
China in the Global South: Exploring Venezuelan's Perceptions of Chinese Loans

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Historically, the People's Republic of China (PRC) has provided development assistance to Latin American countries even though PRC has not achieved developed country status itself. In explaining this puzzle, the literature emphasises the prevalence of material and economic interests in the region. The present study seeks, by key informant interviews, to provide a deeper understanding of this dynamic, specifically by paying attention to how this practice has taken shape in the case of Venezuela. Beijing opens extensive lines of credit based on a holistic trial-and-error approach and case-by-case adaptation. Loans have shifted from being seen as a solution to local problems to becoming another source of national economic stagnation. The criticism directed towards Chinese lenders is that they lack clear standards and this holistic adaptation tends to perpetuate the bad practices of unstable governments.

Keywords

China, Venezuela, China's Loans, Global South, Perception

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I. Introduction

One of the most commanded questions for specialists in international cooperation is how to understand the forces behind the delivery of development aid. This question becomes more complex when the nation allocating aid has developing country status itself.¹ The People's Republic of China (PRC) has multiplied the number of countries to which it has given aid and loans and the amount of resources transferred in recent decades. According to a study by Dreher,² since 2000, the PRC has provided development aid to 138 nations, divided between donations worth USD 75 billion and loans at below-market rates of USD 275 billion. The PRC Ministry of Commerce is responsible for administering the foreign aid programme. This institution established a specific department to coordinate with the Ministry of Foreign Affairs in granting different types of aid (interest-free loans, subsidies, voluntary work, and technical assistance). Some reports indicate that Chinese foreign aid is unpopular domestically because public opinion maintains that China still has high poverty levels and these resources are needed to bolster its own internal social policies.³ However, these reports present a more nuanced picture by arguing that the reputation of aid programs has improved when a more detailed image of the assistance offered is provided, along with an explanation of its role in strengthening relations with potential partner nations.⁴

On the international front, only in the last two decades has Chinese development assistance aroused interest, even though it was given the first time aid in the beginning of the Mao era.⁵ The debate of foreign aid focused mainly on the parameters set by Western donor countries in the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).⁶ Financial assistance in the DAC framework is seen in the literature as “traditional” in comparison to Chinese aid, which is considered an “emerging” or “non-traditional” form of assistance. Moreover, only at the start of the 21st century did Chinese concessional loans begin to be studied systematically when their contribution reached levels

¹ Pippa Morgan, *Ideology and Relationality: Chinese Aid in Africa Revisited*, 42(2) ASIAN PERSP. 207-38 (2018).

² Axel Dreher et al., *Aid, China, and Growth: Evidence from a New Global Development Finance Dataset 1-2* (AidData Working Paper No. 47, 2017), <https://www.aiddata.org/publications/aid-china-and-growth-evidence-from-a-new-global-development-finance-dataset>.

³ JOHN COPPER, CHINA'S FOREIGN AID AND INVESTMENT DIPLOMACY (vol. III) 143-205 (2016).

⁴ *Id.*

⁵ Morgan, *supra* note 1.

⁶ Observatory of Economic Complexity, Country Profile: Venezuela, <https://oec.world/en/profile/country/ven>.

similar to those of developed countries.

In this regard, several perspectives have emerged that attempt to explain the determinants of Chinese development assistance. Three analytical approaches can be distinguished in the literature. The first seeks to corroborate whether the PRC's motives for providing aid are dishonest. Naim argues that Chinese assistance is aimed mainly at countries with natural resources to access those commodities more easily.⁷ While this argument has been propagated repeatedly by the media, thus reinforcing an image of the PRC as a “neo-colonising state,” these postulates have been refuted by both quantitative and qualitative studies in the social sciences.⁸ The second approach claims that Chinese development assistance responds mainly to commercial interests.⁹ Woods argues that Chinese aid is focused on building new markets to create opportunities for future business and commercial partnerships.¹⁰ This approach has opened a debate about whether the PRC's behaviour differs from the activities of DAC donors despite China is being considered a non-traditional donor. In a quantitative study, Dreher et al. argue that both types of donors largely ignore corruption in the receiving country, as commercial interests primarily configure aid allocation.¹¹

The third approach distances itself from materialistic explanations and concentrates on historical and geopolitical variables. In pursuit of this line of thought, the specialised literature has coalesced over certain points. On the one hand, authors such as Reisen,¹² Bräutigam,¹³ and Dheher & Fuchs¹⁴ have found significance in the relationship between development assistance and political considerations, particularly in voting at the United Nations and in positions taken on, e.g., the Taiwan question. On the other, Morgan has explored historically how the modalities of the PRC aid have evolved from the Mao era to that of Xi, while estimating the historical impact

⁷ Molses Naim, *Rogue Aid*, FOREIGN POL'Y (Oct. 15, 2009), <https://foreignpolicy.com/2009/10/15/rogue-aid>.

⁸ *Id.*

⁹ Felipe Freitas da Rocha & Ricardo Bielschowsky, *China's Quest for Natural Resources in Latin America* [La búsqueda de China de recursos naturales en América Latina], 126 CEPAL REV. [Revista de la CEPAL] 9-29 (2018).

¹⁰ Ngaire Woods, *Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance*, 54(6) INT'L AFF. 1205-21 (2008).

¹¹ Axel Dreher et al., *Are 'New' Donors Different? Comparing the Allocation of Bilateral Aid Between nonDAC and DAC Donor Countries*, 39(11) WORLD DEV. 1950-68 (2011).

¹² Helmut Reisen, *Is China Actually Helping Improve Debt Sustainability in Africa?* 4 (OECD Development Centre, 2007), https://www.iddri.org/sites/default/files/Evenements_materiel/20070706_PaperReisen_confpaysemergents.pdf.

¹³ DEBORAH BRAUTIGAM, THE DRAGON'S GIFT 42 (2009).

¹⁴ Axel Dreher & Andreas Fuchs, *Rogue aid? An Empirical Analysis of China's Aid Allocation*, 48(3) CAN. J. ECON. 988-1023 (2015).

of Chinese aid on the behaviour of the current investments in Africa.¹⁵ Their studies revealed a positive relationship between the gradual increase in the complexity of cooperation activities and the ties that diplomatic relations with these countries have forged over time.

The present article aims at a more profound understanding of these approaches. The role of Chinese aid in establishing partnerships with donation-receiving countries is explored through the Venezuela case. Chinese loans are articulated between states, ensuring a shared commitment to a project's long-term directionality, regardless of whether the private sector subsequently executes them. In this way, Beijing can strengthen access to resources and markets while recipient countries prioritise infrastructure that increases investment and export volumes with China. This study contributes to the literature on Chinese peripheral strategy in the global south as it captures how the PRC progresses from an extensive phase to one of selective bilateral engagements. This allows the PRC to prioritise reinforcing its networks with nations that have had previous engagements with Beijing and that have been less critical of China's foreign policy. In this sense, Beijing is assuming a more active role in setting up the bilateral cooperation agenda with its partners, which translates into support for the international initiatives such as the Belt and Road initiative.

To demonstrate this argument using Gerring's parameters,¹⁶ Venezuela illustrates a case of intrinsic importance in South America. Venezuela has been a pioneer in upgrading its diplomatic relations with China to strategic partner status (in 2001 and 2005, respectively). It is one of the countries that have received the most loans for the development of natural resources and infrastructure.

The paper begins with a theoretical discussion to analyse the new phase of China's "peripheral strategy" in dealing with the developing world. Second, China's bilateral relations with Venezuela are examined, with special attention to the loans granted between 2000 and 2020 and the development of diplomatic partner status. Third, an analysis of key informant interviews in the Venezuelan case is conducted.

The qualitative methodology to answer this paper's research question is based on a two-stage approach: case study selection and field research based on semi-structured interviews. The first stage explains the general criteria used to justify the choice of Venezuela as a relevant case for understanding the emerging response of local actors to the arrival of Chinese capital in Latin America. Using Gerring's case-selection strategy, Venezuela is an intrinsically important case for understanding perceptions of Chinese financial activity in the region, as it is one of the main loan

¹⁵ Morgan, *supra* note 1.

¹⁶ JOHN GERRING, CASE STUDY RESEARCH: PRINCIPLES AND PRACTICES 213 (2017).

recipients of Chinese monetary aid in South America. In the second stage, the authors analyse national elites' perceptions of Chinese Loans in Venezuela using semi-structured interviews. Six such interviews were conducted after interviewees were divided into two categories: (a) scholars and (b) former authorities. An analysis of representative organisations was conducted to select interviewees, enabling representative stakeholders within those organisations to be identified.

This two-stage identification process allowed us to maximise the sample's information power to achieve general and specific research objectives. Each interviewee was informed of the scope and purpose of the study, and their consent was obtained before the interviews were initiated. Field research was conducted between May and July 2023. (Annex 1). In the interviews, particular attention was given to interviewees' opinions of how China is perceived in Venezuela, their own perceptions of China, and their views on China's role in Venezuelan economic development. Interviewees were also questioned about their views on China as a strategic partner. Due to the employment positions held by interviewees, all respondents were assured anonymity. For this purpose, Table 1 presents the codification used and the interviewee's membership sectors. The field research achieved saturation point, defined as the moment at which subsequent interviews do not add new information to the study, enabling relevant conclusions to be extracted from the information gathered.

Table 1. List of Interviewees

Codification	Category	Gender
Interview 1	Scholar	Male
Interview 2	Scholar	Male
Interview 3	Former Authority	Male
Interview 4	Scholar	Female
Interview 5	Scholar	Female
Interview 6	Scholar	Male
Interview 7	Former Authority	Female
Interview 8	Former Authority	Male

II. Great Chinese Strategy: Between Rationality and Relationality

China's increasing influence in the international context - particularly in South America - has long since ceased to be a matter of minor interest.¹⁷ Beijing's involvement with Venezuela appears to be increasing, moving away from merely transactional relationships based on the purchase of natural resources to complex structure in which the development of logistical platforms meshes with infrastructure projects.^{18 19} This transition has prompted specialists to wonder how and to what end China articulates its networks in the Global South. Western literature has addressed the question using an explanatory framework involving realistic paradigms that centre the debate on the "great Chinese strategy."²⁰ In this view, cooperation is seen as a strategy to achieve material objectives and activate new power balances in peripheral regions.²¹ Notable works on this topic include those by Pham²² and Urdinez, et al.²³ These authors have explored hypotheses about China's presence in the region based on an expansionary logic, citing growing geopolitical competition observed in the spaces where the US is leaving and China is occupying. Among other studies worthy of mention are those of DeHart²⁴ and Bräutigam & Gallagher,²⁵ who, in the literature on balance of power and defensive realism²⁴, find explanations based on material security, such as, for example, the need to ensure a supply of natural resources essential for survival.

¹⁷ Andres Borquez & Carlos Bravo, *Who are China's Strategic Economic Partners in South America?*, 10(3) ASIA EDUC. & DEV. STUD. 445-56 (2021).

¹⁸ Andrés Bórquez, *Non-Traditional Strategic Initiatives in Sino-Chilean Relations: A Case of Chinese Soft Power in South America?* [Iniciativas Estratégicas No-Tradicionales en las relaciones chino-chilenas: ¿un caso de poder blando de China en América del Sur?], 51(194) INT'L STUD. [Estudios Internacionales] 9-29 (2018).

¹⁹ Andrés Bórquez & Faran Shoaib Naru, *The Asian Infrastructure Investment Bank Treading the Middle Path: Joining the Ranks of MDBs, but with Chinese Characteristics* [El Banco Asiático de Inversión en Infraestructura apuntando al camino del medio: uniéndose a las filas de los Bancos Multilaterales de Desarrollo, pero con características chinas], 7(3) INT'L STUD. J. INT'L RELATION PUC MINAS [Estudos Internacionais Revista de Relações Internacionais da PUC Minas] 109-20 (2019).

²⁰ DAVID DENOON, *CHINA'S GRAND STRATEGY: A ROADMAP TO GLOBAL POWER?* 188 (2021).

²¹ Robert Jervis, *Realism, Neoliberalism, and Cooperation: Understanding the Debate*, 24(1) INT'L SEC. 42-63 (1999).

²² Jency Pham, *China's Strategic Penetration of Latin America: What It Means for U.S. Interests*, 32(6) AM. FOREIGN POL'Y INT. 363-81 (2010).

²³ Francisco Urdinez et al., *Chinese Economic Statecraft and U.S. Hegemony in Latin America: An Empirical Analysis, 2003–2014*, 58(4) LATIN AM. POL. & SOC'Y 3-30 (2016).

²⁴ Monica DeHart, *Remodelling the Global Development Landscape: The China Model and South-South cooperation in Latin America*, 33(7) THIRD WORLD Q. 1359-75 (2012).

²⁵ Deborah Brautigam & Kevin Gallagher, *Bartering Globalization: China's Commodity-backed Finance in Africa and Latin America*, 5(3) GLOBAL POL'Y 346-52 (2014).

This research starts a dialogue between the interpretations outlined above and the view found in the peripheral approaches that seek to understand the elements underlying China's search to achieve its material objectives in the global south. Since coming to power, the PRC has sought to establish a third development path with peripheral regions by deploying economic assistance to countries in the global south. This experience has increased the complexity of its relationships in new areas and shaped its development processes abroad. The conventional explanation claims that Beijing has filled the void left by the US presence. However, the increased presence of China in nations like Venezuela involves other elements just beyond replacement. Indeed, in these nations, the US presence continues to be significant. In 2019, for example, the US was the origin of 22% of Venezuelan imports and the destination of 12.2% of Venezuelan exports.²⁶

The investigation seeks to contribute to the literature on China's peripheral strategy in the developing world by adding a holistic complement to realist paradigms, given that China has gradually been consolidating an agenda - partly material, partly ideational - with a long-term relational focus. This process has involved the gradual establishment of international initiatives that seek to position the Asian nation as a development alternative based on networks and platforms. On this point, China no longer desires to solely have access to natural resources, but also to shape its own initiatives in the global south. While the attention of Western cooperation has been turning to institutional development and capacity, China has deployed a series of initiatives to finance infrastructure and connectivity. In this context, Beijing is taking a new strategic position that complements the financing of institutions linked to the World Bank. This article analyses why China is increasing economic assistance with its partners in the global south.

This study assumes that the loans granted by the PRC in the global south contribute to establishing partnerships, thereby developing projects to optimise China's access to natural resources and building up supply chains and trade routes. China has also extended loans to nations with unstable political and economic situations, representing a holistic money lending strategy. In this regard, we seek to test the following hypothesis: "China's presence in the global south through the granting of loans is based on a trial-and-error approach and case-by-case adaptation."

²⁶ Observatory of Economic Complexity, *supra* note 6.

III. The Case of Venezuela

A. China Learns How to Become a Regional Player in America's Backyard

The PRC's first diplomatic steps in South America can be traced back to the 1960s with its emergent relationship with Chile. In the context of the Cold War, Beijing began with the gradual establishment of diplomatic relations based mainly on ideological motives. These first interactions were functional in creating an opening for Beijing, which had positioned itself as a third alternative to its alignment with the Soviet Union or the US. However, it was not until the turn of the 20th century that relations between China and the South American region acquired a more involved dynamic. China began to "reach out" to South American countries to ensure its access to natural resources, which allowed it to maintain its growth and industrialisation policies. This has been one of the main elements for closer ties between China and those countries rich in raw materials.

In this context, Venezuela emerged as one of the first countries in South America in which China invested its diplomatic efforts. After Brazil, in 2001, Venezuela raised its diplomatic status to that of strategic partner with the PRC in this region. The Asian nation appeared as a fresh economic source to counteract the fall in demand for oil from the US and the gradual decline in international prices. Cheng and Shi show different views on the possible implications of bilateral relationship, but oil has been always a driving force behind this diplomatic relationship.²⁷ Venezuela leads the world in the volume of its oil reserves, 93% of whose total income from exports comes from oil.²⁸

Similarly, for over a decade, Beijing, one of the top three buyers of Venezuelan crude oil, has made Caracas one of the pillars of Chinese energy security. China's priority is to guarantee its immediate access to oil. However, the authors maintain that oil only played an initial role in this relationship since current diplomatic ties represent a search for a comprehensive relationship and a common view of emerging economies. Brandt and Piña confirm this view by pointing out that, since the start of

²⁷ Cheng Cheng, *The Logic Behind China's Foreign Aid Agency* (Carnegie Endowment for International Peace, 2019), at 2, https://carnegieendowment.org/files/09-26-18_Cheng_China_Development.pdf.

²⁸ US Bureau of Industry and Security, *U.S. Trade with Venezuela* (Office of Technology Evaluation, 2020), at 2, <https://www.bis.doc.gov/index.php/documents/technology-evaluation/ote-data-portal/country-analysis/2784-2020-statistical-analysis-of-u-s-trade-with-venezuela/file#:~:text=In%202020%2C%20U.S.%20exports%20to,trade%20surplus%20was%20%24963.8%20million.>

the socialist revolution led by Hugo Chávez, Sino-Venezuelan relations have grown exponentially.²⁹ The two nations' financial, industrial, and technological links have deepened to unprecedented levels. This is evident in the interviews:

China's lending policy towards Venezuela is understood not only through an economic lens or economic rationality but also from a political and even strategic perspective, as it holds a long-term vision. China's objectives were to have a political ally in Latin America, establish a model of shared development, and somehow increase the presence of Chinese companies in Venezuelan territory. Another of China's geopolitical objectives is not to be a counterweight in the region but to get participation through an economic alliance. Therefore, there is a long-term strategic vision of political cooperation at play. On numerous occasions, Venezuela has supported China's foreign policy initiatives, such as the issues of Hong Kong and Taiwan, and even the trade war with the US. Venezuela consistently stood with China. On the Chinese side, during the political crisis of 2019 in Venezuela, when Juan Guaidó declared himself interim president, China always maintained its political and diplomatic support for Nicolás Maduro. So, I believe there's a symbiosis here; there are political elements that are comprehensive and strategic, all based on a long-term vision (Interviewee 6).

The Chávez government introduced changes in Venezuelan diplomatic tradition by promoting a search for new allies outside the US's sphere of influence. Caracas sought to strengthen its foreign relations with emerging nations, thus finding a point in common with the PRC, which had intended to position itself as the main referent for this group of countries for several decades. Finally, Caracas established itself as a geopolitical enclave in South America, where Beijing could access natural resources and slowly learn how to build relationships with countries in America's "backyard."

Chinese loans were developed as mechanisms to counterbalance loans within the framework of the Washington Consensus (more Western-oriented) (Interviewee 2).

During the last century, the US was the most influential nation in the Americas. Given its geographical proximity, economic-military power, and renowned popular culture, it has been the centre of attention for many South American countries. Once European colonisation concluded, the US became the region's main commercial partner. However, this image has gradually shifted. Over the last decade, the US has lost ground due to its regressive policies and the increased presence of Chinese

²⁹ CARLOS BRANDT & CARLOS PEÑA, VENEZUELA-CHINA RELATIONS (2000-2018): BETWEEN COOPERATION AND DEPENDENCE [Las relaciones Venezuela-China (2000-2018): entre la cooperación y la dependencia] 4 (2019).

businesses and initiatives in the region.

China's lending of money to developing countries primarily stems from the geopolitical positioning that China seeks to obtain on the continent through the building of allies aligned with its objectives. These relationships counterbalance the hegemony of Europe and the US, and this policy is documented in the White Paper for Latin America and the Caribbean from 2008 (Interviewee 3).

A case in point is Venezuela, whose strengthened bilateral relations with Beijing have caused concern in the US, which has seen Venezuela as part of its sphere of direct influence for centuries. In this new geo-economic scenario, the PRC is positioned as a source of untapped economic resources that have allowed it to expand its influence in the region. Recent years have seen a gradual replacement of the US as the main commercial and financial partner, especially in South America.

B. Adaptation Is Key

But not all has been easy for China in the region. The Venezuelan case has had the features of an apprenticeship. Some international analysts wonder why the US competes for hegemony in Asia and Africa, but appears to lack interest in Latin America, while China is advancing rapidly here.³⁰ The answer probably has to do with American suspicions that China will encounter difficulties that it cannot yet imagine.³¹ For example, although it is commonly assumed that South America is a homogeneous socio-political entity sharing a common history, culture, and language. However, they have different government systems, economic management, and political values. These elements hamper interaction between South American nations, generating doubts about some Chinese investment projects and loans in the region. In particular, Venezuela has been the gateway for Chinese loans in the region. In this respect, the Sino-Venezuelan model has represented the most advanced experiment in economic and political cooperation between China and South America.³²

We have seen adaptive dynamics carefully tailored to the profiles of the countries with which China engages. There is a diversification in the strategy according to the type of relationship China plans to build with a specific country (Interviewee 2).

The Chinese have adapted very well to Chile's private sector and Venezuela's

³⁰ Christopher Sabatini, *Will Latin America Miss U.S. Hegemony?*, 66(2) J. INT'L AFF. 1-14 (2013).

³¹ Aaron Friedberg, *The Future of U.S.-China Relations: Is Conflict Inevitable?*, 30(2) INT'L SEC. 7-45 (2005).

³² *Id.*

political and government sectors. But these countries have different rules. The conditions and structure in Venezuela are more complex; many people are involved before you can achieve an objective (Interviewee 6).

China's interest in investing in the Venezuelan oil industry has gone beyond oil and aimed to strengthen Beijing's presence as a new multidimensional actor in the neighbourhood. This rapprochement has led to difficulties, like the fall of oil prices, the potential risk of default on Chinese loans in Venezuela, and the political instability. Since 2015, a large share of the direct investments made by Chinese companies in Venezuela have been paralysed or abandoned due to unfavourable economic conditions.³³ Many interviewees point out that the only uninterrupted projects are those related to the shipment of crude oil to China.

China has done what it has done in Venezuela because it can do so (Interviewee 6).

C. Sino-Venezuelan Strategic Association

It is common for South American countries to take an active position regarding the new geo-economic campaign with China.³⁴ For example, as Venezuela has supported Beijing's international initiatives continuously, like most of China's regional strategic partners, it could be the main recipient of Chinese capital export policy. In addition, Venezuela was the first country in this region to support the Belt and Road Initiative, which seeks to establish trade routes that provide financial backing for infrastructure and connectivity projects.

Venezuela's relations with China are not new. Chávez continued a process that originated in the 1970s-80s, given Venezuela's role as a country rich in natural resources such as oil and the significance this could have for China's reform and opening process in 1978. There is continuity. In 2001, a strategic partnership was established, which in 2014 evolved into a full strategic partnership (Interviewee 1).

Of all the countries in the region, Venezuela has financed the most projects of this type with Chinese capital. Since 2007, Caracas has received almost 50% of all financing by Chinese state banks in Latin America.³⁵ In this respect, the case of Venezuela is key to

³³ *Id.*

³⁴ Song Guoyou et al., *Rethinking Strategic Alignments: China and the Building of Wide-ranging and Multidimensional Networks*, 18(4) CHINA: INT'L J. 1-26 (2020).

³⁵ Shannon Tiezzi, *China's Venezuela Headache*, DIPLOMAT (Feb. 1, 2019), <https://thediplomat.com/2019/02/chinas-venezuela-headache>.

understanding the tightening of Chinese bilateral ties in the region.

China provided money without fiscal control to a president who started distributing funds throughout Latin America to stay in power and finance his political project, which resulted in the current disaster. We're talking about 17 payments between 2007 and 2016, representing 45% of the total amount allocated to Latin America and the Caribbean (Interviewee 1).

As noted previously, China's participation in Venezuela is not limited to commercial matters. Over the past decade, the Venezuelan newspapers often headlined new Chinese-financed projects. Initially, these involved the extraction of natural resources, but today, they pay attention to infrastructure and connectivity sectors.

The projects executed the most were in construction, intermediate industries, agri-food, telecommunications, communal economy, social sectors, and tourism. However, there are also a lot of unfinished projects in the country, such as the train meant to connect Caracas with the country's central-eastern region and was supposed to be the most modern high-speed train in the region (Interviewee 1).

The Venezuelan case used to involve strategic alliance. In this regard, both countries have developed joint initiatives to coordinate interactions at the political and economic levels. This has translated over time into a multiplication of high-level meetings and official visits to deepen the bilateral agenda (Table 2). No other political leader equals the number of trips - six official visits - made by Chávez from Venezuela to China during his mandate.

Table 2. Official visits since 2001, China and Venezuela³⁶

Host country	Year	Head of state
China	2001	Hugo Chávez
Venezuela	2001	Jiang Zemin
China	2004	Hugo Chávez
China	2006	Hugo Chávez
China	2008	Hugo Chávez

³⁶ Ministry of Popular Power for Foreign Relations, <http://www.mppre.gob.ve/2019/10/11/muestra-fotografica-20-anos-chavez-visita-china>.

China	2009	Hugo Chávez
China	2013	Nicolas Maduro
Venezuela	2014	Xi Jinping
China	2015	Nicolas Maduro
China	2015	Nicolas Maduro
China	2018	Nicolas Maduro

D. Chinese Loans: From Love to Hate

The history of the loans varies in both the amounts delivered, and the forms of payment and areas of financing. In the short-duration tranches, China contributes mainly by doubling the resources from Venezuela. In the case of long-duration tranches, China finances entire projects, as well as investing its own currency in the operations. One of the main criticisms towards Chinese loans in Venezuela has been their lack of transparency and their direct dealings with leaders bypassing input from other stakeholders.

Official sources are not published as this is part of government policy. Therefore, the exact figures are not known, but “Transparency Venezuela” documented nearly 20 billion dollars in failed projects (thermoelectric plants, bus factories, rice processing, etc.) (Interviewee 1).

Chinese-Venezuelan relations are not only about natural resources but have also seen a quite favourable scenario to strengthen the integration of new technologies in the region for approximately the past 13 years. Companies like ZTE and Huawei have a significant presence in the country... Over time, these have become projects that are now paralysed or marked by significant controversies due to Venezuela's lack of transparency and corruption (Interviewee 2).

As there was such a strong concentration of power in Venezuela, agreements with China were completely secret. There was no knowledge of their details, which allowed unrestrained corruption. Some projects were left unfinished, others were budgeted multiple times and not completed, and some were budgeted with inflated prices (Interviewee 4).

Another criticism of China's economic presence in Venezuela is that it has not made a sufficient impact on other areas. This questions the idea of being strategic partners

where a complete relationship is sought.

There was also no significant cultural exchange beyond some small things; there wasn't a noticeable exchange in terms of language or music. According to many Venezuelan workers from Chinese or Chinese-Venezuelan companies, technology transfer was quite inexistent. There was no communication or sharing of technology, and most of the things done were very basic assembly work (Interviewee 5).

Loan delivery reached its peak at a time when the South American country had financial needs due to the refusal of international banks to offer liquidity to the Venezuelan government.³⁷ Entering the 2010s, Venezuela began facing high inflation levels and problems with the scarcity of goods. China has become one of the few countries that has kept up capital flows to Caracas.

Venezuela and China intensified their relations at the worst moment when, in 2014, protests against Maduro were increasing, and oil prices were falling. However, Xi Jinping visited as president in July, establishing a Full Strategic Partnership (Interviewee 1).

In fact, since 2016, Beijing has continued to grant loans unilaterally, that is, outside the framework of the joint fund (Table 3) (Latin America Finance Database, 2021).

Table 3. Loans granted outside the framework of the Joint Fund³⁸

Year	Sector	Project	China contribution
2009	Mining	Mining projects	USD 1000 M
2010	Energy	Abreu e Lima refinery	USD 1500 M
2011	Energy	Purchase of oil-related products	USD 500 M
2012	Energy	Sinovensa production in Orinoco	USD 4000 M
2013	Mining	Las Cristinas gold mine	USD 700 M
2013	Infrastructure	Pequiven Marine terminal	USD 391 M
2016	Energy	Oil sector development	USD 2200 M

³⁷ BRANDT & PIÑA, *supra* note 29.

³⁸ China-Latin America Finance Database (2021), https://www.thedialogue.org/map_list; AFP Agency, <https://www.elnuevoherald.com/noticias/mundo/america-latina/venezuela-es/article13251114.html>; Bnamericas, <https://www.bnamericas.com/es/noticias/china-otorga-credito-especial-a-venezuela-por-5-mil-millones-de-dolares>.

2018	Energy	Oil projects	USD 5000 M
Total			USD 15291 M

M: Millions of US dollars

One factor that explains how China has continued to lend money despite the contraction of the Venezuelan economy has to do with the flexible conditions and alternative paths for servicing the debt. Caracas committed to paying the debt through the company *Petróleo de Venezuela S.A (PDVSA)* under the rubric of oil sales to the state company *China National United Oil Corporation (CHINAOIL)*.³⁹ The sales were of variable volumes depending on the market price of crude, based on the idea that the lower the price, the greater the quota of oil shipped, and vice versa. Simultaneously, Venezuelan has provided conditions to favour the profitability of Chinese investments, such as a facility for profit repatriation, the assured hiring of skilled personnel from China, and a monopoly in the purchase of certain Venezuelan goods.⁴⁰ However, as this financial relationship began to deteriorate, China gradually stopped providing resources to Venezuela.

Venezuela and China intensified their relations at the worst moment, when in 2014, protests against Maduro were increasing and oil prices were falling. However, Xi Jinping visited as president in July, and a Full Strategic Partnership was established. The last loans were granted in 2016, though. After that, China saw that the results were bad to the extent that they didn't grant any more loans to Venezuela and initiated a process of distancing. China had been the main support for Maduro's government, but during the COVID crisis, China's healthcare assistance was suspended. The intensity of the relationship as it was between 2001 and 2013 disappeared (Interviewee 1).

E. Chinese Risk Policy regarding the Granting Loans: Trial and Error

In the midst of the Venezuelan economic crisis, Beijing and Caracas decided to upgrade their relations to the top Chinese diplomatic category: full strategic partners. This paradox illustrates how Chinese risk assessment criteria incorporate parameters

³⁹ Enrique Peters, *China's Recent Engagement in Latin America and the Caribbean: Current Conditions and Challenges* (The Carter Center, 2019), at 5, https://www.cartercenter.org/resources/pdfs/news/peace_publications/china/china-engagement-latin-america-and-caribbean.pdf.

⁴⁰ BRANDT & PIÑA, *supra* note 29.

that go beyond the reasoning employed by Western donors. Similar cases have been observed in the region, such as Argentina and Ecuador, and Iran and Sri Lanka in Asia, among others.

China knew that its investments in Venezuela could be risky, but it was willing to take on that risk because it had a long-term strategic vision, and the political aspect was important. Considering this factor is essential as it holds significant importance, and investigations on this topic often tend to overlook it (Interviewee 7).

This should be understood as a differentiated relationship with an interest beyond the economic aspect. This is a government-level determination, and political constructs respond to this (Interviewee 8).

Regarding this point, it is not essential for Beijing to reach its objectives under the criteria established in international market measurements. To a certain extent, Chinese actors are willing to bear higher costs for the sake of learning. In this sense, the interviewees perceive that China is versatile in adapting and conducting business with countries of different profiles.

China gets along well with a capitalist country like Chile and, at the same time, establishes successful relations with an authoritarian, socialist country like Venezuela. China does business with both (Interviewee 6).

The Venezuelan case shows how China attempts to establish a dual coverage logic between rationality and relationality with its partners. This ultimately translates into a trial-and-error mechanism when dealing with external actors.

The Venezuelan experience led China to reconsider its strategy in the Latin American region. For instance, in Colombia, Chinese investment goes hand in hand with the development of the entire Colombian private sector, resulting in good financial returns. Similarly, this is the case in Chile, Peru, Mexico, and countries within the Pacific Alliance (Interviewee 1).

IV. Conclusion

China's increasing influence in the international sphere has long since ceased to be a minor issue. This phenomenon has not been absent in the global south. Notably,

Beijing has been growing closer to Latin America, moving from limited relationships based on the purchase of natural resources to complex relationships in which historical, economic, and geopolitical elements are integrated.

Drawing on a complementary perspective, this research seeks to explore the typology of Chinese economic assistance in Latin America more deeply. Our aim is to open a new path for discussing the role of the Asian nation in the global south under the premise that China's presence in the global south through its granting of loans is based on a trial-and-error approach and case-by-case adaptation. Reviewing the case of Venezuela, the evolving interaction is described between Chinese economic-financial cooperation and its partners in the global south. China has been deepening its relations in these regions for several years in search of a continuity that goes beyond ideological proximity or shared political-economic models. This dynamic has not been entirely uniform, but common patterns can be seen in China's determination to meet its long-term goals through interactions with its closest partners. China is pushing for replication of the domestic models that have given it results, such as the financing of long-term infrastructure and connectivity projects in which states play as key actors in planning and executing initiatives. Their main focus involves optimising the extraction of natural resources and building infrastructure to improve access to them while connecting trade networks between China and the global south.

As a result, by examining the results of this study in light of the theoretical approach discussed in the beginning of this paper, it can be shown qualitatively that the perception of key informants regarding China's increasing presence reflects this holistic approach. The Chinese adapt and develop relations with countries in the global south. In the case of Venezuela, loans have shifted from a solution to local problems which is another source of national economic stagnation. In this sense, Chinese lenders are criticized that they lack clear standards and this holistic adaptation tends to perpetuate the bad practices of corrupt or unstable governments. In this context, rationality and relationality are visualised as two sides of a coin. Since they are mutually inclusive, whether a state's actions are rational depends on the quality of its relationship with its transactional counterparts.

ANNEX 1: Questionnaire

1. Why do you think China lends as a developing country?
2. According to your perception, what would be the underlying reasons/elements that explain the scheme of China's loans to Venezuela?
3. If it is mentioned as strategic partners/historical relationship, how is this problematized?

4. What elements stand out about the economic relationship between China and Venezuela?
5. What is your balance regarding the economic assistance policy through loans?

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