CHAPTER EIGHT

ENERGY COOPERATION BETWEEN CHINA AND LATIN AMERICA: THE CASE OF VENEZUELA

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Abstract: The recent and rapid developments in Sino-Latin American energy cooperation are an important aspect of the changes to the energy order currently underway in the western hemisphere. The guarantee of energy security and the ‘Go Global’ strategy of national oil companies and financial organizations (especially the China Development Bank) are fundamental factors being integrated into Chinese policy initiatives towards Latin America. In pursuit of their growing energy interests in various countries, Chinese companies employ different forms of energy cooperation, such as crude oil trade, technical services, joint development, infrastructure building, loans-for-oil and bio-fuels technology joint research. However, the majority of these forms are still at a primitive development stage. In comparison with other Latin American countries, the Sino-Venezuelan model stands out as a unique example, one that demonstrates the dynamics of the two countries’ oil cooperation from both governmental and corporate perspectives.

Keywords: Energy interest, Sino-Venezuelan model, Sino-Latin American relations

Introduction

Since the beginning of the twenty-first century, as China rises to become a world power and Latin America gains higher international status, Sino-Latin American relations have developed rapidly and with significant strategic implications for the transformation currently taking place in the global political and economic order. From a traditional geopolitical standpoint, China and Latin America are remote from each other and seem unlikely partners. During the twenty or so years after the founding of New China in 1949, China and Latin America mainly conducted people-to-people exchanges without engaging in official diplomatic relations. The early 1970s, on the other hand, is defined by a rapprochement in
Sino-American relations and China's re-entry into the United Nations, which saw China begin to establish diplomatic ties with most countries in the region. From 1978, China implemented a policy of reform and opening up, which included the PRC making significant policy adjustments towards Latin America and emphasizing economic cooperation and trade with this region.

In the past decade, China's booming economy and rapidly rising influence on the international stage has been increasingly attractive to Latin American countries, which see Beijing as an important destination for the diversification of their external political and economic relations. The strategic dimensions of China's foreign policy towards Latin America have included forging strategic partnerships with Brazil (1993), Venezuela (2001), Mexico (2003), Argentina (2004) and Peru (2008). Latin America has abundant resources and a large market, and the continent has gradually developed into a supporting pillar for global stable growth. Take Brazil for example, this emerging South American economy possesses great potential to transform the economic strength and power distribution in the western hemisphere. In particular, South American countries – as a strong developing block – have become strategically significant to China, both economically and politically. China's interests in Latin America are based on the theory of relative advantage – its aim is to seek natural resources for domestic sustainable growth, as well as external political support for multipolarization of the international order.

In terms of energy issues, there are heavy suspicions in some quarters that following China's gradual entry into the Latin American market, it will challenge the existing oil trade movements and investment flows dominated by US companies. Indeed, a hot debate regarding cooperation between China and Latin America has evolved among policymakers and scholars across the western hemisphere. The arguments can be classified into three main schools of thought: (1) some scholars claim that China is a potential geopolitical threat to US energy security, an analysis made according to the logic of zero-game theory. That is to say, that the more crude oil China buys from Latin America, the less the US will import; (2) comparing China's rise with that of Western colonial empires in history, other scholars refer to Chinese activities both in Latin America and Africa as a new colonialism; a 'scramble' for oil and other strategic resources; (3) several scholars hold a different viewpoint from the above and argue that China has very limited participation in the Latin American energy sector and its influence should not be exaggerated. Moreover, the majority of resource countries regard China's presence in Latin America as a positive