latin American hybrid IR perspective underpins the BCBC analysis on China's international behaviour. As mentioned in the examples of Amaral's statements, the BCBC favours increasing trade and investment flows, and in spite of attributing some

⁷⁶ The Confucius institute for business is supported by BCBC, and co-founded by the University of International Business and Economics in Beijing, and the Armando Alvares Penteado Foundation in Sao Paulo. It offers Chinese language and culture classes with a focus on business, as well as entrepreneurial seminars and post-graduate training courses about China (Conselho Empresarial Brasil-China 2013; Instituto Confucio para Negocios 2013).

of the responsibility to the Brazilian government, it criticises the dependency on commodities and the trade imbalances as obstacles to a win-win bilateral relationship of common development.

Brazilian Government

Even though the government officials, particularly from the Ministry of Foreign Affairs, emphasize the trade surplus with China as an advantage of the bilateral relationship (Campos Mello 2010; Dey-Chao & Van Wik 2010; Soliany & Bristow 2011), they also do it cautiously and have at times criticized the same points raised by the Brazilian industrial group (i.e. FIESP). Former chancellor Celso Amorim, when finishing his tenure at the Ministry of Foreign Affairs, stated that one of the biggest challenges to Brazilian foreign policy was the definition of a clearer strategy towards China bilaterally and multilaterally, something that has resonated with some scholars and BCBC president, Sergio Amaral (Campos Mello 2010; Prada 2011; Tavares Maciel & Nedal 2012).

The position of the Brazilian government has focused on reacting to local pressure to change or improve its stand in the bilateral relationship with China. Responding to the worries from the industrial groups over the China threat perception and its consequences to Brazilian economic development has become one of the government's main challenges. On this subject, the ministry has raised its concerns with the Chinese government during official visits and has included the 'need to listen to the concerns of the private sector and support companies' in its official communications (Patriota 2011).

By including the views from the leading groups in the debate about China's influence in its official discourse, the Brazilian government has resorted to a reactive strategy towards the bilateral relationship.⁷⁷ It has also adopted the same ideas from the Latin

⁷⁷ This concurs with the observations of Tavares Maciel and Nedal (2012) about the Brazilian government's overall passive strategy to engage with China.

American hybrid IR perspective,⁷⁸ and thus, has ignored the presence of a plurality of Chinese actors conducting business in Brazil. Although supporting Brazilians is in fact one of its responsibilities, the Brazilian government's behaviour towards the bilateral relationship has not contributed to easing local anxieties about the China threat perception in the country.

For instance, the Brazilian government has used the Brazilian Congress' pending recognition of China as a market economy as a bargaining chip to include some of the industries' concerns in the bilateral agenda. The market economy status was signed during Hu Jintao's visit to Brazil in 2004; however, it has not been passed by the Brazilian government ('Brasil reconhece China como economia de mercado' 2004). This has been the result of strong criticism from the Brazilian media, industrial groups and even some supporters of the relationship (Tavares Maciel & Nedal 2012), remaining a controversial issue in the bilateral relationship.

The use of this element can also be explained by the fact that Brazilian anti-dumping measures are more flexible than those at multilateral forums (Fellet 2011) and President Dilma Rousseff 'has vowed to increase the amount of anti-dumping cases against China' in response to mounting pressure from the local industries, which would be difficult to do once China's market status has been fully recognised by Brazil ('Booming Trade Causes Friction Between Brazil and China' 2011). As former chancellor Celso Amorim points out, recognizing China as a market economy is part of a negotiation process, one that cannot be given as a favour and must be consistent with the interests of the Brazilian industrial sector (Fellet 2011).

As this example illustrates, local perceptions of China's international behaviour are paramount to Chinese international image. The China threat perception remains an important issue in Sino-Brazilian relations, and the Brazilian government's stand has

⁷⁸ For example, the Brazilian government has negotiated the commitment of the Chinese government to encourage Chinese companies to increase the imports of Brazilian high value-added or processed products ('China, Brazil to promote trade, investment cooperation, says communiqué' 2011).

responded mainly to local perceptions instead of improving the impression of China's influence in Brazil and the bilateral relationship.

Brazilian scholars

The Brazilian scholars could potentially become an agent of change and provide a more accurate account of China in Brazil. Even though they also neglect the existence of a plurality of Chinese actors, and of an interdependent relationship with the Chinese government, they show that most of the challenges faced by Brazil's economy, claimed as negative consequences of China's influence in the country, are mostly rooted in Brazil's history and economic system. The Brazilian scholars could lead the development of a different perspective towards the bilateral relationship, providing some space for mutual learning and understanding between the parties.

Most of the Brazilian academic analysis on China has a distinct focus on the Brazilian economy (Brainard & Welch 2012; Institute of Brazilian Studies expert 2011, pers. comm. 21 July; Landim 2012b). Although they do not strongly suggest overcoming the limited understanding of a plurality of Chinese actors, the Brazilian scholars' analyses shed some light on Brazil's economic challenges and their relationship to China's influence in the country (Institute of Brazilian Studies expert 2011, pers. comm. 21 July). In this way, the group of academics direct attention to Brazil and what Brazilians can do to improve their stand in the bilateral relationship.

For example, some scholars have pointed out that de-industrialization is one of Brazil's main challenges (Brainard & Welch 2012; Institute of Brazilian Studies expert 2011, pers. comm. 21 July; Landim 2012b). But in contrast to the perceived connection between de-industrialization and the Chinese trade on commodities such as oil (Fellet 2011; Tavener 2011), they understand de-industrialization as a process that has been taking place in Brazil over the last decades and for which the Brazilian government urgently needs to renew its industrial strategy (Institute of Brazilian Studies expert 2011, pers. comm. 21 July; Landim 2012b).

On this subject, they share the opinion of BCBC president, Sergio Amaral, in that the lack of competitiveness and vulnerability of the Brazilian industries is not a consequence of China's influence, but of long-overdue structural problems within the Brazilian system (Chen 2012a; Institute of Brazilian Studies expert 2011, pers. comm. 21 July). Some other scholars have argued that FIESP's link between China's influence in the Brazilian market and Brazilian de-industrialization are ungrounded, since FIESP's focus is on non-durable goods, which do not represent the bulk of the imports of processed products from China (Tavares Maciel & Nedal 2012).

Consequently, this group of scholars argue that the industrial groups have exaggerated the negative aspects of the bilateral relationship, and that this has fanned the negative image of China in Brazil (Tavares Maciel & Nedal 2012; Institute of Brazilian Studies expert 2011, pers. comm. 21 July). Nevertheless, their analysis missed the most crucial element that has bolstered the predominant perception of China's influence in Brazil. That is, they have also neglected the existence of a plurality of Chinese actors and their interdependent dynamic with the Chinese government.

The Chinese government's approach

The Chinese government's reaction to the leading Brazilian perception of China's international behaviour has been passive. It has not taken into consideration the local concerns about China's influence. It has continued emphasizing the same official discourse of enhancing trade flows to enable economic development, mutual benefit and win-win results. For instance, in an interview for BCBC, Zhu Qingqiao, then head of Business in the Chinese Embassy in Brazil, stated that 'based on mutual benefit and shared gains, economic cooperation and bilateral trade brings tangible benefits to both parties' (Conselho Empresarial Brasil-China 2011. p. 8).⁷⁹ Likewise, he stressed that the

⁷⁹ President Xi Jinping has recently bolstered Zhu's statements, saying that 'business cooperation provides the material foundation of China-Brazil relations' and that it develops the economies and improves the well being of both peoples (Ministry of Foreign Affairs of the People's Republic of China 2013).

increased trade flows between the two countries are a clear example of the importance and potential of the bilateral relationship.

In relation to the Chinese NOCs, Zhu confirmed the Chinese government's commitment to encourage them to invest in Brazil, while also reaffirming its readiness to 'provide strong support and facilities for mutual investments, fully exploit the complementary advantages in the investment area, and strengthen the economic and trade cooperation between the two countries' (Conselho Empresarial Brasil-China 2011. p. 8). The notable connotation from his statement is that the Chinese government will continue with its current approach to the bilateral relationship, particularly facilitating a context for Chinese companies, i.e. NOCs, to expand their business in Brazil.

Zhu's declaration concerning the Chinese government's expectation of the companies to 'fully exploit the complementary advantages in the investment area' is telling of its position on commodities trade. As previously mentioned, the economic complementarities between both countries have been analysed as one of the advantages of the bilateral relationship. However, they have strengthened the trade in commodities and given grounds to the dependency and de-industrialisation claims from the leading actors in the Brazilian debate. This indicates that Chinese government official discourse has neglected the local perspectives and concerns in its approach to the bilateral relationship. Certainly, this has not supported the Chinese government's efforts to improve China's image internationally.

Thus, despite the release of the China's Policy Paper on Latin America and the Caribbean in 2008, the increased number of official visits and contacts between governments from 2004 onwards, the fact that China has become Brazil's major commercial partner since 2009, and that Brazil is one of the only countries that has a trade surplus with China, the overall perception of China amongst Brazilians has not changed dramatically since at least 2006.

Currently, China's image in Brazil is seen as positive with 54% of people surveyed (Globescan 2013). But a closer look at the trends in the polls about Chinese international influence over the past 7 years reveals that the task ahead for the Chinese government to improve and maintain a positive image in Brazil is daunting. For instance, the aforementioned majority represents a decreasing trend: from 57% in 2006, 48% in 2012, to 54% in 2013 (Globescan 2006; Globescan 2012; Globescan 2013). The same trend can be observed with the Brazilians who hold a general negative image of China with 27% in 2006, 31% in 2012 and 24% in 2013 (Globescan 2006; Globescan 2012; Globescan 2013).

The Chinese government could take this local perception of Chinese international image as a challenge to Chinese foreign policy, but one that could potentially alter if the right strategy is put in place to engage Brazilians with a better understanding of their local context, needs and expectations from the bilateral relation.

The examination of the arguments in the local debate thus far suggests that the Brazilian case relates more to the general local perceptions of China's influence in the country, rather than specifically against the Chinese NOCs. Still, the Chinese NOCs, as main drivers of the increase in commodities trade, contribute directly to the negative image of China in Brazil. Their business behaviour has commonly been linked to China's international behaviour since there has not been an official acknowledgement of the existence of a plurality of Chinese actors doing business in Brazil.

Yet, the primary issue in this case is the local identification of an official Chinese discourse that does not fit the Brazilian context. The Chinese government's logic of trade as a natural step to economic development is not having the desired win-win results for the main Brazilian actors in the debate and it reflects badly on their analysis of China's international behaviour.

The Chinese government has failed to acknowledge that local context is paramount in developing a successful bilateral relationship and accomplishing Chinese interests

overseas. For instance, one of the common claims amongst the group that opposes Chinese influence in Brazil is that China is treating Brazil as a colony, taking Brazil's development backwards ('Made in China' e pedra no sapato de Dilma em Pequim' 2011). Brazilian groups in the debate are weary of economic dependency. This is arguably a consequence of the colonial past, where Brazil was dependent upon the exports of commodities to the metropolis and the imports of processed products, stagnating Brazil's economic development for many decades.⁸⁰ It is also a result of the economic experimentation the country has gone throughout in its independent history to address its socio-economic needs to grow and develop at a fast pace.⁸¹

It is not clear from the findings whether the acknowledgement of a plurality of Chinese actors alone would have a positive impact in changing the local perception about China's influence in Brazil. But they evidently suggest that the incorporation in official Chinese discourse of the main local arguments and concerns as the local expectation of the Sino-Brazilian relationship could be helpful in addressing the anxieties of the China threat perception in Brazil. This could have a direct effect in the Brazilians' perception of China.

⁸⁰ For further reference on the topic refer to (Del Priore & Pinto Venancio 2001; Russell-Wood 2002; Schwartz 1999; Stern 1999).

⁸¹ For further reference on the topic refer to (Baer 2001; Bresser Pereira 1996; Chaffee 1997; Kohli 2004; Rohter 2012).

Chapter 5: Chinaoil's 'loan-for-oil' deals and Chinese NOCs' joint ventures in Venezuela: a local political concern

The bilateral relationship between China and Venezuela has been strengthened because of Venezuela's oil reserves and the political agenda pursued by late president Hugo Chavez. These two aspects, both related to the 'loan-for-oil' deals, are at the core of the bilateral relationship and have been the main subject of international attention and domestic debate. Yet, the debate has overlooked the important role of the Chinese NOCs and other Chinese international actors in implementing the bilateral agreements (Ellis 2009; Ellis 2011; Ferchen 2013; Hurst 2007; Lee 2012; Sebastian Paz 2012).

As in the Brazilian case, the plurality of Chinese international actors in Venezuela is a constant element of the Sino-Venezuelan relationship. The negotiation and implementation of the agreements by Chinaoil and the CDB further demonstrates their importance as Chinese international actors, and illustrates the fragmented nature of China's foreign policy. Perhaps more than in the other cases in this study, this case reveals the interdependent relationship between the Chinese government and these other Chinese international actors in shaping and implementing oil deals.

Nevertheless, the bilateral relation has been viewed through the lenses of the Latin American hybrid IR perspective, thus neglecting the existence of a plurality of Chinese actors in Venezuela. Chinese government's official discourse on the bilateral relationship has strengthened the local perception of China as a unitary, homogeneous actor with a top-down hierarchy of command. This has informed the local perception and expectation of Chinese international behaviour.

In Venezuela this has two main consequences that damage China's image. Firstly, the local expectation of China's international behaviour has been difficult in practice for Chinese actors to meet, which highlights its gap with Chinese government's official discourse. Secondly, unlike the Brazilian case, the local actors in the debate have

focused their arguments on the political dimension of the relationship. In Venezuela, the implementation of the 'going out' strategy through the 'loan-for-oil' deals is seen as a form of support from China for the political group in power.

Hence, regardless of the widely noted success of the bilateral relationship with the current Venezuelan group in power, Chinese actors need to address the question of what happens to their business projects and deals if there is a regime change in the country. Similarly, the Chinese government should approach this question earnestly to assure the future of the bilateral relationship in terms that will continue to aid the achievement of the objectives of its 'going out' strategy.

Parallel to the Brazilian case study, the Venezuelan case also illustrates the plurality of actors involved in the implementation of the 'going out' strategy in developing countries. Through close observation and analysis of some examples of the many agreements of the bilateral relationship, the Venezuelan case also reaffirms the important role of the NOCs and their interdependent relationship with the Chinese government. As in the case of the Brazilian oil business projects, the NOCs have behaved aggressively and pragmatically, and contrary to mainstream presumptions, they have not received special treatment or advantages from the Venezuelan government.

This chapter examines the perceived China's international behaviour through the assessment of the Chinese NOCs' 'loan-for-oil' deals and business projects, and the assumed support from the Chinese oil investments to the Venezuelan government. As in the Brazilian chapter, it addresses briefly Chinese foreign policy discourse on the bilateral relationship, focusing on its approach to the NOCs' operations in Venezuela. It then delves into the Chinese NOCs' 'loan-for-oil' deals and other business projects. It identifies the main actors in the debate about China's influence and outlines their arguments and line of reasoning. Finally, it explores the Chinese government's position in facing the Venezuelan high-risk political context.

Chinese foreign policy discourse with regard to Venezuela

The Chinese government's approach to the bilateral relationship with Venezuela has consistently followed the logic embedded in China's policy paper on Latin America and the Caribbean (2008). It has applied the same regional objectives to Sino-Venezuelan relations.⁸² Therefore, as in Brazil, trade and economic cooperation are deemed as necessary steps towards joint economic development, mutual benefit and win-win results. Most importantly to this case, Chinese government's official discourse has also promoted the image of China as a unitary and homogeneous actor with a top-down hierarchy of command. This has established a connection between the 'loan-for-oil' deals and the Chinese government in the local perception of Chinese international behaviour.

In contrast to the Brazilian case, equality has not been a common concept used in Chinese government's official discourse. Instead, Chinese officials have focused on the friendship bonds that unite both nations (Embajada de la Republica Popular China en Venezuela 2013b; Ministry of Foreign Affairs of the People's Republic of China 2011). This indicates that the Chinese government's approach to Venezuela has been careful to promote ideological associations with the current Venezuelan government.

Late president Hugo Chavez was an avid and outspoken opponent of the US, and President Nicolas Maduro has followed in his steps ('La tensa relacion de Hugo Chavez con Estados Unidos' 2013; 'Las frases mas recordadas de Hugo Chavez' 2013; 'Nicolas Maduro dice que hay un complot para inocularle veneno' 2013; 'Nicolas Maduro pide "respeto" a Estados Unidos en entrevista a Le Monde' 2013). Their foreign policy discourse leans toward revisionism, a stance that the Chinese government has strived to change in its international image. Possibly to soften the mainstream analysis on

⁸² Explicitly, the four objectives that the Chinese government strives to achieve with its Latin American partners are: 1) the encouragement of mutual respect and trust to expand common ground; 2) the strengthening of cooperation and achievement of win-win results with regard to economic cooperation, trade and development; 3) the enhancement of common progress and development of exchanges based on the country's areas of strength; and 4) the acknowledgement of the one China principle as a requisite for developing relationships with countries in the region ('China's policy paper on Latin America and the Caribbean' 2008).

Sino-Venezuelan relations, the Chinese government has also emphasised in its official discourse to Venezuela its commitment to a foreign policy of peace. (Ministry of Foreign Affairs of the People's Republic of China 2011; 2013b).

While Chinese government officials have highlighted trade flows as evidence of the development of Sino-Brazilian relations, their approach to Venezuela has concentrated on cooperation. The main areas underlined are finance, agriculture, infrastructure, trade, energy, investment and economic cooperation (Embajada de la Republica Popular China en Venezuela 2013b; Ministry of Foreign Affairs of the People's Republic of China 2011). Wu Bangguo, Chairman of the Standing Committee of the National People's Congress at the time, said that through advancing cooperation in these areas, the bilateral relationship was strengthened and led to mutual benefit (Ministry of Foreign Affairs of the People's Republic of China 2011). Bangguo's statement illustrates that Sino-Venezuelan business cooperation has been included in the official discourse as a positive development of the strategic partnership.

On this subject, for instance, former president Hu Jintao renewed the Chinese government's commitment to work with Venezuela 'in a spirit of active promotion, pragmatism, mutual benefit, win-win results and common development', to strengthen and expand the cooperation in priority areas, i.e. energy, and to promote 'a better and faster development of the strategic partnership for common development' (Ministry of Foreign Affairs of the People's Republic of China 2009). The emphasis of his statement on the pragmatic and strategic nature of the bilateral relationship reflects the overriding logic to Chinese foreign policy that considers economic development as the road to common prosperity. It also connotes that the aforementioned objectives of Sino-Venezuelan relations are the Chinese expectations from the strategic partnership.

Furthermore, it also implies two prominent elements. First, China as a unitary actor has a comprehensive strategy towards Sino-Venezuelan relations. Second, cooperation in key areas, such as energy, will help fulfil the objectives of the bilateral relationship.

Thus, the business deals and projects of the Chinese NOCs are incorporated into the official discourse as decisive elements of the strategic partnership, mainly implying that they will pave both countries' ways to economic development.

Although there is good reason to believe that Chinese NOCs advance the Chinese government's interests concerning energy security, it is not on their business agenda to strive for common development, win-win results and mutual benefits for the bilateral relationship. The support of the Chinese government for their business ventures in Venezuela corresponds to its role in the implementation of the 'going out' strategy, and that is the extent of their marriage of interests: to diversify oil supplies and to promote business internationalisation. Still, this limitation of the scope of Chinese NOCs' business behaviour is usually neglected in the mainstream analysis and understated in Chinese government's official discourse.

In sum, in Sino-Venezuelan relations, trade and economic cooperation in energy is an important aspect. Even though the Chinese NOCs' 'loan-for-oil' deals and business projects with PDVSA concentrate mainly on advancing the commercial interests of the oil companies, they have been taken as significant improvements in the strategic partnership on the path to common development. This furthers the link between Chinese NOCs' business behaviour and the achievement of the objectives of the bilateral relationship, while it also underpins the local expectation of Chinese international behaviour.

Concerning this, Zhang Xiaoqiang, Vice-chairman of the NDRC, in the 10th meeting of the China-Venezuela High Level Joint Commission, stated that business cooperation and trade in oil were essential elements 'to consolidate the next step' in Sino-Venezuelan relations (Oficina del Consejero Economico – Comercial de la Embajada de la Republica Popular China en la Republica Bolivariana de Venezuela 2011). His remark also shows what could be a recent potential trend in the Chinese official approach to the bilateral relationship.

Although there is still not enough evidence to clearly point to such a trend, lately, Chinese foreign policy discourse to Venezuela has been more ambiguous than, for example, in its approach to Brazil. Chinese government officials have focused only on reaffirming the government's support for the promotion of the strategic partnership of common development and its willingness to take it to the next level without further details. This was the main message in statements from both Vice-president Li Yuanchao to Vice-president Jorge Arreaza, and from Minister of Foreign Affairs Yang Jiechi to his Venezuelan counterpart Elias Jaua in 2013 (Ministry of Foreign Affairs of the People's Republic of China 2013a; Embajada de la Republica Popular de China en Venezuela 2013a). It was also one of President Xi Jinping's comments to Vice-president Jorge Arreaza in his visit to Beijing in July 2013 (Embajada de la Republica Popular China en Venezuela 2013b).

Perhaps this is a reflection of the current high-risk political situation in Venezuela. Yet, it is a passive stand from the Chinese government if its objective is to improve China's image amongst the local actors in the debate, especially with the political opposition. If this was the case, there has not been any inclusion in the Chinese government's official discourse of the local concerns about China's influence in Venezuela, economic or political. Ignoring the presence of a plurality of Chinese actors in Venezuela in the mainstream analysis is tarnishing China's image in the country and would possibly challenge Chinese foreign policy in Venezuela in the future.

The plurality of Chinese actors in Venezuela: Chinese NOCs' business operations

The implementation of the 'going out' strategy in Venezuela is carried out by multiple Chinese actors. The Chinese government encourages and provides support to the Chinese NOCs from the sidelines, so they can advance the objectives of the strategy; diversification of oil supplies and their business internationalisation. As mentioned earlier in this study, the focus on trade and energy cooperation in Chinese government's official discourse reveals the Chinese government's role in this

endeavour. However, the limitations of its role are often ignored by the local perception of the Chinese NOCs' 'loan-for-oil' deals, which assumes a top-down hierarchy of command from the Chinese government.

As it would be illustrated by the joint development fund and the dual credit agreement, Chinaoil is responsible for its business operations with PDVSA. Furthermore, other Chinese NOCs operating in the country make their decisions to boost their own commercial interests, not only those of the 'going out' strategy. The Chinese NOCs' business practices in Venezuela have not always followed a hierarchy of command as suggested by the multilayered diplomacy perspective. The 'loan-for-oil' deals and joint ventures in Venezuela illustrate the important role of the Chinese NOCs as Chinese international actors, while demonstrating their interdependent relationship with the Chinese government. As mentioned before, these elements and the presence of a plurality of Chinese actors have been neglected in the local perception of China's international behaviour to the detriment of China's image. Therefore, the following examination of the Chinese NOCs' 'loan-for-oil' deals in the joint investment fund and the dual credit agreement, and their joint ventures with PDVSA, could help clarify the logistics and limitations of the 'going out' strategy in Venezuela.

The Chinese 'loan-for-oil' deals in the joint investment fund and the dual credit

The joint investment fund and the dual credit agreement are relevant examples to this study in two instances. They are official Sino-Venezuelan bilateral agreements that include 'loan-for-oil' deals, which the Chinese government promotes as positive advances of the strategic partnership to common development. This supports the image of a unitary and homogeneous Chinese actor with a multilayered diplomacy in practice and informs the local perception of Chinese international behaviour. But upon closer observation of the deals, the presence of a plurality of Chinese actors and their distinctive roles in carrying them out are evident, pointing to an interdependent relationship amongst them and the Chinese government. Yet, this evidence is missing from the local analysis of China's influence in Venezuela.

The joint investment fund and the dual credit agreement are difficult to understand and to follow due to a lack of transparency from the signing parties. However, with regard to the plurality of the Chinese actors involved in their operation, these agreements can be seen as basically (a) two overlapping ‘loan-for-oil’ deals in the joint investment fund and (b) one ‘loan-for-oil’ deal that backs-up the dual credit agreement. Although simplifying both examples as different ‘loan-for-oil’ deals could lead to a simplistic account, this is a method that helps to understand a complex series of relationships between Chinese actors, the Venezuelan government and PDVSA, of which there is not much clear information available. The ‘loan-for-oil’ deals in both agreements are arguably their most prominent element, since they are the mechanism with which the investments are set and reimbursed.

The joint investment fund

The joint investment fund (fondo de financiamiento conjunto China-Venezuela) started as a US\$6 billion fund in 2007 that was increased to US\$12 billion in 2008 (Barrionuevo & Romero 2009; Downs 2011; Ellis 2009; Embassy of Venezuela in the People’s Republic of China 2008; Graham-Harrison 2008; Joint Investment Fund Agreement-Second Amendment Bill 2012; Jiang 2009). A major fund though it may be, it is better treated as two separate ‘loan-for-oil’ deals; in fact, the National Assembly in Venezuela dictated the terms of the fund in the second amendment to the Joint Investment Fund Agreement Bill as one agreement in two parts, ‘part a’ and ‘part b’ (Joint Investment Fund Agreement – Second Amendment Bill 2012).

The initial investment agreed upon in 2007, or ‘part a’ of the agreement, was made up of US\$ 4 billion from CDB for a period of 3 years and US\$2 billion from FONDEN, which was released a year later (Embassy of Venezuela in the People’s Republic of China 2008; Joint Investment Fund Agreement – Second Amendment Bill 2012). These

investments worked under a 'loan-for-oil' modified structure,⁸³ in which the CDB loaned the agreed investment to BANDES, while FONDEN made its contribution too (see figure 6). The signing parties opened a shared account at CDB to facilitate the financial logistics of the agreement. PDVSA sold China National United Oil Corporation (Chinaoil), a subsidiary of CNPC (China National United Oil Corporation 2012), 100,000 bpd of oil for 3 years to finance BANDES loans. Chinaoil's payments to PDVSA were made to BANDES' account at CDB, from which the loan and its interests were paid (Joint Investment Fund Agreement – Second Amendment Bill 2012). Finally, PDVSA deducted the exported volumes to Chinaoil from its production tax obligations (Downs 2011).

The signing parties could extend this agreement into additional phases of cooperation as long as (1) the full amount of the loan had been paid, (2) the implementation of the joint investment fund and its logistics satisfied the signing parties and (3) these approved the extended cooperation (Joint Investment Fund Agreement – Second Amendment Bill 2012). Consequently, in 2008, the agreement was extended to a second 'loan-for-oil' deal as an amendment to the original (Barrionuevo & Romero 2009; Ellis 2009; Embassy of Venezuela in the People's Republic of China 2008; Graham-Harrison 2008).

The second 'loan-for-oil' deal, or 'part b', follows the same structure where CDB invested US\$ 4 billion and FONDES US\$2 billion for a period of 3 years, the amount that is reimbursed with interest by the revenues of PDVSA's oil exports to Chinaoil. Nevertheless, in this second deal, the volumes of oil to be delivered by PDVSA to Chinaoil fluctuate according to the international prices of oil, 'a minimum of 107,000 b/d when oil prices are above \$60 per barrel to a maximum of 153,000 b/d when oil prices are below \$42 per barrel' (Downs 2011) with the sole condition of exporting no less than 230,000 bpd in total from 'part a' and 'part b' of the agreement (Joint Investment Fund Agreement – Second Amendment Bill 2012).

⁸³ This 'loan-for-oil' deal structure varies from its most basic structure in that it includes the participation of FONDEN to provide funds to the deal (refer to chapter 3 about the Chinese 'loan-for-oil' deals structure).

To be sure, the joint investment fund and its ‘loan-for-oil’ deals could arguably illustrate the implementation of a top-down, multilayered diplomacy by the Chinese government, but the evidence points to a different reality. Although the ‘loan-for-oil’ deals have been presented as an orchestrated effort and officially signed by both governments’ representatives, they have been the result of the initiative and careful negotiation of the companies and the banks.⁸⁴ Indeed, at the time of writing this chapter there were ongoing negotiations for a third part, one more ‘loan-for-oil’ deal between the signing parties, still without the Chinese government’s approval (Yu 2011). The fact that this is being lobbied after the Chinese NOC and the CDB have reached an agreement in their negotiation with their Venezuelan counterparts shows their interdependent relationship with the Chinese government and not a top-down hierarchy.

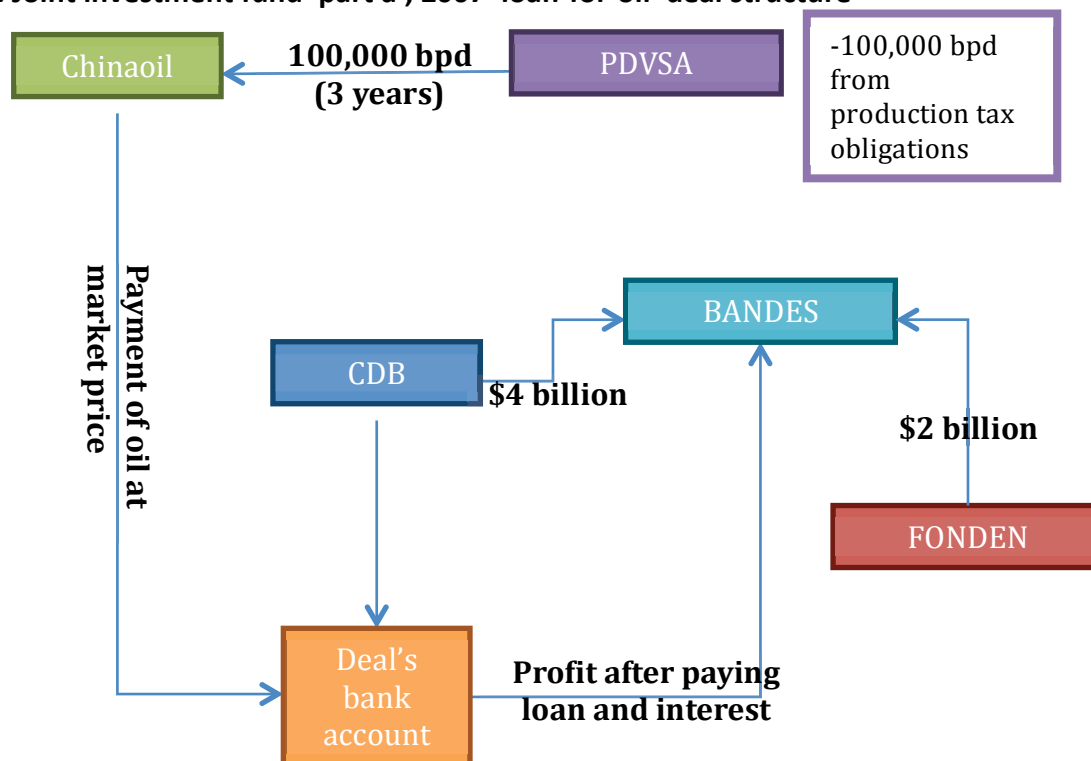
The business logic and terms of the Joint Investment Fund Agreement Bill (2012) furthers the evidence concerning this element. The details of the ‘loan-for-oil’ deals as enacted by this bill correspond to a business contract, in which lender, borrower, buyer and seller, as well as their rights and responsibilities, are clearly defined. Even though a Chinese government representative officially signs the fund agreement bill (or contract), it is the CDB and Chinaoil as lender and buyer, which hold all benefits and responsibilities in the deals. This stands in stark contrast to the Venezuelan government, which in article 5 of the bill commits itself to sell what is agreed through PDVSA to Chinaoil, not to the Chinese government (Joint Investment Fund Agreement – Second Amendment Bill 2012).

The Venezuelan government has the responsibility by law to comply with the terms of the deal through PDVSA, since it is under the control of the Ministry of Energy and Petroleum. PDVSA is not only a state-owned enterprise but it is also run by the state

⁸⁴ The first one when the fund was officially established at the VI meeting of the China-Venezuela High-Level Mixed Committee in 2007, and the second through a Memorandum of Understanding during late president Hugo Chavez’s state visit to China in September 2008 (Embassy of Venezuela in the People’s Republic of China 2008).

through the Ministry of Energy and Petroleum.⁸⁵ Moreover, the fact that Rafael Ramirez is, at the same time, the president of PDVSA and the Venezuelan Minister of Energy and Petroleum, shows the intrinsic relationship between both actors. This is a key difference from the Chinese NOCs, which are owned but not run by the state and are a different entity to the government institutions as previously explained.

Figure 6: Joint investment fund ‘part a’, 2007 ‘loan-for-oil’ deal structure⁸⁶



This subtle distinction in the terms of the agreement is revealing for this analysis in two ways. Firstly, it shows the important role of Chinaoil and the CDB in implementing the agreements independently from the Chinese government. Secondly, it confirms the existence of a plurality of Chinese actors conducting business operations in

⁸⁵ In 2001, a new legal framework was approved regarding oil in Venezuela that gave the Venezuelan government full control of PDVSA, reverting the privatisation process PDVSA had begun a decade earlier (Petroleos de Venezuela S. A. 2013a).

⁸⁶ Author's figure, with information from (Downs 2011; Embassy of Venezuela in the People's Republic of China 2008; Joint Investment Fund Agreement- Second Amendment Bill 2012). There is limited evidence available from the Venezuelan government to establish whether there is a link between BANDES and PDVSA in the deal's structure. This lack of transparency from the Venezuelan government would be one of the main arguments from the political opposition in the local debate about China's influence in Venezuela, which will be addressed later in this chapter.

Venezuela. These elements show the manner in which Chinaoil partly advances the objectives of the 'going out' strategy in Venezuela that stand in contrast to the way it is assumed by the mainstream and the local analysis. .

The examination of the joint investment fund shows the degree of the convergence of interests of the Chinese government and Chinaoil, while also presenting the limitation to their roles in the implementation of the 'going out' strategy. Hence, in opposition to the mainstream analysis and the local perception of the 'loan-for-oil' deals, the Chinese government concentrates its role only in facilitating the context for the business agreement to materialise. While Chinaoil sought, negotiated and closed the agreement, as well as operated the business deal. Thus, even if both Chinese actors are in fact implementing the same strategy with similar objectives, their connection does not necessarily follow a top-down hierarchy of command and does not represent an orchestrated grand strategy from a unitary and homogeneous actor.

As analysed earlier in this study, Chinaoil's business operations do not depend on the Chinese government, and in this case, the former does not share the responsibility to fulfil the terms of both 'loan-for-oil' deals of the fund with the latter. The mainstream analysis and the local perception of the 'loan-for-oil' deals and China's international behaviour could have some traction if (1) the Chinese government, like the Venezuelan government, was legally responsible for the terms of the deals and the business behaviour of Chinaoil, (2) the joint investment fund's deals were sought and negotiated by the Chinese government, whereupon Chinaoil would only be following its lead. This has not been the case in this Venezuelan example.

The Chinese government, after being lobbied by Chinaoil to approve the deals, supports them in its official discourse, while it also includes the deals as positive advancements of the strategic partnership of common development. However, once the official presentation of the deal has been done, the evidence of this example suggests that the role of the Chinese government has been accomplished. From then on, the business behaviour of Chinaoil is like any other international oil company

operating in Venezuela. The examination of the dual credit agreement also confirms this analysis.

The dual credit agreement

The information about the dual credit agreement has been limited and unclear, often referred as ‘soft loans’ from China to Venezuela through the CDB to be repaid with oil (Molinski & Lyons 2010; Romero 2010; Pretel 2010; Sebastian Paz 2012). It follows the same business-contract logic in its Venezuelan Long-Term Finance Cooperation Agreement Bill (2010). In it CDB, BANDES, PDVSA and Chinaoil are the main parties (lender, borrower, seller and buyer), and in contrast to the joint investment fund, FONDES does not participate. Another difference is the composition of the agreement. It is referred to as the dual credit agreement because its signing parties agreed on two different lines of credit for a maximum period of 10 years. The first one in US dollars has a \$10 billion credit limit, and the second one in Yuan RMB has a ¥70 billion credit limit, roughly US\$11,226 billion,⁸⁷ the former ruled by English law while the latter by Chinese law (Long-Term Finance Cooperation Agreement Bill 2010; Downs 2011).

Similarly to the joint investment fund, both lines of credit are to be reimbursed through a ‘loan-for-oil’ deal in which PDVSA exports the agreed volumes of oil to Chinaoil. Unlike the two ‘loan-for-oil’ deals in the joint investment fund, however, the volumes of oil to be exported fluctuate per year. In 2010 PDVSA was committed to sell no less than 200,000 bpd, in 2011 no less than 250,000 bpd and from 2012 on, no less than 300,000 bpd according to Venezuelan law (Long-Term Finance Cooperation Agreement Bill 2010; Downs 2011). Finally, as in the joint investment fund, the Venezuelan government is legally responsible to sell Chinaoil the agreed volumes of oil through PDVSA as stated in article 4 of the aforementioned bill (Long-Term Finance Cooperation Agreement Bill 2010).

⁸⁷ Taking the conversion rate at RMB¥ 1- US\$ 0.160376 (XE Currency Converter Widget 2013).

The dual credit agreement exhibits the same convergence of interests and role limitations of Chinaoil and the Chinese government in their implementation of the 'going out' strategy through this 'loan-for-oil' deal. The Chinese government does not have any legal responsibility in carrying out the deal and Chinaoil's business behaviour and operations are not dependent on Chinese government's orders. Even though the Chinese government and Chinaoil advance the objectives embedded in the 'going out' strategy with their respective roles in the dual credit agreement, it is evident from this example that their relationship is more complementary than a strict top-down hierarchy of command. Nevertheless, the presence of a plurality of Chinese actors and their interdependent relationship remain neglected in the mainstream analysis and the local perception of China's international behaviour.

The Sino-Venezuelan joint ventures

The existing joint ventures between PDVSA and CNPC throw more doubt on the argument put forward by the multilayered diplomacy perspective of a top-down, centralised chain of command that understands China as a unitary actor. On the subject of their implementation of the 'going out' strategy, the joint ventures partially advance its objectives, but the Chinese government directs none of the three joint ventures' business behaviour and operations. Moreover, the Sino-Venezuelan joint ventures face the same domestic and international competition, operate under a high-risk political context, abide by the Venezuelan legal framework and make their business decisions based on their commercial interests just as other joint ventures in the country.

Furthermore, CNPC has not received any special treatment from the Venezuelan government in the negotiation or in the creation of Sino-Venezolana Petroleum S. A., PetroZumano S. A. and Sinovensa Petroleum S. A. As did international counterparts with business projects in the country, CNPC had to comply with the changes in the Venezuelan legal framework and make business decisions accordingly, showing pragmatic business behaviour.

Following the enactment of the Hydrocarbons Organic Law in 2006, the international oil companies in Venezuela were faced with two options: stay as minority partners of new joint ventures with Corporacion Venezolana de Petroleo (CVP), a subsidiary of PDVSA, in which by law they would hold no more than a 40% stake, or let PDVSA take control of their oil fields (Azpurua & Pascal 2008; Puga 2007). Each international oil company operating in the 32 oil fields had its agreement terminated and went through a process of negotiation with PDVSA to create the terms of the new joint venture agreements.

Only two oil fields were handed over to PDVSA due to unsuccessful negotiations with ExxonMobil and ConocoPhillips, companies that refused to accept the new terms (Azpurua & Pascal 2008; Petroleos de Venezuela S. A. 2009; Puga 2007).⁸⁸ CNPC, along with Chevron, Statoil, TOTAL, ENI and BP, reached an agreement with PDVSA to transition their old operating agreements to joint ventures (Azpurua & Pascal 2008; Petroleos de Venezuela S. A. 2009; Puga 2007). The Chinese government was not involved in the negotiation.

Consequently, the oil fields that CNPC had won in the third round of bids in 1997, Caracoles and Intercampo, were transformed into Sino-Venezolana Petroleum S. A. , a joint venture where CNPC holds a 25% stake and CVP 75% (Asociacion Venezolana de los Hidrocarburos 2013a; China National Petroleum Corporation 2013; Petroleos de Venezuela S. A. 2009; Presidential decree no. 4579 2007). Likewise, CNPC's 2004 cooperation agreement with PDVSA in the Zumano field was transferred into a joint venture with CVP with a 40-60% distribution of the stakes respectively (Asociacion Venezolana de los Hidrocarburos 2013a; China National Petroleum Corporation 2013; Petroleos de Venezuela S. A. 2009; Presidential decree no. 5670 2007).

Finally, CNPC established a joint venture with Bitumenes Orinoco S. A. (BITOR) in 2001 by the name of Orifuels Sinoven S. A. This joint venture not only faced the

⁸⁸ ConocoPhillips and ExxonMobil took their complaints to international arbitration (Ellsworth & Parraga 2012; Parraga 2012; Sanchez 2012; Sider 2012).

consequences of the enactment of the new law, but also the unilateral decision by PDVSA to cease all production of Orimulsion, the fuel that it produced, and change its operation to the production of heavy or extra heavy oil. In 2007, CNPC came to an understanding with PDVSA, thus transferring its old agreement to a 40% stake in the joint venture Sinovensa Petroleum S. A. and shifting its operation to the production of heavy or extra heavy oil (Asociacion Venezolana de los Hidrocarburos 2013b; China National Petroleum Corporation 2013; Ellsworth 2008; Petroleos de Venezuela S. A. 2009, 2011).

In brief, like other international oil companies in Venezuela, CNPC was subject to the changes of the legal framework in the oil industry without any exception or privilege. Even more, in the case of its joint venture, Sinovensa Petroleum S. A. , CNPC also had to face PDVSA's unilateral decision of changing the production of the company. As with most international oil companies in Venezuela, CNPC made the pragmatic decision to stay in the country, while accepting a diminished role in its participation.

While making this pragmatic decision, it is true that CNPC advanced the objectives of the 'going out' strategy to some extent. But this meeting of interests does not necessarily imply that CNPC was commanded by the Chinese government or that the joint ventures' projects originated at its top echelons. As mentioned before, the Chinese government did not have a significant role in the negotiations with PDVSA to transfer into the new agreements. CNPC's proactive search and pragmatic business behaviour has built a commercial relationship with PDVSA that materialised in these joint ventures. For instance, Petrourica, the most recent CNPC joint venture in the Orinoco Belt, is an example of CNPC's commercial initiative that has benefited from its longstanding business relations with PDVSA (Ellis 2011; 'Petrólera china explotará junto a PDVSA bloques Junin 1 y 8 de la Faja del Orinoco' 2010; 'Venezuela y China invertirán 16.300 millones de dólares en bloque Junin 4' 2010; Molinsky & Lyons 2010; Petroleos de Venezuela S. A. 2010; Petroleos de Venezuela S. A. 2012).

In Petrourica, it is clear that the confluence of interest of CNPC and the Chinese government is limited to the objectives of the 'going out' strategy. Firstly, CNPC negotiated access to the exploration of the Junin 4 block of the Orinoco belt and to the production from 50,000 bpd in 2012 to 400,000 bpd of extra heavy oil (China National Petroleum Corporation 2013; Petroleos de Venezuela S. A. 2010). This diversifies CNPC's assets through Petrourica, increasing its business profitability and international competitiveness, which goes along with the 'going out' goals of business internationalisation and diversification of oil supplies (China National Petroleum Corporation 2013; Petroleos de Venezuela S. A. 2010).

Secondly, through the construction of the improver of oil commissioned to other international companies (ICHQ and French Technip), CNPC engages in an indirect transfer of technology and technical know-how that enhances its business profile ('CNPC paga segunda porcion de bono de participacion en Petrourica' 2012). In this regard, CNPC only partially develops the business internationalisation objective of the 'going out' strategy.

Thirdly, the complementary joint venture with PDVSA to build a refinery in Jieyang, Guangdong, which could process up to 400,000 bpd of extra heavy oil, gives CNPC a technological and technical know-how that it currently does not possess (China National Petroleum Corporation 2013; Petroleos de Venezuela S. A. 2010). The refinery would enable CNPC to have a better domestic competitive stand against Sinopec, which is also developing its own joint venture with Kuwait Petroleum Corporation to build a refinery in Guangdong (Chua & Lin 2011). This subsequent aspect of the negotiation between CNPC and PDVSA is indirectly related to improving the progress of the 'going out' strategy in diversifying the oil supplies, under the premise that CNPC is building this refinery to be able to process the extra heavy oil to use it domestically. But, it is more clearly related to CNPC's commercial interests, both, international and domestic, and increasing its domestic competitiveness.

Examining this last element of CNPC's business project with PDVSA in a different light, it also brings attention to the dynamic in practice between the Chinese NOC and the government. As opposed to the multilayered diplomacy perspective, CNPC negotiated the plans to build the refinery in Guangdong directly with PDVSA, later lobbying its approval with the Chinese government ('China da luz verde a un proyecto conjunto de PetroChina y PDVSA' 2011; 'CNPC, PDVSA to start building joint refinery in late April' 2012).

On this subject, Sinopec's business behaviour in Venezuela also suggests an interdependent relationship with the Chinese government. Sinopec placed a bid for some of the Orinoco belt oil blocks in Venezuela, and in 2010 it agreed to jointly develop Junin 1 and 8 with PDVSA ('China's Sinopec to have a stake in Orinoco oil belt' 2010; Downs 2011; Hall & Winning 2009; 'Petrolera china explotara junto a PDVSA bloques Junin 1 y 8 de la Faja del Orinoco' 2010). In the same proactive manner, Sinopec made an unsuccessful offer to BP in 2010 to buy some of its Colombian, Venezuelan and Vietnamese assets which BP wanted to sell ('BP has declined Sinopec's offer to buy its assets' 2010; Zhu 2010). Both instances were the result of Sinopec's commercial initiative, and in the first case only, it was later presented and promoted for approval with the Chinese government.

The one element that is prominent across all examples of Chinese NOCs' business deals and projects in Venezuela is the presence of a plurality of Chinese actors. Whether they are advancing the objectives embedded in the 'going out' strategy or improving their own commercial pursuits in the country, the Chinese NOCs seek, negotiate and operate the deals as any other international oil company. The Chinese government has a limited interaction in this regard, which comprises supporting the NOCs' ventures in its official discourse and deciding whether to approve the business projects once they have been negotiated by the NOCs. This is consistent with the analyses of some scholars on the growing influence of the NOCs in China (Chinese Academy of Social Sciences researcher 2011, pers. comm. 12 July; Downs 2008, 2011; Liou 2009).

This presents a dynamic that can be described as an interdependent relationship. The business projects are brought to the Chinese government's attention by the NOCs (in a bottom-up flow) and these await the Chinese government's support. The premise that runs through the multilayered diplomacy of a top-down centralised hierarchy of command in implementing the 'going out' strategy and, more specifically the 'loan-for-oil' deals, is not defensible in Venezuela's examples. As mentioned earlier in this study, in most instances the Chinese NOCs proactively create business opportunities and are fully responsible for carrying them out.

Still, the existence of a plurality of Chinese actors, the important role of the Chinese NOCs, and their interdependent relationship with the Chinese government are not accounted for in the local perception of China's international behaviour. The mainstream assumptions embedded in the Latin American hybrid IR perspective familiarize the local actors in the debate with the relationship between Chinese NOCs and the Chinese government, impacting their perception of China's international behaviour. This has bolstered local claims that the Chinese government is supporting the Venezuelan government through the oil deals and, to a lesser degree that Chinese NOCs' business behaviour must lead to the accomplishment of the objectives of the bilateral relationship.

The local debate about the Chinese influence in Venezuela: a political challenge to Chinese foreign policy

The 'loan-for-oil' deals are at the forefront in the Venezuelan debate about China's influence. Unlike Brazil, they are not just an example of a Chinese practice that leads to unfavourable economic consequences; they are the means through which Chavismo⁸⁹ is reaffirming its stay in power. Thus, the local perception is predominantly influenced by Venezuela's political context.

⁸⁹ Chavismo is the current government regime in Venezuela that was originally driven by late president Hugo Chavez.

Amongst the main actors in the debate, the political opposition, former PDVSA workers, and some Venezuelan scholars are the most vehement. They react against the position of the current Venezuelan government that publicly favours Chinese oil investments and business cooperation (Rodriguez Pons 2011). Generally, these have been embedded in the Venezuelan discourse against an American-led imperialism, but pragmatically, Venezuela's high-risk political context is at present not attractive to FDI ('Fondo de inversion con China crece hasta los 12 millardos' 2008; 'La inversion extranjera en Venezuela cayo 15% en 2012, segun la Cepal' 2013; Petroleos de Venezuela, S. A. 2013b). In this local debate, in addition to both governments' official discourse, it is very difficult to find other comments in favour of the Chinese oil investments.⁹⁰

Political opposition: Democratic Unity Roundtable coalition party (MUD)

The main group who has raised questions about the Chinese NOCs' investments and Chinese foreign policy in the country has been the political opposition, the coalition party Mesa de la Unidad Democratica (Democratic Unity Roundtable- MUD). The opposition's arguments have centred on the idea that with these investments the Chinese government is backing-up Chavismo, and regardless of its veracity, this idea still influences the local debates, to the detriment of China's image in the country (Coronel 2011; Daremblum 2012; De Cordoba 2011; Devereux, Forsythe & Sanderson 2012; Ferchen 2013).

The opposition is influenced by the Latin American hybrid IR perspective in its analysis of the Chinese NOCs' investments. To this group's thinking, the Chinese NOCs are run by the state and hence, the Chinese government is fully responsible for their business behaviour and projects in Venezuela. In some measure, they have grounded their assertion on the lack of transparency and the poor accountability of the deals with China, which have been two of their most common complaints (De Cordoba 2011;

⁹⁰ For more information about the official discourse refer to ('Entrevista al Embajador de China en Venezuela' 2010; Ministry of Foreign Affairs of the People's Republic of China 2006; Toro Hardy 2012).

Mogollon & Kraul 2011; 'Oposicion venezolana dice que acuerdos petroleros con China son ilegales' 2011; 'Venezuela anuncia un credito chino de US\$4.000 millones' 2011; 'Venezuela ha recibido unos 30.500 millones de euros en creditos chinos para programas sociales' 2011).

For instance, Henrique Capriles, MUD presidential candidate in the 2012 and 2013 elections, concerning the Chinese loans stated that 'Venezuelans have no access to timely reliable information, and as a consequence we have no idea how much money is left, how much we owe, or the terms under which we have to pay it off' (Mogollon & Kraul 2011). He furthered the opposition's claim that the use of the loans is at the discretion of the president and there is no accountability about his management of the money (Mogollon & Kraul 2011).

On this subject, Miguel Angel Rodriguez, representative of Tachira state, made clear that the opposition standpoint was that the fund was illegal and it was only beneficial to former president Chavez. He declared that 'the Sino-Venezuelan fund, or better said, president Chavez's fund (...) is a fraud against the Venezuelan Constitution and the rule of law; against the company Petroleos de Venezuela (PDVSA) and, consequently, against all Venezuelans' ('Oposicion venezolana dice que acuerdos petroleros con China son ilegales' 2011). Thus, the agreements with Chinese actors have been perceived as an example of late president Chavez's prerogatives in managing public funds.

The opposition argues that late president Chavez used this money to fund popular social programs that boosted his popularity and political might without proper public accountability (De Cordoba 2011; Downs 2011). Late president Chavez's popularity had been decreasing from 2009 due to the domestic challenges faced by his government, amongst them: poor infrastructure, energy shortages, the highest inflation rate in the region (25% in 2010), and a contraction of the economy of 3.3% in 2009 and 1.6% in 2010, leading to domestic disillusionment with his regime (Forero 2011a; Molinski & Lyons 2010). Consequently, he announced that his government would use the money

from the dual credit agreement to build new power plants, highways and other urgently needed projects in time for his political campaign for the 2012 elections (Downs 2011; Molinsky & Lyons 2010).

It is from this domestic context that the opposition has found grounds to state that the poor accountability of the loans allowed the use of the funds to the advantage of the current group in the Venezuelan government (Coronel 2011; Mogollon & Kraul 2011; Yu 2012).⁹¹ There were even some claims from a group within the opposition, led by Miguel Angel Rodriguez, that denounced a possible embezzlement of the funds by late president Hugo Chavez, and demanded the annulment of all agreements (joint investment fund and the dual credit agreement) ('Oposicion venezolana dice que acuerdos petroleros con China son ilegales' 2011).

The local assertion that the Chinese NOCs, beyond the implementation of the 'going out' strategy and the pursuit of commercial interests, are supporting Chavismo to remain in power, poses a unique challenge to Chinese foreign policy. The local perception of China's international behaviour in Venezuela essentially reflects Venezuela's political context, and presents it as a necessary and paramount consideration to the Chinese approach to the bilateral relationship and the improvement of Chinese international image. Perhaps including the elements left out of the mainstream analysis could help effect a change in this local perception to ameliorate China's image in Venezuela. Particularly since the examples reviewed in this light, do not offer clear findings that could undoubtedly support the opposition's claim.

Former PDVSA workers and Venezuelan scholars

⁹¹ This premise established by the opposition is unlikely to change if the Chinese government does not reconsider its strategy towards Venezuela, since President Maduro has stated he will continue to fund social projects with money from PDVSA's investments from China and Russia (Wallis 2013).

The second leading group in the Venezuelan debate includes former PDVSA workers that have spoken in opposition to the government's management of the company,⁹² and some scholars that have brought attention to international analyses and reports on Venezuelan finances to point to the unfeasibility of PDVSA's mounting debt. Similarly to the MUD, the members in this group are also influenced by the Latin American hybrid IR perspective and their arguments and concerns also reflect the markedly politicized characteristic of the Venezuelan context and, therefore, of Sino-Venezuelan relations.

Like the MUD, some group members have alleged that the Chinese NOCs' loans are not in the best interest of the nation, and that they provide support for Chavismo to reaffirm its grip on power. For instance, Luis Diaz, an outspoken Venezuelan lawmaker, stated that the joint investment fund was basically a fraud to Venezuelans (Barrionuevo & Romero 2009). In the same way, Pedro Burelli, a former PDVSA official, said that both agreements, the fund and the dual credit agreement, were 'a win-win for China and the Chavez government, but not for Venezuela or PDVSA' (Darembaum 2012).

Pedro Burelli's statement sheds light on the influence of the mainstream analysis on the local perception of China's international behaviour. His declaration that the loans are a win-win result 'for China and the Chavez government' has three main connotations. First, Burelli's perspective is informed by the mainstream assumptions, that is, he perceives China as a unitary and homogenous actor with a top-down hierarchy of command. Second, he understands Chinese NOCs' business behaviour as Chinese international behaviour, and thus, expects the Chinese NOCs to carry through the Chinese official objectives for the Sino-Venezuelan strategic partnership for common development. Third, Burelli relates the Chinese NOCs' deals as the Chinese government's support to Chavismo. Thus, his standpoint coincides with some of the

⁹² Following a strike, late president Hugo Chavez fired around 20,000 PDVSA employees who were against the government's taking over the company (Forero 2011b; Kraul & Williams n.d.).

leading approaches to China's rise regarding the 'loan-for-oil' deals as examples of China's quest to 'secure' oil and advance geopolitical interests in Latin America.

Some other members in this group have stressed the increased amount of debt the Venezuelan government has placed on PDVSA, questioning the company's ability to pay (Guerra 2010, 2011, 2012; Daremblum 2012; Yu 2012). They also see the transformation of PDVSA's mandate from an oil company to a government body that undertakes social, medical and educational projects as a distraction from its main business, which could keep it from delivering the future payments toward a debt that they already regard as unsustainable (Guerra 2011, 2012; Yu 2012).

One of the most vocal advocates of this view has been Jose Guerra, an economist and professor of the Central University of Venezuela (Guerra 2013). He has commented and published widely on this topic, mainly stating that PDVSA is a victim of corruption and nepotism, and could have declared bankruptcy years ago if the Venezuelan legal framework existed (Guerra 2012). Guerra is also the economic coordinator of MUD ('Jose Guerra afirma que Venezuela se enfrenta a la "estanflacion"' 2013). Partly scholar, partly opposition, he epitomises the highly politicized context in Venezuela at the moment.

Additionally, this group has drawn attention to PDVSA's decreasing oil production and the poor state of Venezuela's finances. For instance, industry analysts reported that the Venezuelan oil industry was producing 30% less in 2011 than it did before late president Chavez took office a decade earlier, while in the same year, Venezuela fell 6 places to be the 11th oil exporter in the world (Forero 2011a, 2011b). Concerning Venezuela's finances, this group has cited reports from international consultancy groups, such as Morgan Stanley, that have forecasted a default on its national debt is a possible scenario for Venezuela in 2013 (Devereux, Forsythe & Sanderson 2012).

Even if this group's contribution to the local debate is partly aimed at Chinese NOCs' deals, their observations are important because they show that the local debate about

the Chinese influence in Venezuela is mostly dominated by domestic politics, by the relationship between oil and Chavismo, to the use of PDVSA by the Venezuelan government, and the indirect role of Chinese actors in this context. This group's arguments, when placed in context, should be of relevance to any PDVSA business partner, in particular those not held in a popular positive image by the political opposition.

As aforementioned, in contrast to the Brazilian case, the local debate in Venezuela has revolved around political concerns, leaving aside the economic dimension of the bilateral relationship. Trade composition, imbalances and their impact on the Venezuelan economy have not been points of contention for the opposition, nor have they usually been brought to the fore in the analysis of the Chinese influence in the country in general.

This situation is remarkable if looking at the concentration of oil in the bilateral trade and Venezuela's growing deficit with China. Oil alone has accounted for 51% of Sino-Venezuelan trade on average from 2000 to 2008 (Rosales & Kuwayama 2012, p. 101). On this subject, ECLAC's most recent report indicates that Venezuelan exports to China grew from 0.1% in 2000 to 5.9% in 2009, and its imports from China also increased from 1.3% in 2000 to 8.6% in 2009, with Venezuela importing 2.7% more than it exported to China in 2009 (Rosales & Kuwayama 2012, pp. 74-75).

To Venezuelans, as to Brazilians, this information raises questions about whether a commodity-based trade with China can bring about the opportunities they need for economic development in their countries. However, in Venezuela, the political context has subdued the attention given to the economic expectations behind the 'achievement of win-win results' from the Sino-Venezuelan strategic partnership for common development.

This does not mean that Chinese government officials can ignore arguments related to local economic development. On the contrary, they should take them into

consideration along with the current local concerns about China's influence in Venezuela and implement changes to their official discourse in the bilateral relationship accordingly. This could potentially reduce confrontation in the future and help diminish the negative impact of the China threat perception in Venezuela.

The Chinese government's approach to the Venezuelan context

The Chinese government's approach to the Sino-Venezuelan context has been passive. There has been no official statement that confronts the local concerns from the leading actors in the debate regarding the financial support to Chavismo. Even if the Chinese government has tried to avert attention from its relations with Venezuela internationally, it has not effected a change in the local perception of Chinese international behaviour. For example, Venezuela has been the least visited country by high-ranked Chinese government officials in comparison to other Chinese strategic partners in the region.⁹³ Presently, it is possible that the earlier mentioned trend in the Chinese approach to Sino-Venezuelan relations could be an effort to recalculate its effectiveness amongst the local opposition. Nevertheless, stalling the relationship with increasing ambiguity in official pronouncements is not a clear or advantageous proactive stance against local concerns.

The understanding of the Venezuelan political context is paramount to Chinese actors and the Chinese government alike. If the political context becomes even more polarised, or if the opposition regains control of the government, this could translate into an unfavourable business environment for the Chinese NOCs' operations in the country and into strained Sino-Venezuelan relations.⁹⁴ The probability for this scenario

⁹³ Caracas has only been included in one of the seven Chinese high-ranked official tours to Latin American countries, as detailed earlier in Chapter 2.

⁹⁴ The high political risk in Venezuela is an evident consequence of the polarized political context, especially after the passing of late president Hugo Chavez and the opposition's scepticism surrounding the legality of the presidential election that gave victory to former vice-president Nicolas Maduro (Anderson 2011; Buitrago 2013; 'Chavez cancer diagnosis divides Venezuelans' 2011; 'Chavez "virtual taking office" next Thursday in Caracas with leaders from friendly countries' 2013; Forero 2013; Forero & Diaz-Struck 2013; 'Hugo Chavez death:

is enhanced by a recent poll in Venezuela that has found a majority (82.6%) of those interviewed to believe that China has some to a large influence in the country with Chavismo in power (Faughnan & Zechmeister 2013).

The Chinese government might be 'lying low' and waiting to see how the Venezuelan political context evolves, but by that time it could be too late to have a significant improvement on the opposition's perception of China's image. The strategy of the Chinese government must aim for an approach that withstands any future change in government ideology (Carroll 2013; Sun 2013; Wallis 2013).

Even if the Chinese government cannot publicly acknowledge the existence of a plurality of Chinese actors and their interdependent relationship, a slight clarification of their roles in the implementation of the 'going out' strategy through the 'loan-for-oil' deals could help provide more information about their logistics and possibly weaken the opposition's connection of 'China' to Chavismo. Consequently, this could effect a change in the local perception of Chinese international behaviour, potentially improving China's image amongst the leading actors in the debate.

Chapter 6: PetroChina's 'loan-for-oil' deals and other Chinese NOCs' business projects in Ecuador: a local political and economical concern

The Chinese 'loan-for-oil' deals and other oil-related business projects have been the centre of attention in the local debate about China's influence in Ecuador. The predominant local actors in this debate are influenced by the main assumptions of the Latin American hybrid IR perspective. Therefore, the premise that China is a unitary and homogeneous actor with a top-down hierarchy of command pervades their perspective of China's international behaviour.

The examination of some of the Chinese NOCs' business deals and projects in Ecuador reveals that the presence of a plurality of Chinese actors and their interdependent relationship with the Chinese government are constant elements in Sino-Ecuadorian relations. Particularly to Ecuador, as a consequence of the public scrutiny that the 'loan-for-oil' deals have received, some Chinese government officials have implicitly accepted these elements. Yet, as in the Brazilian and the Venezuelan examples, the Ecuadorian actors in the debate have overlooked this account in their view of the implementation of the 'going out' strategy in their country.

The local perception of China's international behaviour has two main considerations that have negative repercussions on China's image in Ecuador. First, as is the case in Venezuela, the 'loan-for-oil' deals have been taken as examples of the Chinese government's indirect support for the current group in power. In addition, the high-risk political and financial contexts in Ecuador present a unique challenge to Chinese actors and the Chinese government alike. Second, the local actors in the debate have referred to the high interest rates and mounting debt with China as economic disadvantages to Ecuador, thus, questioning the win-win results of Sino-Ecuadorian relations. Like the Brazilian actors, the Ecuadorians suppose Chinese NOC business behaviour must result in common development and mutual benefit as stated in official Chinese discourse about the bilateral relationship. This gap between Chinese NOCs' business behaviour

and official Chinese discourse indirectly contributes to the China threat perception in the country.

Through the analysis of the two 'loan-for-oil' deals and other NOCs' business projects in Ecuador, this case reaffirms the existence of a plurality of Chinese actors conducting business overseas, the important role of the Chinese NOCs and their interdependent relationship with the Chinese government in carrying through the objectives of the 'going out' strategy.

This chapter concentrates on exploring the local perception of Chinese NOCs' business practices as Chinese government international behaviour that supports the Ecuadorian government and is conducive to mutual benefit, win-win results and common development. It does this through the close examination of the Chinese NOCs' 'loan-for-oil' deals and other business projects in the country.

Consistent with the Brazilian and the Venezuelan case studies, this chapter starts by addressing Chinese foreign policy discourse, emphasizing the government's inclusion of the NOCs' operations in Ecuador in its approach to Sino-Ecuadorian relations. It elucidates the 'loan-for-oil' deals and other Chinese NOCs' business projects in light of their role in the implementation of the 'going out' strategy. It reviews the local concerns, arguments and logic that have sparked the debate about China's influence in Ecuador. Lastly, the chapter inspects the position of the Chinese government to meet the Ecuadorian context.

Chinese government's official discourse with regard to Ecuador

Although the Chinese government's approach to Sino-Ecuadorian relations has followed the logic and the same regional objectives as in the Brazilian and the Venezuelan cases, the bilateral relationship has not yet been labelled as a strategic

partnership for common development (Ellis 2009; Rosales 2010).⁹⁵ There has not been an official visit to Ecuador by a Chinese high-ranked official since at least 2004.⁹⁶ This implies a less developed political dimension of the relationship. Like its discourse with regard to Brazil and Venezuela, official Chinese discourse with regard to Ecuador has remained mostly vague and general, and has not taken sufficient account of the local concerns.

As in the other cases in this study, the Chinese government proposes trade and business cooperation as necessary elements to advance bilateral relations towards common economic development. Equally, official Chinese discourse has primarily bolstered a unitary and homogenous image of China in Ecuador with a top-down hierarchy of command. This has reinforced the connection between the Chinese NOCs' business practices and the Chinese government in the local perception of China's international behaviour.

In a similar fashion to their approach to Brazil, Chinese government officials have referred to the bilateral relationship as one between two developing countries. This has been a constant feature in Chinese official discourse with regard to Ecuador in the past decade. For instance, in 2003, former premier Wen Jiabao stated that both were developing countries that needed to strengthen 'their cooperation in international affairs as well as in developing their domestic economies' (Ministry of Foreign Affairs of the People's Republic of China 2003). Recently, Zhang Dejiang, chairman of the Standing Committee of the National People's Congress, revised Wen's statement. Zhang declared that both countries are 'in important periods of their development,

⁹⁵ Like Brazil and Venezuela, the four objectives that the Chinese government has put forward in its relationship with Ecuador are: 1) the encouragement of mutual respect and trust to expand common ground; 2) the strengthening of cooperation and achievement of win-win results with regard to economic cooperation, trade and development; 3) the enhancement of common progress and development of exchanges based on the country's areas of strength; and 4) the acknowledgement of the one China principle as a requisite for developing relationships with countries in the region ('China's policy paper on Latin America and the Caribbean' 2008).

⁹⁶ Refer to Chapter 2 for details of the countries visited by Chinese officials in their tours to Latin America and the Caribbean.

[therefore] there is huge potential for the two countries to work closely' ('Top Chinese legislator meets Ecuadorian counterpart' 2013).

Both statements relate to the Chinese government's identification of China as the largest developing country ('China's policy paper on Latin America and the Caribbean' 2008). They also connote that Ecuador and China belong to the same group, evoking a feeling of brotherhood of developing countries, where China can act as a big brother. The difference in Zhang's statement refers to this image of China in comparison to Ecuador. The implication is that if both countries cooperate, China, as the big developing brother of Ecuador, could lead the way in their joint effort to achieve common prosperity through economic development. This implication of the Chinese approach to Sino-Ecuadorian relations reinforces the argument that economic development is a top priority in Chinese foreign policy.

Former premier Wen Jiabao, in his aforementioned statement, also reiterated the Chinese commitment to establishing friendly cooperation in the spirit of 'equality and mutual benefit' (Ministry of Foreign Affairs of the People's Republic of China 2003). Yet, after his pronouncement, there have been very few instances where Chinese government officials use the concept of equality in their discourse with regard to Ecuador, especially in recent years.

Perhaps, as in the Venezuelan case, this indicates that the Chinese government's approach to Ecuador has been carefully designed not to promote ideological associations with the current Ecuadorian government. Ecuador's high-risk political situation has made it an unpopular choice for international investment or political engagement of late. President Rafael Correa has been increasing the revisionist tone in his foreign discourse, specifically against the US ('Correa: Estados Unidos esta mas preocupado que nunca por detener procesos progresistas del continente' 2012; 'Ecuador President Correa expels US embassy attache' 2009; Goodman 2009; 'Rafael Correa: Latin America is no longer anyone's backyard' 2013; Shoichet 2013). Inspired by late president Hugo Chavez, President Rafael Correa has led what he calls the 'new

left' in Ecuador with a discourse that has been labelled as anti-imperialistic by the international press (Black 2012; Cardenas 2012; 'Chavez, Correa y Evo reviven el discurso antiimperialista' 2008; Goodman n.d.).

His policy decisions, such as defaulting on Ecuador's global bonds debt in 2008, changing the legal framework of the oil industry to regain control in 2007, and the recently approved Communications law in 2013, that arguably restricts freedom of speech in Ecuadorian media outlets, have positioned him alongside Bolivian President Evo Morales, and late Venezuelan president Hugo Chavez (at present President Nicolas Maduro) as the Latin American leaders of the left ('Chavez, Correa y Evo reviven el discurso antiimperialista' 2008; 'Ecuador: Correa espera que otros paises emulen ley de Comunicacion' 2013; 'HRW critica ley de comunicacion de Ecuador por "minar" libertad de expresion' 2013; Mapstone 2008; 'Rafael Correa decreta que el 99% de ganancias extraordinarias del petroleo sean para los ecuatorianos' 2007).⁹⁷ As already mentioned, the Chinese government has tried to distance its foreign policy from a revisionist international image in an effort to alleviate the anxieties from the China threat perception.

Thus, as with Venezuela, Chinese government officials have only emphasised the friendly cooperation with Ecuador that holds huge potential ('Entrevista a Cai Rungguo embajador de la Republica Popular China en Ecuador' 2010; 'Top Chinese legislator meets Ecuadorian counterpart' 2013; Ministry of Commerce of the People's Republic of China 2012). Although appearing to reinforce the Chinese government's commitment to develop the bilateral relationship, the official Chinese discourse with regard to Ecuador has been quite general and vague. For instance, in spite of stating that Sino-Ecuadorian relations are at 'their best moment in history', Chen Lei, Water Resources Minister of the PRC, reaffirmed the Chinese willingness to advance the bilateral agenda, to cooperate in international topics of common interest and to

⁹⁷ There is growing commentary on whether he would be the new left leader in Latin America, after the vacuum left by Hugo Chavez's passing (Cardenas 2012; 'Ex vicepresidente Santos cree que Correa quiere asumir el papel de Chavez' 2013).

explore new areas of cooperation ('China expresa a Ecuador interes de profundizar cooperacion y lazos' 2013).

Chen's statement also calls attention to the Chinese government's emphasis on cooperation in Sino-Ecuadorian relations. Amongst the areas in which Chinese officials have shown an interest in enhancing bilateral cooperation are energy, oil, mining, infrastructure and finances. These were the areas which were considered in both messages delivered by Zhang Dejiang and Chen Lei in 2013 to Ecuadorian counterparts ('China expresa a Ecuador interes de profundizar cooperacion y lazos' 2013; 'Top Chinese legislator meets Ecuadorian counterpart' 2013). Hence, increased cooperation in oil that materialises in business cooperation amongst Chinese NOCs and PetroEcuador (EP) is believed to deepen Sino-Ecuadorian relations and enable a context to bring about the objectives of the relationship. This implicit message in Chinese official discourse has encouraged the connection made by local actors between the 'loan-for-oil' deals and a grand strategy for a bilateral relationship of common development.

Furthermore, official Chinese discourse does not focus on trade as an example of the benefits of the bilateral relationship, as it does in the cases of Brazil and Venezuela. For example, while Zhang Dejiang only referred in passing to the 26.6% increase in bilateral trade in relation to 2011, Cai Rungguo, former ambassador of the PRC in Ecuador, reluctantly acknowledged the Ecuadorian deficit in its trade with China in an interview about the 'loan-for-oil' deals ('China expresa a Ecuador interes de profundizar cooperacion y lazos' 2013; 'Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Cai also emphasised that business cooperation, especially in mining, energy and oil, could favour Ecuador in the bilateral trade, and provide the means for Sino-Ecuadorian relations to achieve mutual benefits and win-win results ('Entrevista a Cai Rungguo embajador de la Republica Popular China en Ecuador' 2010; 'Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Cai's comments, while supporting the endeavours of the Chinese NOCs in their implementation of the 'going out' strategy in Ecuador, also encourage the local expectation that Chinese NOCs' business deals will achieve the objectives of the bilateral relationship of common development.

Consistent with the other cases in this study, even though it is accurate to state that the Chinese NOCs advance the Chinese government's interests concerning energy security, it is not in their business agenda to facilitate the achievement of common development, win-win results and mutual benefits for the bilateral relationship. The Chinese NOCs implement the 'going out' strategy and pursue the objectives of diversification of oil supplies and business internationalisation, which the Chinese government supports in its official discourse. This is the extent to which both actors' interests converge and their roles are limited. Still, these remain neglected in the mainstream analysis as well as in the local perspective, and understated in Chinese official discourse.

With particular reference to Ecuador, Chinese government officials have underlined investments as the success story of the bilateral relationship. Chen Deming, Chen Lei and Cai Rungguo on different occasions have pointed out that Ecuador has become the country in the region with the largest Chinese investment ('China expresa a Ecuador interes de profundizar cooperacion y lazos' 2013; 'Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010; Ministry of Commerce of People's Republic of China 2012). According to Chen Lei, Chinese investment to Ecuador in 2012 amounted to US\$3,100 million ('China expresa a Ecuador interes de profundizar cooperacion y lazos' 2013). In sum, the emphasis on business cooperation and in investments in the official Chinese discourse with regard to Ecuador, has not only encouraged the local perception of Chinese NOCs' business practices as China's international behaviour, but also has fostered a unitary and homogeneous image of China with a top-down hierarchy of command.

Although the general tone in official Chinese discourse continues to show a passive stance towards the bilateral relationship, exceptionally, some Chinese government officials, such as Cai Rungguo and Yuan Guisen, have had a reactive approach to the predominant concerns in the local debate. This has positioned the Chinese government as an actor in the local debate, and, thus, their assessment needs to be inserted in this context. Nevertheless, as it will be addressed later in this chapter, Cai's message about the presence of a plurality of Chinese actors and their interdependent relationship with the Chinese government have largely been overlooked by the local actors in the debate.

The plurality of Chinese actors in Ecuador: Chinese NOCs' business operations

The fact of multiple Chinese actors implementing the 'going out' strategy and pursuing diverse commercial business agendas is a constant element in Sino-Ecuadorian relations. Although mostly neglected by the local perception of China's international behaviour, the Chinese NOCs, in conjunction with the Chinese government, serve only the objectives embedded in this strategy, that is, diversification of oil supplies and business internationalisation. In turn, the Chinese government supports the international endeavours of the Chinese NOCs that help accomplish these goals. However, the pursuit of common development, win-win results and mutual benefit as objectives of Sino-Ecuadorian relations are not primary interests of the Chinese NOCs' business practices. In fact, their business behaviour is pragmatic and sometimes aggressive, demonstrating that commercial interests along with the 'going out' objectives are the Chinese NOCs' prevailing goals.

In the examples of PetroChina's 'loan-for-oil' deals and other Chinese NOCs' business projects in Ecuador, the Chinese companies are fully responsible for their business agreements and operations. As it will be illustrated in this section, although the Chinese NOCs advance the objectives of the 'going out' strategy with their activities in Ecuador, they also pursue other commercial interests relevant to their own

profitability (for instance acquiring the means to increase their competitive advantage to other oil companies, Chinese NOCs included). Furthermore, in most cases, their operations have not followed a hierarchy of command as suggested by the multilayered diplomacy perspective. The examination of the business deals and projects in Ecuador of PetroChina, Sinopec and CNPC illustrate their important role as Chinese international actors, and in some instances demonstrate their interdependent relationship with the Chinese government. As previously mentioned, these observations are not accounted for in local analysis of China's influence. Thus, the following elucidation of the 'loan-for-oil' deals and some other business projects could help shed some light on the interests, role limitations and connections of the Chinese NOCs and the Chinese government in the implementation of the 'going out' strategy in Ecuador.

PetroChina's 'loan-for-oil' deals in Ecuador

The two 'loan-for-oil' deals in Ecuador⁹⁸ were signed by the Ministry of Finance and EP with PetroChina Company Limited (PetroChina), a CNPC subsidiary-holding company (China National Petroleum Corporation 2003; PetroChina Company Limited 2008), and CDB in 2010 for US\$1 billion and in 2011 for US\$2 billion (Downs 2011; 'El Banco de Desarrollo de China presta 2.000 millones de dolares a Ecuador' 2011). PetroChina's 'loan-for-oil' deals are different to the Brazilian and Venezuelan examples in that they include the participation of the Ministry of Finance of Ecuador in the structure, and in that the negotiated terms are quite concise and mandatory (see figure 7).⁹⁹

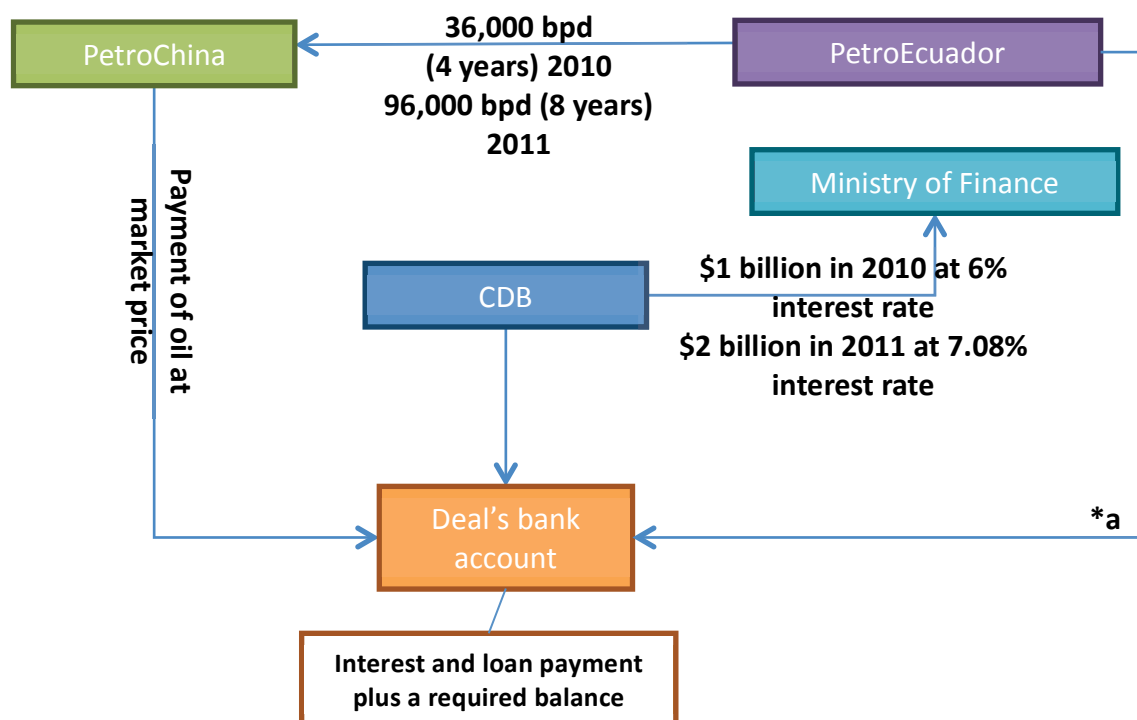
In respect of the structure of the deal, in the Ecuadorian case, the CDB lends the Ministry of Finance the agreed amount; EP exports the corresponding quantity of

⁹⁸ Some Ecuadorian and international press releases reported four 'loan-for-oil' agreements instead of two because they understand PetroChina's business agreement with EP regarding future oil sales and its extension as two separate 'loan-for-oil' deals, when in reality they are not (Alvaro 2011; 'Condiciones Chinas, al descubierto' 2012; 'Ecuador ha generado creditos con China por cerca de US\$9000 M' 2011; 'Ecuadorians fear their country is being taken over by China' 2012; Gill 2012; Gill & Sanderson 2011; Mena Erazo 2010). These are addressed in detail later in this chapter.

⁹⁹ Refer to Chapter 3 about the Chinese 'loan-for-oil' deals structure.

barrels of oil per day to PetroChina. PetroChina pays the market price for the barrels of oil imported from EP directly to the agreement's account held at CDB. Subsequently, CDB discounts the loan's payment plus its interest from the account and EP can withdraw amounts above the required balance from the account. It is interesting to note that the profit after interest from the loan payments is not directed to either the Ministry of Finance or EP. Additionally, unlike the other cases in this study, the evidence suggests that one of the compulsory terms of the deals is that there is a required balance to be kept in the account as collateral for the loan, and if desired, EP can access any amount that exceeds that balance (Downs 2011). Still, information about the amount of the required balance has not been released to the public.

Figure 7: PetroChina-EP 2010 and 2011 'loan-for-oil' deals structure¹⁰⁰



¹⁰⁰ Author's graph, with information from (Alvaro 2011; 'China otorgo credito multimillonario para financiar inversiones en Ecuador' 2013; 'Condiciones chinas, al descubierto' 2012; Downs 2011; 'Ecuadorians fear their country is being taken over by China' 2012; 'El Banco de Desarrollo de China presta 2.000 millones de dolares a Ecuador' 2011; Ling & Fargo 2011). *a EP can choose to withdraw amounts from the account if the required balance is kept. There is not enough evidence available from the Ecuadorian government to establish whether there is a link between the Ministry of Finance and EP in the deal's structure. This is an example of the lack of transparency and limited information about the deals that has become one of the main criticisms from the local actors in the debate about China's influence in Ecuador.

In August 2010, the first 'loan-for-oil' deal was signed between the mentioned parties for US\$1 billion. EP committed to sell PetroChina 36,000 bpd for a period of 4 years in which the loan had to be reimbursed. The Ministry of Finance agreed to a 6% fixed annual interest rate over the term of the loan, with a 6-month grace period (Alvaro 2011; 'Condiciones chinas, al descubierto' 2012; Downs 2011, 'Ecuadorians fear their country is being taken over by China' 2012). In the second 'loan-for-oil' deal, EP is expected to sell PetroChina 96,000 bpd over 8 years, and to pay the US\$2 billion loan from CDB plus 7.08% interest with a 2 year grace period ('China otorgo credito multimillonario para financiar inversiones en Ecuador' 2013; 'Condiciones Chinas, al descubierto' 2012; Ling & Fargo 2011).

The influential role of PetroChina and the CDB in negotiating Ecuador's 'loan-for-oil' deals is evident in the particular terms of the deals that differ from similar deals in Brazil and Venezuela. These terms include binding instructions on the use of the funds and on the specific type of oil to be bought by PetroChina, a special power to PetroChina in case EP defaults on its debt, and a third party arbitration clause to resolve any disputes from CDB ('China otorgo credito multimillonario para financiar inversiones en Ecuador' 2013; 'Condiciones chinas, al descubierto' 2012, Downs 2011; 'El Banco de Desarrollo de China presta 2.000 millones de dolares a Ecuador' 2011). As will be addressed later in this study, these specific terms have sparked the debate about China's influence in Ecuador's oil industry and their connection to President Correa's government.

Furthermore, both 'loan-for-oil' deals in Ecuador specify how the money will be disbursed and how it must be used. In the 2010 deal, the US\$1 billion investment was divided in two parts: (1) US\$800 million to be used at the discretion of Ecuador's government, and (2) US\$200 million to be invested in the development of the oil industry (Downs 2011). Likewise, the 2011 deal also divides the investment in two parts to amount to US\$2 billion: (1) US\$1.4 billion to be used by Ecuador's government at its discretion, and (2) US\$600 million to be used in development projects with Chinese companies, of which US\$300 million will help finance some ongoing electric

projects, and the other US\$300 million is intended to support new investment projects in public health ('China otorgo credito multimillonario para financiar inversiones en Ecuador' 2013; 'El Banco de Desarrollo de China presta 2.000 millones de dolares a Ecuador' 2011).

The discretionary use of the largest part of both agreements by the Ecuadorian government has raised some debate with the government's opposition group, which sees this as an opportunity for President Rafael Correa to address particular issues that are eroding his popularity, as well as funding his government budget ('China otorgo credito multimillonario para financiar inversiones en Ecuador' 2013; 'Condiciones chinas, al descubierto' 2012; Downs 2011; 'El Banco de Desarrollo de China presta 2.000 millones de dolares a Ecuador' 2011). The main local actors in the debate have taken this aspect of the funds to make the connection between the Chinese and the Ecuadorian government, and support their claim that the former assists the latter financially.

The specific terms of the deals are a reflection of the Chinese SOEs' pragmatic commercial behaviour in negotiating the terms that considered the high-risk political and financial context in Ecuador. For example, both requirements, the special power given to PetroChina in case EP is unable to pay its debt and CDB's inclusion of a third party arbitration clause to resolve any disputes, guard the commercial interests of these Chinese actors in case their Ecuadorian partners default on the loan payments. The precedent that brought about the inclusion of these measures refers to the changes to Ecuador's legal framework regarding its oil industry in 2007, and President Correa's decision to default on Ecuador's global bonds debt in 2008 (Mapstone 2008; 'Rafael Correa decreta que el 99% de ganancias extraordinarias del petroleo sean para los ecuatorianos' 2007).

On this subject, PetroChina's payment safeguard stipulates that in the case EP does not cover the full amount of the due payment, PetroChina has the right to collect the missing amount from EP's international clients, whose payments to EP would then be

directed to the deal's account at CDB. This addresses insolvency issues and prevents EP to default on the loan payments. Moreover, this annex to the deal binds its fulfilment by any EP successor(s) if the company changes its structure. Thus, it assures the completion of the terms of the deal if further changes to the Ecuadorian oil industry take effect ('Condiciones chinas, al descubierto' 2012). As in many commercial agreements, this annex acts as a guarantee to the contract between the parties, a pragmatic solution by PetroChina to safeguard its commercial interests. Additionally, CDB insisted on having third party arbitration to resolve any disputes as a binding condition of the deal, reducing the political risk to its commercial interests in the future (Downs 2011).

Significantly to this study, the Chinese government did not take an active part in these negotiations, not even when the negotiation for the first 'loan-for-oil' deal was suspended for several months in 2009 by the Ecuadorian government due to the CDB's demand to include the third party arbitration clause (Downs 2011). The absence of the Chinese government when problems emerged in the negotiation of the deal calls attention to the Chinese actors' roles and their limits in carrying through the 'going out' strategy in Ecuador. While PetroChina, the CDB and the Chinese government advanced the interests embedded in this strategy to an extent, they implemented it differently to the top-down hierarchy of command proposed by the multilayered diplomacy perspective.

As in the other cases in this study, PetroChina and the CDB are the main promoters of the loans in a bottom-up dynamic with the Chinese government. They seek, negotiate and close the deals, later advocating for them with the Chinese government. The specific terms of the loans in Ecuador reflect this interdependent dynamic. The terms, while related to the commercial returns or profits of CDB and PetroChina, are not directly connected to the advancement of the 'going out' strategy. The Chinese government did not figure as an active participant in the negotiations because the deals are the full responsibility of PetroChina and the CDB. As such, they assume all the risks involved and make all business decisions accordingly.

The role of the Chinese government is limited to supporting the companies' endeavours in its official discourse. This is demonstrated by former ambassador to Ecuador Cai Rungguo's statements to the Ecuadorian press about the loans. He declared that the Chinese government was promoting Chinese companies and investors to come to Ecuador and made clear that the loans were commercial credits amongst the companies and the banks, not governmental credits ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Likewise, Chen Deming, in a meeting with President Correa, reaffirmed the Chinese government's role in the implementation of the 'going out' strategy, and thus the limitation of its participation in the 'loan-for-oil' deals. He said that 'the Chinese government encourages enterprises to carry out cooperation with Ecuador in...resources and energy fields, so as to realize sustainable cooperation between the two nations' (Ministry of Commerce of the People's Republic of China 2012). Both Cai and Chen's statements point to an implicit acknowledgment from the Chinese government of the existence of a plurality of actors conducting business activities in Ecuador. Nevertheless, neither the presence of a plurality of Chinese actors nor their interdependent relationship with the Chinese government is considered in the local analysis of the loans.

CNPC and Sinopec's joint ventures: Andes Petroleum and PetrOriental

Like PetroChina's 'loan-for-oil' deals, CNPC and Sinopec's participation in joint ventures, service contracts and investment projects shed some light on their roles in carrying out the objectives of the 'going out' strategy amongst their commercial interests in Ecuador. Similarly to the Venezuelan case, and contrary to the mainstream presumptions, in practice the Chinese NOCs have not received any preferential treatment from the Ecuadorian government; they have been treated as any other international oil companies operating in Ecuador's oil industry.

For instance, in 2005, CNPC with Sinopec bid to acquire Encana's stakes in Ecuador.¹⁰¹ Together they established Andes Petroleum Ecuador LTD (Andes Petroleum) with a 55% stake belonging to CNPC and 45% to Sinopec (China National Petroleum Corporation n.d.). Their final \$1.42 billion bid as Andes Petroleum was successful, and in 2006 the transfer of shares from Encana included stakes in 5 blocks: 100% in Tarapoa block, a majority operating interest in block 14, 17 and Shiripuno, and 40% non-operating economic interest in block 15 ('China's Andes signs Encana deal' 2005; 'Encana closes sale of Ecuador interests to Andes Petroleum Company for about US\$1.42 billion' 2006; 'Operadoras chinas dominan el negocio petrolero ecuatoriano' 2009; Palacios 2008; Ying 2005).

In addition to these stakes, Andes Petroleum obtained a 36% stake in the heavy crude oil pipeline (OCP), making Andes Petroleum the largest equity holder in the OCP (Escribano 2012; Palacios 2008). Later in 2006, CNPC and Sinopec established PetrOriental with the same distribution of stakes to take over the management of block 14 and 17 (Andes Petroleum Ecuador Ltd n.d.; 'Empresas chinas CNPC y Sinopec se afianzan en mapa petrolero del país' 2012; 'Operadoras chinas dominan negocio petrolero ecuatoriano' 2009). The Chinese NOCs won Encana's assets following standard international business practice, which did not involve the Chinese government in the process.

Encana's transfer of shares largely benefited CNPC and Sinopec's business in Ecuador. By taking control of the Tarapoa block, Andes Petroleum's production of 40,000 bpd was set to be Ecuador's second highest, which in addition to the 15,000 bpd of PetrOriental's production, combined to give CNPC and Sinopec a third of the private oil production quota in Ecuador by 2009 ('Operadoras chinas dominan negocio petrolero ecuatoriano' 2009). CNPC and Sinopec have advanced both objectives of the 'going out' strategy with their joint ventures in Ecuador. However, as in the examples of PetroChina's 'loan-for-oil' deals, they implement them differently to the assumed top-down hierarchy of command from the Chinese government. CNPC and Sinopec's joint

¹⁰¹ Encana is a Canadian international energy corporation (Encana 2013).

ventures Andes Petroleum and PetrOriental show that the initiative to pursue new business projects in Ecuador has been a constant characteristic of the Chinese NOCs, not from the top echelons of the Chinese government.

Not long after their takeover, CNPC and Sinopec faced Encana's main concern and one of the reasons behind its decision to sell its stakes in Ecuador: the instability of the local legal framework and the high-risk political context (Ellis 2009). Like all the foreign companies operating in Ecuador's oil industry, Andes Petroleum and PetrOriental faced President Rafael Correa's decision to renegotiate all oil contracts with foreign companies beginning in 2007 (Ellis 2009; Gill 2010; Watkins 2008). Taking on Venezuela's example, President Correa decreed some changes in the legal framework governing foreign operations in Ecuador's oil industry that directly affected the operations and revenues of the corresponding companies (Presidential decree no. 1672 2006). These changes included the increase to 99% in the share of windfall oil profits to the government, and the transfer from the output-sharing deals with the international oil companies to service contracts (Escribano 2012; Gill 2010; Watkins 2008).

As in the Venezuelan case, there were some companies that did not reach an agreement under the new legal framework and decided to leave their operations in Ecuador, namely Petrobras and Noble (Gill 2010). Like Repsol, Perenco and CityOriente, CNPC and Sinopec, through Andes Petroleum and PetrOriental, made the pragmatic decision to stay in the country to continue pursuing their commercial objectives and, with this, implementing the 'going out' strategy in Ecuador (Watkins 2008).

If the mainstream presumption that Chinese NOCs enjoy an advantage when negotiating in Ecuador on an assumed similar ideological basis were practiced, the negotiations with the Ecuadorian government under the new legal framework would have received special consideration. Moreover, if the Chinese government commands the Chinese NOCs in their business overseas, it would have intervened or have had a

significant presence in the joint venture's negotiations with the Ecuadorian government when they were taking place, but none of these scenarios transpired at the time.

In reference to the renegotiation of Andes Petroleum, Cai Rungguo stated that if the companies involved undertook consideration of their partner's concerns, the negotiation could re-start amongst them ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010). He went on to observe that the Chinese government supported the companies in their efforts ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

The role of the Chinese government in the implementation of the 'going out' strategy is evident in this statement. It supports and encourages Chinese companies to internationalise, but pursuing, negotiating and carrying through their business operations are the NOCs' responsibility. This intertwined cooperation between the Chinese NOCs and the Chinese government is better described as interdependent, since in action, a top-down hierarchy of command is difficult to find. Yet, this has been neglected in the local perception of the relationship amongst the Chinese companies and the government, and in the local expectation of China's international behaviour.

The prospect of CNPC's participation in the Pacific refinery project

The examples of CNPC's Pacific refinery project (refineria del Pacifico) and the current service contracts of Sinopec and Changqing Petroleum Exploration Bureau (CPEB), a subordinated enterprise of CNPC (China National Petroleum Corporation 2003), are also evidence of the existence of a plurality of Chinese actors in Ecuador. For instance, the Pacific refinery project is a joint venture between EP and PDVSA that needed more funding to continue in 2012 ('CNPC in talks with Ecuador over \$12.5b refinery' 2012; 'CNPC might acquire 30% stake in refineria del Pacifico project' 2013). CNPC and the Ecuadorian government started talks at the time regarding investment in this project.

However, the Ecuadorian government made it clear that they were not giving any preferential advantage to the Chinese NOC whatsoever. In one statement by the Minister for Strategic Sectors at the time, Jorge Glass declared that the Ecuadorian government was looking for a partner that could invest in the project and that CNPC was one of the many companies interested; he stated: 'We hope to reach an agreement with them, but if it doesn't happen, we will look for another partner' (Garcia & Zhu 2012).

The negotiation led CNPC to look for a partner in the Industrial and Commercial Bank of China (ICBC) to help in providing the company with the capital needed to invest in the project (Garcia & Zhu 2012). CNPC negotiated with ICBC its participation in the funding of the project, and at the time of the writing of this study, both Chinese SOEs were in the final stages of the negotiation process with the Ecuadorian government, EP and PDVSA to acquire a 30% stake in the project ('CNPC might acquire 30% stake in refinaria del Pacifico project' 2013).

CNPC's initiative to look for funding with ICBC exhibits a level of cooperation amongst Chinese actors that circumvents Chinese bureaucracy. The Chinese government, while supporting the Chinese companies in its official discourse, does not have an active participation in CNPC's leadership. Even so, when CNPC and ICBC close the agreement with their Ecuadorian counterparts, they would look for the Chinese government's approval in a bottom-up dynamic. Consequently, the strict top-down hierarchy of command as suggested by the multilayered diplomacy is not defensible in this example, nor is the premise of a unitary and homogeneous China.

Sinopec and CPEB's service contracts with PetroEcuador

Similarly, Sinopec and CPEB have proactively looked for expanding their business in Ecuador through service contracts with EP. Equivalently to the Pacific refinery project, the Chinese government has had little to no active role in their commercial pursuit in the country, while both companies, independently, have shown pragmatic business

behaviour in looking for opportunities that would help them enhance their business profitability as international companies.

Together, Sinopec and CPEB have 23% of the current service contracts in Ecuador; 9 contracts with Petroproduccion (a subsidiary of EP specialized in exploration and production (BN Americas 2013)) of which 5 are from CPEB and 4 are from Sinopec ('Operadoras chinas dominan negocio petrolero ecuatoriano' 2009; 'Petroecuador firma acuerdo operativo con estatal China' 2007). These are direct contracts that involve drilling, exploration and tridimensional seismic studies between both Chinese NOCs and Petroproduccion, and a joint operative administration of Atacapi-Parahuacu block between CPEB and Petroproduccion ('Operadoras chinas dominan el negocio petrolero ecuatoriano' 2009).

These examples illustrate the presence of a plurality of Chinese actors conducting business activities in Ecuador. They partly advance the objectives of the 'going out' strategy with the aforementioned projects, but primarily look for profitability and acquiring commercial advantages over their competitors. Thus, the 30% stake in the refinery project, and providing services such as drilling and tridimensional seismic studies, are not particularly related to diversifying oil supplies, but they are indirectly connected to these companies' business internationalisation. Therefore, it is accurate to state that while it is true to an extent that PetroChina, Sinopec and CNPC progress the 'going out' objectives in their commercial endeavours in Ecuador, the Chinese NOCs do not implement them in a top-down hierarchy and they concentrate their efforts in pursuing a wider business agenda.

PetroChina-EP direct deal

Finally, one of the most compelling examples of these observations is PetroChina's direct deal with EP, the only one of its kind by the Chinese NOC (Downs 2011). This deal between PetroChina and EP has been sometimes mistaken as another 'loan-for-

oil' deal, partly due to the influence of the Latin American hybrid IR perspective that leads observers to analyse all deals with Chinese actors as one and the same.

PetroChina's direct deal with EP is similar to the 'loan-for-oil' deal in that it seals the purchase of future oil sales by PetroChina from EP with a loan from the Chinese NOC, to be repaid with interest from the revenue of those sales. It is different in that it does not involve any other Chinese SOE, including banks, nor a financing institution or government ministry from Ecuador. The initial deal was established in 2009 with a \$1 billion loan from PetroChina for two years in return for future oil sales of 69.12 million barrels with 7.25% interest. It was extended in 2011 when the parties renewed the deal for the same amount and period, with a 7.09% interest rate (Alvaro 2011; 'Condiciones chinas, al descubierto' 2012; 'Ecuadorians fear their country is being taken over by China' 2012; Gill 2012; Mena Erazo 2010).

In this example, the role of the Chinese government is not easily found, whereas the leadership of PetroChina is remarkable. The Chinese NOC's business initiative opposes the assumption of the multilayered diplomacy perspective that these deals originate at the highest group within the Chinese government. As in the aforementioned deals and business projects, the PetroChina-EP deal shows the presence of a plurality of Chinese actors in Ecuador.

Of particular interest to this study is the fact that this deal has attracted the attention of the predominant actors in the debate about China's influence, and it has been used as proof of the unfavourable conditions of the Chinese deals ('Condiciones chinas, al descubierto' 2012; 'Ecuadorians fear their country is being taken over by China' 2012). Thus, informed by the Latin American hybrid IR perspective, the local actors have questioned the benefits from this loan and whether the deals really enable win-win results and common development when they have such high interest rates. Seemingly, the constant elements found in the examples of the Chinese NOCs' deals and business operations in Ecuador are neglected in the local perception of China's international behaviour.

The Ecuadorian debate: mainstream concerns about Chinese influence in politics and the domestic economy

Ecuador's local debate, while focused on its political dimension as in Venezuela, is also concerned to a degree with the economic implications of Chinese investments, as in the Brazilian case. There are at least three main local groups engaged in the debate about the Chinese investments and their consequences to Ecuador's political and economical context. The political opposition to the government focuses its arguments on the political dimension of the debate as well as some of the experts, scholars and activists. These constitute the second group with varied points of view about Chinese oil investments, pushing for more transparency and access to information. The third group is the Ecuadorian government, which has reacted to opposition by giving more information and explaining the terms of the deals rather than earnestly arguing in favour of these agreements like the Venezuelan government.

As in the examples of Brazil and Venezuela, the local actors are informed by the Latin American hybrid IR perspective. Consequently, they neglect the elements found as a constant in the examination of the Chinese NOCs' business deals and projects in the country. The existence of a plurality of Chinese actors, the important role of the Chinese NOCs and their interdependent relationship with the Chinese government are mostly neglected in the local actors' understanding of China and in building their view of China's image.

Political opposition

Although the political opposition to President Rafael Correa's government is not unified, as a whole it has participated in the local debate about Chinese investments, especially with regard to PetroChina's deals. This group's arguments are quite similar to the experts, activists and scholars that focus their arguments on the political dimension of the 'loan-for-oil' deals. Thus, their claims have been aimed at the lack of transparency of the deals and the discretionary use of the funds by the government (Downs 2011).

This group has protested especially against the third party arbitration clause and the use of oil as a payment guarantee, which are both against the Ecuadorian constitution in a state-to-state scenario (i.e. international treaty) (Downs 2011; 'El gobierno defiende clausula de arbitraje de credito con China' 2010; 'Ecuadorians fear their country is being taken over by China' 2012). On this subject, a group of legislators within the opposition asked the Minister of Finance of Ecuador, Patricio Rivera, to clarify the aforementioned terms of the deals, particularly since the Ecuadorian government's discourse has concentrated on emphasising the Ecuadorian sovereignty against international arbitration ('El gobierno defiende clausula de arbitraje de credito con China' 2010).

Both concerns from the opposition group are related to their perception of PetroChina's 'loan-for-oil' deals and its direct deal with EP as international agreements between the Chinese and the Ecuadorian government. They do not consider PetroChina as a significant Chinese actor conducting business operations in Ecuador. By neglecting the presence of a plurality of Chinese actors in the implementation of the 'loan-for-oil' deals, the group of legislators within the opposition have established a link between the Chinese government and President Correa's regime.

As mentioned earlier, the discretionary use of a major part of the funds from the 'loan-for-oil' deals by the Ecuadorian government has raised some concerns within the opposition about indirect Chinese support to Correa's government ('El gobierno defiende clausula de arbitraje de credito con China' 2010). As Downs (2011) points out in her study of the Chinese loans in Ecuador, the opposition argues that by the open use of these funds, President Correa's government has been able to stay afloat and tackle the main areas affecting his popularity, since the funds have been used to finance part of the government's budget and development projects ('Ecuador negocia nuevo credito por USD 1700 millones con China' 2011). Similar to Venezuela, the opposition has drawn from the mainstream premises about China in their analysis of the relationship between PetroChina and the Chinese government, resulting in a negative impact on China's image.

Experts, scholars and activists

Ecuador's experts, scholars and activists have different perceptions of the consequences of Chinese oil investments, and have generally called for more transparency and access to information. Their general contribution to the debate has been the active questioning of the terms of the deals and their implications for Ecuador from different points of view. The arguments advanced by experts and activists come from a wide range of perspectives, from completely against the Chinese investments to defending the Chinese SOEs' business in Ecuador. Still, the majority of their views are informed by the prevailing assumptions of the Latin American hybrid IR perspective.

At one end of the spectrum are activists and researchers like Fernando Villavicencio, former oil union member, who argue that the negotiations were illegal in the first place. Villavicencio states that some of the oil blocks were not commercial and therefore the negotiations took place outside the country, in the financial markets, resulting in Ecuador losing its oil and profits ('Las empresas Chinas CNPC y Sinopec se afianzan en mapa petrolero de país' 2012; 'Ecuador: made in China' 2013). Even though Villavicencio looks upon the Chinese NOCs as actors in themselves, suggesting an understanding of the plurality of Chinese actors overseas, his arguments reflect a strong influence of the Latin American hybrid IR perspective by linking the Chinese SOEs' deals in Ecuador to just one homogeneous 'Chinese capital' and making the argument of the loss of Ecuadorian sovereignty to China ('Ecuador: made in China' 2013).

In the middle, there are experts such as Luis Calero, oil expert and commentator, and Fernando Santos, former Minister of Energy and Mines, who are ambivalent in their arguments. On the one hand, they acknowledge the commercial interests behind the Chinese NOCs' deals in Ecuador, stating that the Chinese NOCs pursue business that is favourable to their commercial interest wherever they can ('Operadoras chinas dominan negocio petrolero ecuatoriano' 2009). On the other hand, they strongly criticise the Ecuadorian government for engaging in business with them.

They are against the deals with the Chinese NOCs for two reasons: (1) Luis Calero argues that China has taken over Ecuador's oil industry through PetroChina's deals, that Ecuador now faces a Chinese oil monopoly and that monopolies are against the Ecuadorian constitution; (2) Fernando Santos argues that because of their state-owned characteristic, the Chinese NOCs do not take risks nor have the same technology as other international oil companies, and that they are therefore not the best companies to take over exploration and production activities in the Ecuadorian oil industry ('Operadoras chinas dominan el negocio petrolero ecuatoriano' 2009).

Both arguments are significantly indebted to the main assumptions embedded in the Latin American hybrid IR perspective. For example, Luis Calero overlooks the presence of a plurality of Chinese actors in pursuing oil businesses in Ecuador; he understands CNPC and Sinopec to be the same company from a unitary and homogeneous actor. On this subject he states: 'Here, different names and colours constitute the monopoly. In China there is only one state enterprise with different executing branches, subsidiaries, operators or affiliates' ('Operadoras chinas dominan negocio petrolero ecuatoriano' 2009).

At the other end of the spectrum, there are experts and scholars like Marcos Lopez and Inigo Salvador in their own fields, economics and international law respectively, who have been consulted on the issues being debated more than proactively participating in the debate. They have acted as consultants and have added a nuanced perspective to the debate. For instance, on the amount of debt Ecuador has contracted with CDB, Marcos Lopez, an economic analyst, has argued that unfortunately the loans are necessary for Ecuador's development in light of its economical context, and that contrary to popular opinion, the CDB is acting as just another international lender, trying to maximise its commercial interests ('Ecuador ha generado creditos con China por cerca de US\$9000 millones' 2011).

Moreover, in the midst of the heated debate about the legality of the third party arbitration clause according to the Ecuadorian constitution, Inigo Salvador, director of

the International Law Research Centre of the Pontificia Universidad Catolica, explained that the 'loan-for-oil' deal does not qualify as an international treaty, because it is between the CDB and the Ministry of Finance, not between sovereign states, hence not breaching the law ('El gobierno defiende clausula de arbitraje de credito con China' 2010).

Other concerns raised by this group are related to the economic dimension of the debate, arguing that the deals have high interest rates that are not favourable to Ecuador, questioning the benefits of the concentration of debt to one creditor and citing the lack of transparency in the contracts that are not made public ('Ecuadorians fear their country is being taken over by China' 2012; Ortiz 2011).

Surprisingly, similar to Venezuela, this group has not called special attention to the commodity dependence and the Ecuadorian deficit in the bilateral trade with China as main arguments in their position against Chinese influence in the country. This, specifically since oil and copper constituted 84.5% of bilateral trade in 2010 (Latin American Network for Research on Multinational Enterprises 2009, p. 75), and Ecuador's trade deficit with China, has been an increasing trend since 2000 (Economic Commission for Latin America and the Caribbean 2012). This could be a reflection of the predominant political context in the local perception and analysis of Sino-Ecuadorian relations.

Ecuadorian government

The Ecuadorian government has limited its role to one that is reactive to its critics. Government representatives, such as Production Minister Nathalie Cely, Finance Minister Patricio Rivera and Non-renewable Resources Minister Wilson Pastor, have responded to the different arguments against the deals, and their possible illegality, from the opposition and the group of experts, scholars and activists. For example, Non-renewable Resources Minister Wilson Pastor had to explain that the oil was not a

guarantee but a future sale when the logistics of the loan and their link to oil were questioned ('Condiciones chinas, al descubierto' 2012).

In the same fashion, Finance Minister Patricio Rivera offered a general explanation on how the money from the first 'loan-for-oil' deal was going to be used by the government and tried to allay the fears of losing sovereignty to China through the third party arbitration clause, by stating that Ecuador is a sovereign state that could decide where to solve its arbitration issues 'if and when the time comes' ('El gobierno defiende clausula de arbitraje de credito con China' 2010). This reactive role from the Ecuadorian government has not helped in easing the anxiety caused by the lack of transparency and limited information about the deals. Instead, it has strengthened the local doubts about the real benefits of the Chinese oil investments in the country and their connection to Correa's regime.

Arguably, the Ecuadorian government has helped spread a confusing perception of China and Chinese actors. President Rafael Correa, in particular, has been quite ambivalent in his statements towards Chinese actors and their business practices in Ecuador. Although most of his pronouncements have been along the line of defending the deals as good news to the country, when the negotiations have not gone in his government's favour, he has reacted strongly against China, not the Chinese SOEs, encouraging the local understanding of China as a unitary actor.

For instance, President Correa defended the deal in 2011, after the second 'loan-for-oil' deal was announced and criticised locally for the high interest rates and the amount of debt the country had with China. He said that it was a positive outcome for Ecuador, that these funds were necessary for carrying out much needed economic development projects and that the deals were the result of a good bilateral relationship. He even went on to state that the country had a 'tacit strategic alliance with China' ('Ecuador negocia nuevo credito por USD 1700 millones con China' 2011; Ortiz 2011).

By contrast, in the case of the negotiation for the Coca-Codo-Sinclair hydropower project with the Export-Import Bank of China (Eximbank) in 2010, President Correa made it publicly clear that Ecuador would not withstand more abuses, that it would not renounce its sovereignty to anyone, and that it would never forget the bad treatment it had received from China ('Ecuador's president smile turns to frown' 2010; 'Ecuador suspende negociaciones y nunca olvidara el maltrato de China' 2010).

Following the Latin American hybrid IR perspective, President Rafael Correa has understood the business behaviour of Chinese actors as commanded by the Chinese government, specifically when business negotiations have been adverse to his government's interests. This reactive, ambivalent position from the Ecuadorian government has added to general confusion about the terms of the deals, while in some measure it has also supported the local concerns about Chinese NOCs' business practices and the local perception of China's international behaviour.

The Chinese government's approach to the Ecuadorian context

As previously noted in this chapter, even though the Chinese government has had a predominantly passive stance towards local concerns, the reactive comments of some Chinese officials have brought attention to its position as a significant actor in the Ecuadorian debate. Still, in the main most Chinese government officials restrict their declarations to official Chinese discourse during their meetings with their Ecuadorian counterparts.

They have carried the government's message concerning the limitation of its role in implementing the 'going out' strategy by following the official discourse. Constantly, officials like Chen Deming and Cai Rungguo have implied this in their statements when they reaffirm the Chinese government's commitment to encourage Chinese enterprises to conduct more investments and business in Ecuador, while it welcomes and promotes Ecuadorian enterprises to do the same in China (Embassy of Ecuador in

the People's Republic of China n.d.; Liang 2007; Ministry of Commerce of the People's Republic of China 2012, 2012a).

In Ecuador, this prevailing official discourse has been explained clearly by former ambassadors to Ecuador, Yuan Guisen and Cai Rungguo when asked about Chinese investments in Sino-Ecuadorian relations. Through their declarations, both have reacted to predominant local concerns raised by the main Ecuadorian actors in the debate about China's influence. For instance, questioned on the subject of the Ecuadorian government's suspension of the negotiation with Eximbank in relation to the Coca-Codo-Sinclair hydro-electrical project, Yuan Guisen stated that the credit line was the business of Eximbank, avoiding any association that could involve the Chinese government in the matter (Embajada del Ecuador en la Republica Popular de China 2011).

Cai Rungguo went further, providing a distinct account of the limitations of the role of the Chinese government in the 'loan-for-oil' deals and other oil-related business projects. In an interview with the Ecuadorian and international press, his remarks covered most of the local concerns and assumptions about China's international behaviour ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

On the subject of high interest rates, Cai drew a line between commercial and governmental credits. He asserted that the interest rates are high when they are compared to the WB and the IMF credits, but that 'it needs to be clear that these are commercial credits', adding that he doubted other foreign banks could offer lower rates to Ecuador. He added that if there was no oil involved, 'the Chinese banks would have to think on other types of credit'. He also emphasised that China has given Ecuador 12 governmental credits without interest and 2 with low interest rates ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

In relation to the claim that the Chinese government provides the funds for the loans to support Correa's regime, because the latter has used them to finance its budget, he implied that neither the Chinese government nor other Chinese actors could interfere in the discretionary use of the funds by the Ecuadorian government. Cai stated that 'if the credits are used for consumption it would be a problem for Ecuador, but if they are invested in production they can achieve a greater development' ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Adding to the limited role of the Chinese government in Chinese NOCs' business deals and operations in Ecuador, he commented on Andes Petroleum's contract renegotiation and the terms of PetroChina's 'loan-for-oil' deals. Concerning the former, as mentioned earlier in this chapter, Cai affirmed the Chinese government's support to Andes Petroleum in this endeavour, but demarcated the renegotiation of its contract with EP and the Ecuadorian government as a matter between the parties. He commented that each party had to consider its interests and those of its partners, 'if both parties concede, then we could aid the negotiation' ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Cai also referred directly to the terms of the 'loan-for-oil' deals as an issue that concerns the Chinese company and not the Chinese government. When asked about the negotiation of the amount of barrels of oil, he replied: 'that, you would have to consult it with the Chinese oil company, but I think that in the deal both parties agreed on the payment of [US] \$1 billion' ('Entrevista a Cai Rungguo, embajador de China en el Ecuador sobre los creditos de dolares por petroleo' 2010).

Yuan and particularly Cai's statements to the press connote two important considerations. First, they present the limitations of the Chinese government's role in the implementation of the 'going out' strategy in Ecuador. Second, they acknowledge the important role of the Chinese companies and the banks in pursuing and negotiating their business projects with their Ecuadorian partners. In doing so, Chinese

government representatives have implicitly accepted the existence of a plurality of Chinese actors conducting diverse business agendas in Ecuador, while shedding some light on their relationship with the Chinese government.

Yet, this reactive position from some Chinese government officials have followed only after problems have become apparent, or serious claims have emerged from the main local actors in the debate that impact China's image in a negative way. In this sense, it is not an official strategy of the Chinese government in its approach to Sino-Ecuadorian relations. The prevalent Chinese government blueprint for the bilateral relationship is predominantly passive, vague and general, and it weighs on how the local actors in the debate are familiarized with China's international behaviour.

As in the Brazilian and the Venezuelan cases, the 'one-size-fits-all' formula from the Chinese approach to Latin America and the Caribbean used in official Chinese discourse with regard to Ecuador, does not include any local concern and it is not adapted specifically to the local context. In Ecuador, (1) the Chinese government's efforts to disassociate itself from the Chinese SOEs' practices when problems arise, and (2) its official approach to Sino-Ecuadorian relations, are ineffective tools to provide a better understanding of Chinese actors and improve China's image in the country.

They both support, passively or actively, the Latin American hybrid IR perspective's assumptions on China's international behaviour that permeate the analyses of the local actors in the debate. When 62.3% of Ecuadorians believe China has some influence in their country (Faughnan & Zechmeister 2013), this is an important consideration for Chinese actors conducting business in Ecuador and the Chinese government alike. If a change in the group of power takes place, a tarnished Chinese image in the country could threaten the NOCs' and the bank's commercial interests and could strain Sino-Ecuadorian relations for the Chinese government.

At present, as in the Venezuelan case, the strategy of the Chinese government must aim for an approach that withstands any future change in government ideology (Carroll 2013; Sun 2013; Wallis 2013). Along these lines, a feasible strategy to address local concerns for the Chinese government could be to proactively include statements from the likes of Cai Rungguo and Yuan Guisen's in its official discourse and approach to the bilateral relationship. This could possibly effect a change in the local perception of China's international behaviour, potentially improving China's image amongst the leading actors in the debate.

Final remarks

The mainstream perception of Chinese NOCs' 'loan-for-oil' deals

Of all the aspects of Sino-Latin American relations, the 'loan-for-oil' deals have caught the most attention in the international press and academic literature, sometimes creating confusion and having a negative impact on Chinese international image. The academic literature that has dominated the analysis of the oil investments has concentrated on trade imbalances, highlighting the Chinese investments on commodities and energy resources. This analysis has generally been framed within a context of contestation with the US and suggests a race between the two major energy consumers in the world to secure resources in Latin America. It has further fuelled the debate of whether China's presence in the region is meant to be a threat to the US, and therefore to the international community (Bi & Zweig 2005; Lieberthal & Herberg 2006; Pollack 2008; Stallings 2008).

This type of analysis tends to ignore the voice of Latin American nations as partners in their relationships with China and the US, and of local perspectives on China's influence. It also shows a strong influence from the mainstream perspective of international relations in its assumptions about 'China' and Chinese international behaviour. Thus, this mainstream analysis produces only a limited understanding of Chinese actors overseas and of their relationship with the Chinese government.

Consequently, there is a general misconception of the degree of centralisation, or 'command and control' power the Chinese government has over the Chinese NOCs and their international business practices. Drawing on the Latin American hybrid IR perspective, the local debates in the Latin American case studies are informed by the premise that the Chinese government and/or the Chinese Communist Party direct everyone and everything coming from China. For these reasons, there is a growing need for better understanding amongst Latin Americans and Chinese to improve and strengthen their bilateral relationships.

As this study has thus far shown, the reality of China's energy and foreign policy domestic realms does not completely agree with a centralised notion of 'command and control'. Indeed, one of the main concerns in China today is the amount of power the NOCs have, and the fact that their business behaviour is not closely regulated by the Chinese government but highly motivated to pursue profitability.

In addition, the common assumption of a race to secure oil resources is misleading in the absence of sufficient information about the structure and operation of the Chinese NOCs' 'loan-for-oil' deals. The thrust of the assumption is that 'China' is 'securing' oil resources in Latin American countries, suggesting the notion that 'China owns' those resources for years to come. But who is 'China'? How do these investment projects really work? How does 'China own' the oil? The answer is quite straightforward: 'China' does not 'own' the oil in the country. There is a plurality of Chinese actors implementing the 'going out' strategy through 'loan-for-oil' deals in an interdependent relationship with the Chinese government. In these deals, Chinese NOCs control the ownership of the product through market operations. The Chinese NOCs' 'loan-for-oil' deals in Brazil, Venezuela and Ecuador give the Chinese companies the right to purchase and sell the product, while giving the opportunity to their local counterparts to invest the money from the loan, for instance, in oil-related infrastructure or other areas in need of investment.

It is worth mentioning that the Chinese NOCs have been selling the product in the producing country's local market more often than taking it to the Chinese market. This pragmatic decision is based on many reasons of profit-making, such as the geographical distances, transportation difficulties, long time of delivery, high cost of transportation and the distinct characteristics of Latin American crude oil that often times makes it incompatible to Chinese refining capacities. As other scholars have pointed out, 'almost all the equity production Chinese NOCs have in the Americas was sold locally instead of being shipped back to China' (Jiang & Sinton 2011, p. 18). This information brings attention to the increasing importance of the Chinese NOCs as

international oil companies, of their relevant role as Chinese international actors and of their pragmatic business behaviour.

The ownership of, and the control over Chinese NOCs is not as simple as it is often made out to be. In reality, the fragmentation of power in Chinese energy and foreign policies has allowed the NOCs to be more independent from the government, and to have a pragmatic business behaviour that resembles the Western-style concept of private companies. The fact that the Chinese NOCs are state-owned but not state run, and that their main shareholder's evaluation focuses on their profitability, has strengthened this trend and encouraged them to be internationally competitive.

The NOCs' growing influence in policy-making and relevance as Chinese international actors come partly as a result of the monopoly these companies hold on the industry's technical know-how and experience. Furthermore, being recognized as highly profitable enterprises at an international level enables them to have prerogatives in the domestic realm that are very difficult to find in other Chinese industries with other SOEs. The resulting situation is one that is quite complex and confusing to outsiders as well as to Chinese. This complexity generally adds to the mainstream premise of a top-down, centralised hierarchy of command that underpins the understanding of the relationship between Chinese NOCs and the Chinese government. But, as the examples in the case studies have illustrated, this is a hard premise to ascertain in view of the plurality of Chinese actors and their roles in carrying out the 'going out' strategy through the 'loan-for-oil' deals.

The examination of the Chinese NOCs' deals and business projects in Brazil, Venezuela and Ecuador has in common the implementation of the 'going out' strategy by a plurality of Chinese actors. To varying degrees, the Chinese NOCs have advanced the objectives embedded in this strategy in convergence with the Chinese government's interests in energy security. Yet, some of the business projects pursued by the Chinese NOCs only partially progressed the diversification of oil supplies and their business internationalisation, while seeking to enhance profitability and other commercial

interests (i.e. CNPC's refinery projects with PDVSA and EP, and SINOPEC's services contracts with EP).

Additionally, in implementing the strategy through the deals, there is a clear limitation of the roles of the Chinese NOCs, the banks (CDB) and the Chinese government that contrasts with the top-down hierarchy of command suggested by multilayered diplomacy. As the case studies have demonstrated, most business deals and projects are the outcome of the Chinese NOCs' initiative in proactively seeking out and negotiating with their local partners. Instead of a top-down dynamic, the dynamic between the Chinese NOCs and the Chinese government follows a bottom-up approach when presenting the deals, which is then supported by the latter in official Chinese discourse. This interdependent relationship amongst Chinese actors and the government has been consistently neglected in the local debates about China's influence in Brazil, Venezuela and Ecuador.

Brazil, Venezuela and Ecuador: different countries, distinct local concerns

The limited understanding of elements that have been left out of the scope of the mainstream analysis, such as the existence of a plurality of Chinese actors, the important role of the Chinese NOCs, and the dynamic, interdependent relationship amongst Chinese actors and the Chinese government, adds to the misinformed local perception of China's international behaviour in Brazil, Venezuela and Ecuador.

The Latin American hybrid IR perspective has predominated in the arguments to be found in the local debates about Chinese influence in these countries. Its prevailing premises have shaped the local expectations about Chinese behaviour and local perceptions of China. This has created a gap between what is expected of, and perceived as, China's international behaviour, and official Chinese discourse to the region, as well as with Chinese NOCs' business practices in their oil-related businesses in Brazil, Venezuela and Ecuador.

Moreover, in these case studies, the local concerns about China's influence are influenced by national histories, experiences, stages of economic and social development, political ideologies and economic needs that are distinct in each country. Brazil, Venezuela and Ecuador provide unique national experiences that pose stiff challenges to Chinese foreign policy in different ways. Therefore, it is paramount to consider the local context and the mainstream perspectives through which China's international behaviour is perceived.

The main local actors in the debate in Brazil, Venezuela and Ecuador, although similar in that they draw from the Latin American hybrid IR perspective to inform their expectations and perceptions of Chinese international behaviour, show nuanced differences in their arguments and concerns about China's influence in their countries. For example, Brazil's pervading theme in the debate is about commodity dependency and de-industrialization, while Venezuela's debate has focused on the arguable Chinese political influence in the country by the presumed Chinese support to the Chavista government.

Leaning slightly towards China's political influence, the Ecuadorian debate takes both focuses. On the political dimension, with the exception of the Ecuadorian government, the local actors have put forward concerns about loss of sovereignty to China and Chinese indirect financial assistance to Correa's regime through the loans. Of the economic dimension, the same actors have expressed their worries about the consequences of high-interest Chinese loans to Ecuador's economy. The highly politicized context in Venezuela and Ecuador pervades their local debates about China's influence, while Brazilian concerns about economic development underpin the local actors' arguments about commodity dependency.

The Chinese NOCs' 'loan-for-oil' deals are part of the predominant themes of the local debates in the case studies. In Brazil, they are taken as examples that widen commodity dependency with China, to the detriment of Brazilian industries. In Venezuela and Ecuador, they are perceived by the political opposition as Chinese aid

to the leftist governments in power, particularly due to the limited information and transparency that surround the negotiations and the 'loan-for-oil' deals' structure. While the 'loan-for-oil' deals could be seen as examples of commodity dependency in Venezuela and in Ecuador, as in the Brazilian case, they do not figure as a priority in the debate; rather the emphasis has been placed on the increasing debt acquired by PDVSA and the Ecuadorian government in unfavourable conditions.

The focus on different concerns in the local debates is influenced not only by current domestic contexts, but also by who their main actors are. There is a marked difference in the predominant actors in the debate in Brazil, compared with those in Venezuela and Ecuador. In Brazil, the debate is led by chambers of commerce and industries' associations, while in Venezuela and Ecuador, the leading group is, most of the time, the political opposition to the government.¹⁰² It is true that there are other groups including scholars, experts and activists, but their influence is dependent upon their relationship to big groups such as the industries' associations, the government or the political parties.

It is important to point out that the most influential groups in the debate in the three case studies arguably hold a negative image of China. FIESP in Brazil holds China responsible for Brazilian de-industrialization and unfair competition. The political opposition in Venezuela and Ecuador, as previously stated, believe the Chinese government is supporting their governments through funds from the 'loan-for-oil' deals. In these three contexts there is no visible group that opposes the main actors' concerns and arguments effectively. Brazil's BCBC has a nuanced, ambivalent participation in the debate, with President Sergio Amaral sometimes agreeing with FIESP, one of its members. The same could be stated about the Brazilian government. Similarly, the Ecuadorian government has been reactive to its criticisms instead of proactively participating in the debate, and Venezuelan government officials barely appear in the debate with arguments different to their government's official discourse.

¹⁰² In the case of Ecuador, due to the similarities in their concerns, the experts, scholars and activists are included in the analysis when referring to political opposition.

Despite these differences, the same underlying assumptions pervade the local arguments in the debates in Brazil, Venezuela and Ecuador. The main actors presume that China is a unitary, homogeneous actor, and that the relationship between the Chinese NOCs and the Chinese government is one of 'control and command' typical of a top-down, centralised hierarchy. Generally, the Latin American hybrid IR perspective has led the predominant actors in the debates to raise their concerns, particularly about economic dependency, development and sovereignty, where commodity dependency and foreign-state monopolies are their main worries. Specifically to Venezuela and Ecuador, the political context has included other concerns for the local actors that complement their view on China's image and that mostly draw from the mainstream perspective of international relations, significantly from the leading approaches to China's rise.

It is also interesting to note that while Brazilians in the debate demanded their government act against the 'Chinese influence', the Venezuelans and the Ecuadorians did not. As the main groups in the Venezuelan and Ecuadorian debate were the political opposition, their claims were concentrated on the empowering effect of the 'loan-for-oil' funds to their governments. To this point, there are two interrelated observations. Firstly, in collecting the data about Chinese NOCs' 'loan-for-oil' deals in Venezuela and Ecuador, this research has found that the local claims of limited availability and transparency of information have some grounds. The terms of the deals in these two countries, and particularly the connection between the local government and the domestic national companies in the structure of the loans, are difficult to gather.

Secondly, the fact that the limited availability of information mainly comes from PDVSA, EP and the Venezuelan and Ecuadorian government is worth emphasising. The oppositions' claim that the Chinese government is supporting their governments is based on the presumption that with the funds from the 'loan-for-oil' deals the Chinese government aids their governments in maintaining their popularity and, in some instances, keeps them afloat. But, as the findings show, the funds that the opposition

claim assist their governments are mostly free to the Venezuelan and the Ecuadorian governments to dispose of as they see fit.

In these cases, the accountability of access to information and transparency should be first directed to the Venezuelan and the Ecuadorian governments in an effort to complete the structure of the Chinese NOCs' 'loan-for-oil' deals with PDVSA and EP, and clearly establish how the funds are spent by the local government instances (Ministry of Finance of Ecuador, BANDES). However, this is just an example of the complex situation and the high-risk political context of both countries, which makes them challenging to engage with politically, economically and commercially.

On the subject of the Chinese NOCs' 'loan-for-oil' deals and their structure, both CNPC's subsidiaries, Chinaoil in Venezuela and PetroChina in Ecuador, are different to Sinopec's deal with Petrobras in Brazil. This could be a commercial strategy or an adaptation by the Chinese companies to the local context or negotiating conditions from the local parties. Yet, the fact is, there is not enough evidence to argue the reasons for their differentiated approach. Still, it is true that the modified structures of the 'loan-for-oil' deals in Venezuela and Ecuador make it difficult to follow the flow of funds amongst the local parties (PDVSA, BANDES, FONDEN, EP, Ministry of Finance of Ecuador).

Although there is acknowledgment of the presence of a plurality of Chinese actors overseas to an extent by some actors in the local debates, namely by BCBC in Brazil and scholars and experts in the three cases, this has not effected a significant change in the local expectations of Chinese international behaviour. The consideration of the existence of a plurality of Chinese actors, the important role of the Chinese NOCs and their interdependent relationship with the Chinese government are still widely left behind in the local perception of China, China's international behaviour and China's international image. This means that a gap remains between perceived Chinese international behaviour, the government's official discourse and the Chinese NOCs' business practices in Brazil, Venezuela and Ecuador. A widening of this gap impacts

negatively on China's image and challenges Chinese foreign policy. While narrowing this mismatch could potentially improve China's image and lead to better efficiency of Chinese foreign policy in these bilateral relations. Therefore, the main question is how to narrow the gap?

Addressing local perceptions of 'China'

How can a strategy effect change in local expectations of China's international behaviour if 'China' is still regarded as a unitary, homogenous actor? Although there are many areas for improvement, the most critical limitation to narrowing the gap is the fact that the premise of a unitary China underpins related assumptions about Chinese interests and international behaviour. For Chinese NOCs are seen to be acting on the Chinese government's behalf in pursuing geopolitical interests and racing against the US to 'lock-up' resources and extend its influence in the Latin American region. It is no surprise that under these premises the main actors in the local debates about the Chinese influence in Brazil, Venezuela and Ecuador generally have a negative image of China.

Perhaps acknowledging the existence of a plurality of Chinese actors and increasing the transparency of the dynamic relationship between the Chinese government and the Chinese NOCs could be helpful in this regard. But these suggestions are also closely related to the image of a unified state, thus making it highly unlikely the Chinese government consider them as viable options.

Evidently, the Chinese government needs to appear as a unified front internationally and domestically. The legitimacy of the CCP partially rests on the fact that it can hold together different factions and groups in order, in one system. Since it took power in 1949, the ability of the party to be the only one who can unite and represent everyone in China has been part of the legitimating official discourse. This idea pervades all aspects of Chinese government, including foreign affairs.

With regard to China's engagement with the international system, the discourse has focused on assuring the Chinese people that the party and their government would never again let China suffer humiliation at the hands of foreigners. That said, the sentiments of the century of humiliation are still evoked when it suits the government to remind the Chinese population that the party's hold on the government is necessary, legitimating it at the same time (Dickson 2010; Guo 2003; Heberer & Schubert 2006; Lieberthal 2004; Shue 2010).

Consequently, the Chinese government is not likely to acknowledge –least of all publically –the plurality of Chinese actors overseas, the increasingly important role of the NOCs, and the dynamic, interdependent relationship amongst the Chinese actors and the Chinese government. Additionally, as observed in the case studies, the Chinese government capitalises on the business success of Chinese NOCs and other Chinese actors overseas, projecting their business deals as part of a unified effort (i.e. Brazil), but when problems arise and the Chinese actors' business behaviour is not considered locally to be advancing win-win results, the Chinese government has tried to disassociate from the business practices of the Chinese actors (i.e. Ecuador).

The local perception of China's international behaviour should be consequential to the Chinese government, because it informs the local actors in building China's image accordingly. If the local actors ascertain Chinese NOCs' business practices as Chinese international behaviour, and there are issues surrounding that understanding, the Chinese government should address them proactively.

On this subject, the former ambassadors to Ecuador, Yuan Guisen and Cai Rungguo, in their reactive approach, have shown that the Chinese government could address the local concerns in its official discourse to the bilateral relationship without explicitly compromising its unified image. In Ecuador's case, this did not have a heavy influence on the way the local actors perceived Chinese international behaviour. But, as noted in the case study, this was probably due to the fact that the declarations were reactive,

that is, they came after problems had emerged and had already tarnished China's image.

Likewise, Cai and Yuan's statements were exceptional. If the Chinese government takes similar account of the local concerns in its official bilateral discourse and approach, at the same time it provides information on the limitations of its role in carrying through the 'going out' strategy, it could have more influence on the local perception of Chinese actors, China's international behaviour and China's image. Indirectly, the presence of a plurality of Chinese actors conducting different business agendas in Brazil, Venezuela and Ecuador would be implicit in the discourse and the local actors could start grasping the complexities of the Chinese actors' interdependent relationship with the Chinese government.

The findings of this study suggest that having a 'one-size-fits-all' strategy for Latin America and the Caribbean does not work for the advantage of the Chinese government, nor to its Latin American partners. On this topic, it is remarkable that even when Brazil, Venezuela and Ecuador have respectively become a comprehensive strategic partner, a strategic partner and a friendly partner, the Chinese government pursues the same objectives in its approach in its relations with these countries.

The 2008 policy paper could be a general guide to approach the region, not the objectives for each bilateral relationship. That is, when engaging the bilateral relationships there must be a serious consideration of the local contexts in the creation of specific, or 'tailored', bilateral strategies and official discourse. This is an important task for the Chinese government if it wants to improve its image in Latin American countries and truly take the bilateral relations to bilateral partnerships, so as to match its current official discourse.

Besides the critical inclusion of the existence of a plurality of Chinese actors conducting business in these countries in official Chinese discourse, there is a myriad of important issues to be considered to improve the bilateral relationships. For instance, the

different stages of economic development and their similarities to the Chinese; the diverse pressing social challenges such as the alleviation of poverty; local civil societies, their level of engagement and ability to exert pressure to the governments; Brazil's international political aspirations and regional self-image; and all the interrelations amongst these.

Departure from the mainstream paradigms and preconceptions about 'China' can lead to a breakthrough in cooperation between the Chinese government and the Latin Americans. It could contribute to a more nuanced perspective on China's rise and a more agreeable position on Chinese ventures from the Latin American actors. In the same way, local fears of a China threat could also be tackled.

However, realistically, proponents of the mainstream perspectives of IR and their analyses are most likely to retain a voice in the debate about China's rise and influence in their countries. There is a need to have a growing number of advocates (scholars, businessmen and businesswomen, government officials, etc.) who can provide arguments and compelling evidence that offer an alternative view from the mainstream analysis. This will not only promote and deepen the knowledge between parties, but also help soften the extreme mainstream perception that China's rise will lead to an imminent war for world hegemony.

There are a number of different strategies that can be explored in subsequent analyses that could lead to this scenario. Nevertheless, they would have to incorporate a better understanding of the plurality of Chinese actors and their interdependent relationship with the Chinese government. In addition to the options proposed in this study, one considerably feasible strategy could be to motivate the professional specialisation of Latin Americans in Chinese studies, instead of focusing just on language studies. Enabling Latin Americans to specialise in different areas of Chinese politics, economy, society and culture would be helpful to effect change in local expectations of China's international behaviour in the medium to long-term.

This could produce enriched knowledge and understanding of China that would be shared in Latin American universities, academia, government and society. In this sense, this analysis adds to the perspectives from experts on both sides of the Sino-Latin American relationships that have called attention to the urgent need to know more about each other, and to promote understanding of the particularities of each country by its partner (Chinese Academy of Social Sciences researcher 2011, pers. comm., 12 July; Universidade de Sao Paulo Institute of Brazilian Studies researcher 2011, pers. comm., 21 July). In this regard, it is surprising that, for example, Brazil did not have a China studies or research centre in any local university by 2011, despite the fact that China had already become one of its main trading partners by that year ('China vows new Brazil trade ties' 2011).

This study suggests that enriching and diversifying the local available information can effect a change in the local expectations of China's international behaviour, and narrow its gap with official Chinese discourse and Chinese NOCs' business practices. To this end, the support of new Latin American Chinese scholars, the calls for more transparency and available information from some of the local actors in the debate (i.e. scholars, activists and experts), the incorporation of local concerns in official Chinese discourse, and the adaptation of the Chinese bilateral approach to the local context, all have the potential to contribute to this effort. Altogether, these could lead to a new understanding and enhanced awareness of the plurality of Chinese actors and their interdependent relationship with the Chinese government. Lastly, this could push forward a differentiated local perception of Chinese official behaviour and Chinese NOCs' practices.

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