



THE SINO-VENEZUELAN RELATIONSHIP (1974-2020): FROM WIN-WIN TO AN ASYMMETRIC RELATIONSHIP

Las relaciones sino-venezolanas (1974-2020): del beneficio mutuo a la relación asimétrica

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The Sino-Venezuelan relationship can be divided into three distinct eras: the origin of the relationship (1974-1999), the golden age during Chávez presidency (1999-2013) and a declining relationship after Maduro rise to power (2014-onwards).



Abstract

This paper aims to provide a historic, political, and economic overview of the bilateral relationship between 1974 and early 2020, in order to determine if the China-Venezuela link is truly based on pragmatism. Additionally, it will identify the problems the bilateral relationship has faced since 2014, as well as the factors which determine President Xi's current support of Maduro.

La relación sino-venezolana se puede dividir en tres eras distintas: el origen de la relación (1974-1999), la época dorada durante la presidencia de Chávez (1999-2013) y el declive de la relación desde la llegada al poder de Maduro (desde 2014 hasta la actualidad).



Resumen

Este informe busca ofrecer un resumen histórico, político y económico de la relación bilateral entre 1974 y 2020 con el objetivo de determinar si los vínculos entre China y Venezuela se basan verdaderamente en el pragmatismo. Además, se identificarán los problemas a los que se enfrenta la relación bilateral desde 2014, así como a los factores que determinan el actual apoyo del presidente Xi a Maduro.

Pragmatism; China; Venezuela; loan-for-oil; Guaidó; bilateral relation; crisis.



Key words

Pragmatismo; China; Venezuela; préstamos por petróleo; Guaidó; relación bilateral; crisis.

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Fechas

1. Introduction

How could China, a country devastated by a century of war, hunger, and political strife, become in less than sixty years the second largest economy in the world? How has China become one of the most influential nations in the world despite its recent history? The answer to these questions and many more lays on China's pragmatism.

In 1960 the Sino-Soviet split took place. This signalled the beginning of a new age during the Cold War and demonstrated that the People's Republic of China (PRC) was not afraid to forego its ideological allies if they interfered with its national interests. It was the first sign that China was willing to pursue a self-interest strategy if need be.

When Deng Xiaoping became Paramount leader of the PRC in 1977, he instituted the reforms which paved the way for the radical transformation that China has experimented during the last fifty years. The rationale behind such reforms was deeply pragmatic and aimed to undo Mao's legacy. They were driven by two main reasons: an in-depth analysis of both China's inner strengths and weaknesses and those of the other nations, and a clear desire to prevent a new "Century of Humiliation"¹ from ever happening again.

For the last seventy years, China has maintained the same objective, the only factors that have changed are its relative power and that of its "enemies". Therefore, Deng Xiaoping's guiding principle of "hide your strength and bide your time" made perfect sense when China was "weak" and surrounded by "strong nations". Meanwhile, Xi Jinping's "Standing tall and firm in the east" is but the latest iteration of China's pragmatism.

The current president of the PRC has reformulated China's role on the international stage by keeping a more assertive posture. Xi Jinping has launched several projects to increase Chinese standing in the world, like the Belt and Road initiative, the String of Pearls, the creation of the Asian Development Bank or the donations of mask and medical supplies during the COVID-19 outbreak. However, Mr Xi is not afraid to resort to force to defend China's "national integrity". Some of the most recent examples include the border clashes with India, the new national security law passed in Hong Kong, the growing animosity towards Taiwan or the actions conducted on the South China Sea.

Chinese pragmatism does not limit itself to political issues, but it also permeates the economic links with other nations. A clear example can be found in its relationship with Venezuela. The South American country holds the largest known reserves of oil in the world and China is the second largest consumer. Historically, the Sino-Venezuelan ties have been a clear win-win situation based around political recognition and oil. However, since 2014 there have been domestic and international developments which question whether the current Sino-Venezuelan relationship continues to be mutually beneficial.

This paper aims to provide a historic, political, and economic overview of the bilateral relationship between 1974 and early 2020, in order to determine if the China-Venezuela link is truly based on pragmatism. Additionally, it will analyze the factors which determine President Xi's current support of Maduro.

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¹ "Century of humiliation" refers to the period between the First Opium War (1839) and the establishment of the PRC (1949). During this time China was forced to make major concessions to foreign powers (including giving Hong Kong to the British, Tsingtao to the Germans, Manchuria to the Japanese, Vladivostok to the Russians...).

To this avail, this article will start by looking at the Sino-Venezuelan relationship before Chávez (1974-1999) and how Venezuela was economically dependent on the US. It will continue describing Chávez's rise to power and how he saw Chinese investment as the perfect solution to conclude this reliance on the US. In order to do so, an in-depth analysis of the loan-for-oil deals and the China-Venezuela bilateral trade will be presented. Then, the reasons behind the decline in the Sino-Venezuelan relationship after 2014 are enumerated and the factors behind a potential change of regime in Venezuela identified. Finally, the arrival of Interim President Juan Guaidó and whether or not China seems to support him, or incumbent President Maduro are crucial aspects to be considered in the analysis.

2. Defining Chinese pragmatism

China's actions since Deng Xiaoping rose to power cannot be understood without Chinese pragmatism. According to biographer David Goodman, Deng Xiaoping considered himself "pragmatic" rather than a "pragmatist" (Goodman, 1994). The distinction between these two similar words plays a key role in defining Chinese pragmatism.

"Pragmatic" is generally defined as: "behaviour disciplined by neither (a) set of values nor established principles" (Zhao, 2016, p. 4). In other words, it is a justification for the lack of a comprehensive ideology that defines each one of your interactions and actions. For the "pragmatic" the greater good is defined by the final result, and whether or not the end satisfies its needs.

On the other hand, a "pragmatist", is a person who follows the philosophical Pragmatism theory: "a philosophical tradition that understands knowing the world as inseparable from agency within it" (Legg & Hookway, 2019). Therefore, being a "pragmatist" does not refer to a lack of ideology or values, but to the fact that theory and practice/perception cannot be comprehended without one another; the world must be studied within its reality.

In fact, the modern Chinese Pragmatism is neither of the two concepts, but a combination of both ideas, pragmatic and pragmatist. China's behaviour and discourse both domestically and internationally might lack the American Universalism approach; yet it is still a "somehow loosely defined" ideology. Therefore, it is not a pure "pragmatic" ideology. Still, the Chinese ideology does not dramatically limit its ability to adapt to the circumstances.

Chinese Pragmatism is defined in a case-by-case basis using a broad spectrum of loose ideology and China's material interests. Therefore, using this framework it is possible to justify two completely distinct examples of China's foreign actions, such as supporting the North Korean regime and the opening up of its economy in 1978.

The case of Chinese backing of North Korea leans more on ideological support, but it is also determined by a clear and somehow justifiable fear of facing the material reality of having American troops and missiles at its border ("pragmatist"). On the other hand, we find China's opening up of its market, which can be understood as an adaptation to the reality of the world ("pragmatist"), as well as the abandonment of pure "Socialism ideology ("pragmatic"). However, even during its transformation to Capitalism, China kept its own "characteristics" when adopting it to its domestic reality.

Another example can be found on the bilateral relationship between China and Venezuela. The South American country holds the largest known reserves of oil in the world and China

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is the second largest consumer. In short, the improvement of the relationship was, at least at the beginning, clearly based on a material reality (“pragmatist”). Meanwhile at the same time the ideological shift of the Venezuelan government after Chávez rise to power also provided ideological support.

The fact of whether or not the Sino-Venezuelan relationship by 2021 is still based on Chinese pragmatism requires further study.

3. Origin of the PRC-Venezuela relationship (1974-1999)

The modern Sino-Venezuelan relationship was born 28th of June 1974, after both governments signed an agreement regarding the recognition of the “One China policy” (Chinese Embassy in Caracas, 2006). Such was the necessary precondition for the establishment of formal ties between the two countries since Venezuela still recognized the Republic of China (ROC) (popularly known as Taiwan) as the legitimate representative of China.

The Taiwan question was the most relevant interaction between the PRC and Venezuela for the remainder of the twentieth century. Venezuela’s stance with regards to the “Renegade Province” was the same that most other countries followed: they officially recognized only the PRC, but they held informal relations with the Taiwanese. Taipei’s embassy was replaced by the “Oficina Comercial de Taiwan” (Commercial Office of Taiwan), the very same day the Venezuelan-PRC relationship was established, but nothing else seemed to change.

However, the arrival to power of Hugo Chávez in 1999 commenced a significant warming of relations between the PRC and Venezuela. Eventually, Venezuela answered the Taiwan question in 2009, when it decided to shut down for good its Commercial Office in the island.

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4. The US-Venezuela relationship and Chávez rise to power

The modern China-Venezuela relationship, especially after 1999 cannot be understood without the United States. The South American country has had a historic, political, social, and economic dependency on Washington. This reliance on the US was one of the main reasons which led to the improvement of the Sino-Venezuelan relationship after Chávez rose to power.

Since the 1940s, vast quantities of American investment and support found their way into Venezuela. At the time, the South American country was one of the largest oil exporters in the world, which made it a preferential beneficiary of American Lend-Lease and Washington Consensus programs. These initiatives had a great impact on the economy of the country, which was one of the strongest in Latin America from the 1950s to the early 1980s. However, they also brought economic, military, and political reliance on the US, which harmed the stability of the country. The unrest generated gave rise to Communist guerrillas, who together with dissatisfied members of the military and political dissidents (especially left-wing) would pose a constant threat to the Venezuelan Government throughout most of the twentieth century.

The situation reached its tipping point in 1992 when Lieutenant-colonel Hugo Chávez Frías and his Revolutionary Bolivarian Movement-200 (Movimiento Bolivariano Revolucionario-200)

attempted twice to seize power. The failed coups emphasised the political weakness of the traditional parties and propelled Chávez to the political forefront of Venezuela, which allowed him to win the 1999 Presidential election.

Soon after the election, Chávez approved a new constitution and proclaimed the “República Bolivariana de Venezuela” (the Bolivarian Republic of Venezuela). These reforms alienated large swathes of the population, especially among business owners and conservatives, who together with dissatisfied members of the military led a failed coup d’état in 2002. Comandante Chávez blamed American President George Bush for the attempted putsch and doubled down on his anti-American rhetoric. Chávez declared the end of American imperialism in Venezuela and sought to finish its reliance on the United States.

5. Venezuela’s dependency on the US

Nevertheless, there is a massive difference between what Chávez wished and Venezuela’s reality. In 1999, over 59% of Venezuela’s total exports were sent to the United States. Chávez tried to cut down Venezuela’s economic dependency on the US by inviting Chinese investment. Despite the efforts undertaken, first by Chávez and later by Maduro, in 2018, the US was still the largest destination for Venezuela’s exports, totalling over 39%, while China, was in second place with a mere 20% of total exports (OEC, 2019).

The reasons for the deep-rooted economic dependency on the US, despite the Venezuelan Government intentions, are several. First, the US is one of the few countries with refineries capable of handling Venezuela’s heavy oil, which forms the bulk of Venezuela’s oil exports. Over 80% of Venezuelan exports of oil is crude, most of which is heavy oil and heavy-oil derivatives.

Secondly, PDVSA, Venezuela’s state-owned oil company, holds a stake in CITGO, an American-based refiner, transporter, and marketer of oil-related products, which was vital for the Venezuelan economy. CITGO was responsible for importing Naphtha² into Venezuela, and it was, until Trump’s sanctions in 2019, one of the last remaining financing sources for the Bolivarian Government. Currently, CITGO’s management has been given to Juan Guaidó, Interim President of Venezuela since January 2019.

The third reason for Venezuela’s economic dependency on the US is the Bolivar-US dollar exchange rate. The inflation in Venezuela has been a constant problem for the country. Traditionally, the big influx of petrodollars has made the Venezuelan Bolivar (VES) suffer from steady inflation of around 10 to 20% annually. Under “normal” circumstances, there has been a traditionally large need for US Dollars as a safe-haven currency. This demand makes it extremely profitable for companies (and smugglers) to earn in dollars since there is a sizeable domestic market for this currency.

However, in the last five years government actions to control the exchange rate³, together with the galloping inflation has skyrocketed demand for US dollars. In 2018, according to the IMF, Venezu-

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2 Naphtha is a liquid hydrocarbon mixture used to dilute the Venezuelan heavy crude oil. Without the addition of this type of “light oil” the Venezuelan crude oil cannot be transported through a pipeline.

3 The creation of a fixed exchange rate and its successor, the floating exchange rate were political and social tools, as only those loyal to the regime were entitled to access it. The difference between having access to the government subsidised dollar was thirty times cheaper than the Blue dollar.

ela suffered an annual increase of the inflation rate (average consumer prices) of around 65,370%. The economic debacle has continued in 2020, with an estimated rise of 6,500%. By January 2021, the minimum wage in Venezuela was worth \$ 0.92. This sad reality makes it virtually impossible to survive in the country if you do not have access to US dollars or subsidies from the regime.

To sum up, Venezuela's traditional economic dependency on the US is deep-rooted. Caracas depends on American naphtha to dilute its heavy oil; the US is its largest trade partner, and Venezuelans have a huge demand for US dollars. The United States, on the other hand, is much less reliant on Venezuela.

In fact, since Chávez rise to power, Venezuela's relative economic importance to US has decreased dramatically. A good indicator of said decline could be the percentage of Venezuelan oil imported into the United States, since nearly all Venezuelan exports are oil related.

According to the US Energy Information Administration, in 1999 Venezuelan oil amounted to 13.75% of total imports. By 2015, when President Obama imposed the first sanctions on the country, oil imports from Venezuela totalled 8.76%. By 2019, after President Trump restrictions on Venezuela's oil came into effect, the percentage of imports was 1.01%. Therefore, the Venezuelan economy is much more dependent on the US, than the United States is on Venezuela.

The PRC is the second largest consumer of oil, and Venezuela was supposed to have the largest reserves in the world

6. China, the perfect solution?

After the failed coup d'état in 2002, Comandante Chávez sought to find a viable economic and political substitute to the US. His choice was China. First Chávez, and later Maduro, saw the Asian Giant as an alternative for ending Venezuela's historical reliance on the US. The logic behind Venezuela's realignment towards China in the early 2000s were several and they were based on personal, economic, and ideological reasonings. First was Chávez personal admiration for Chairman Mao, whom he saw as the director behind China's transformation from a country ravaged by Western Imperialism into a great Socialist nation. For Chávez, the PRC was "an example to follow, a different path for economic development, an alternative from the American Imperialism" (Chávez, 2011).

The second reason was economic. The PRC is the second largest consumer of oil, and Venezuela was supposed to have the largest reserves in the world. As such, bilateral agreements of Chinese investment in exchange for oil, the so-called loans-for-oil, would reduce Venezuela's reliance on the United States. The third reason was purely ideological. As Chávez imposed his view of "Socialism of the 21st century" in Venezuela, the Chinese Communist Party (CCP) aligned much closer than the dreaded Americans.

For the PRC, the improvement of relations with Venezuela could be explained by the Chinese pragmatism. It was clearly "pragmatist" since it secured petroleum meanwhile increasing its presence in Latin America. Since China was rapidly industrializing, it required large quantities of oil and natural resources, and Venezuela is one of the richest countries in the world with regards to raw materials, with vast deposits of gas, oil, uranium, iron, silver, and gold, to name a few. Thus, Beijing believed the relation to be mutually beneficial.

Additionally, the timing of Chávez rise to power was also of paramount importance. The year 2002 saw a failed coup d'état by the military branch contrary to Chávez, which was able to briefly oust him. That very same year, Hu Jintao was elected General Secretary of the Chinese

Communist Party. Mr Hu showed growing interest in foreign affairs, especially on Africa and Latin America. Hence, for both Chávez and Hu Jintao it seemed a perfectly logical and mutually beneficial relationship. China would offer political and economic guidance, while reducing Venezuela's dependency on the US, in exchange for oil.

While Chávez was the president (1999-2013), the China-Venezuela relationship looked perfect. Bilateral trade was growing, and Chinese imports of Venezuelan oil rapidly increased. Between 2007 and 2014, while oil prices were high, China provided at least \$ 50 billion of Oil-backed loans to Venezuela (Collins, 2019). It seemed that Venezuela's dependency on the US could be lifted thanks to Chinese investment.

7. Chávez's Venezuela (1999-2013)

Chávez's ascension to power marked a substantial turning point in the Sino-Venezuelan relationship. Up to that moment the bilateral ties had been limited to minor casual exchange of Venezuelan political recognition of Chinese sovereignty of Taiwan (since 1974) and Hong Kong (since 1996) for economic advantages. In 1999, China-Venezuela ties were tenuous and limited to only 30 minor cooperation agreements.

Yet this situation changed when Chávez was invited by the Chinese President Jiang Zemin to visit China and Hong Kong in 1999. During the eight-day-meeting, both countries signed several treaties regarding energy, foreign investment, political recognition of Macau, academic cooperation, and the creation of a joint-venture (Sinovensa) to produce Orimulsion (an oil derivative) (Oil & Gas Journal, 2008).

Chávez's first visit to China marked a new age in the bilateral relationship. The topics discussed revolved around oil-related content but also included additional layers of understanding. The establishment of reciprocal academic cooperation marked a trend by which hundreds of Venezuelan students have migrated to China for higher education, especially master's degrees (Quiroz, Petit, & Rivero, 2011).

Between 1999 and 2013, Hugo Chávez visited China on six occasions. This was meant to bring a "socialist revolution" to the political, military, and economic arenas of Venezuela. However, the political gains of the Sino-Venezuelan relationship were subservient to the economic interests of both nations. At its core, the relationship was a way for Venezuela to increase non-American foreign direct investment in the country and for China to secure a steady supply of oil. The table was set for the establishment of the so-called loans-for-oil, which were agreements by which China provided investment in exchange for promises to provide a certain amount of oil barrels. At the same, the bilateral trade thrived.

Chávez's first visit to China marked a new age in the bilateral relationship

8. Chinese investment in Venezuela

8.1. The Joint Fund China Venezuela

The year 2007 saw the establishment of the Joint Fund China Venezuela ("Fondo Conjunto Chino-Venezolano"). This institution generated an explosive growth in terms of political cooperation between the two nations and marked a turning point in terms of volume and scope of

Chinese investment in Venezuela. Before 2007, several projects were financed by the People's Republic of China, but they were mostly limited to oil and gas.

The Joint Fund institutionalized Chinese investment in the country and greatly diversified the types of projects financed. It funded multiple infrastructures and telecommunications projects in Venezuela, including the creation of five subway lines, a highway, and the launch of satellites Venesat-1 "Simón Bolívar" in 2008, VRSS-1 "Francisco de Miranda" in 2012 and VRSS-2 "Antonio José de Sucre" in 2017 (Puertas, 2018).

These projects were mostly financed by China Development Bank (CDB), which disbursed \$ 4 billion in loans, together with an additional \$ 2 billion from the Venezuelan "Fondo Nacional para el Desarrollo Nacional" (FONDEN). This agreement was part of 11 Cooperation accords subscribed by Caracas and Beijing, and it totalled over 60% of China's investment in Latin America and the Caribbean at the time (Pira, 2013).

However, the actions conducted by the Joint Fund China Venezuela were not out of the kindness of President Hu Jintao's heart, but a way for generating political gains. In fact, it did not come as a surprise when that very same year, 2007, the first "loan-for-oil" was announced. This type of soft loan allowed Venezuela to offer its large reserves of oil as a means to obtain Chinese investment. "Loan-for-oil" rapidly became a staple of the Sino-Venezuelan relationship, and as the South American country increased its demand for investment, so did the Chinese compound their requirements.

8.2. Loan-for-oil deals

The figure of loan-for-oil was meant to be a financial instrument similar to a future. As such, Venezuela would receive advance payment for prospect oil. In theory, Chinese investment would help develop Venezuela and expand oil production, meanwhile China would diversify its sources of oil. It was believed to be a mutually beneficial arrangement. As such Venezuela also signed similar deals with Cuba (in exchange for doctors and teachers) and Argentina (food-for-oil deal).

Nevertheless, in order to determine whether the Sino-Venezuelan loan-for-oil deals were financially worthwhile there are two key elements that must be discussed: the number of daily barrels of oil required to repay the debt and the actual number of barrels sent.

8.2.1. Required barrels to repay the loans (2007-2018)

The first loan-for-oil was signed in 2007 and it was provided in exchange for Venezuela's commitment to export 100 thousand barrels of oil per day to China. This type of investment rapidly grew in popularity and China would go to provide over \$ 65 billion. This increasing number of loans rapidly expanded Venezuela's requirements of daily barrels exported to China (see table 1). Subsequent loans and diminishing oil prices rapidly escalated the number of required barrels.

By the year 2013, when Chávez passed away, the amount borrowed in loans-for-oil was so large that China required over 485,000 barrels per day (BPD). Nonetheless, the second half of 2014 would make Venezuela's situation much worse. As oil prices began to fall below the \$ 70/barrel in October, President Maduro asked China for a break in the minimum export requirement. By 2015 oil prices had drop to \$ 49.49/barrel.

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Table 1: Barrels per day (BPD) in thousands ('000) required to be sent by Venezuela to China to pay back loans-for-oil, in comparison to average oil prices, from 2007 onwards

Year	2007	2008	2010	2011	2012	2013	2015	2017	2018	2019
Required BPD ('000) by loans-for-oil ⁴	100	107	200	480 ⁵	300	330-485 ⁶	665 ⁷	Grace period ⁸	374 ⁹	N/A
Average oil prices (\$/barrel)	69.04	94.1	77.38	107.46	109.45	105.87	49.49	52.51	69.78	64.05

Source: Compilation by the author with information from Pira (2013), Statista (2020) and Infoba (2018)

This sharp decline in prices was compounded by the situation in which PDVSA (Venezuela publicly owned oil company) was. After years of neglect, cronyism, and the use of its profits to finance the Bolivarian regime, the company had fallen into a state of utterly disrepair. Even before dropping in prices, oil production had been reduced due to lack of investment.

Because of the terrible state of Venezuela's oil facilities, in 2016 Beijing granted a two-year grace period on the payment of some \$ 19 billion outstanding loans. Despite rising doubts and the imposition of new restrictions on Venezuelan oil exports by President Trump, China would continue to offer several new loans in 2017 and 2018.

In spite of Maduro's promise to continue sending oil to China, President Trump's sanctions have made it extremely hard to import Venezuelan oil since 2017. In fact, several companies, including Russian state controlled Rosneft, have been fined for transporting Venezuelan oil. However, according to Reuters, Trump's sanctions did not prevent at least 15 Venezuelan tankers from reaching China in 2019. Venezuelan oil would have been transferred into a different ship near the Strait of Malacca before reaching Chinese ports (Cohen & Parraga, 2020). Similar operations could still be being conducted to this day.

In addition to this, the whole COVID pandemic in 2020 has not helped Venezuela. The sanitary reality in the South American country is desperate after almost a decade of economic debacle. Furthermore, oil prices have continued to drop due to reduction in world demand. Under these circumstances, in early 2020 Venezuela was granted a new grace period for some 19 billion-worth loans (Armas & Pons, 2020).

8.2.2. Barrels sent from Venezuela to China (2007-2019)

The main reason behind Maduro's need to ask for two grace periods to China (2016-2018 and 2020-onwards) has been the inability of Venezuela to ship enough barrels to repay its debt. In

4 It has only been taken into consideration some of the most representative years.

5 <https://www.petroleum-economist.com/articles/politics-economics/asia-pacific/2014/china-gives-venezuela-break-on-oil-for-loan-repayment>

6 There are conflicting sources regarding the required Barrels per Day in 2013

7 <https://www.petroleum-economist.com/articles/politics-economics/asia-pacific/2014/china-gives-venezuela-break-on-oil-for-loan-repayment>

8 China granted a grace period to Venezuela between 2016 and 2018. According to Reuters. <https://in.reuters.com/article/us-venezuela-china/exclusive-venezuela-faces-heavy-bill-as-grace-period-lapses-on-china-loans-sources-idINKBN1HY2K0>

9 <https://www.thedialogue.org/analysis/what-did-maduro-accomplish-on-his-trip-to-china/>

fact, it is not clear how much oil the South American country has sent since 2007, as different sources provide diverse amounts.

According to the United Nations International Trade Statistics Database (UN Comtrade), which records direct imports of Venezuelan oil into China (see table 2), Venezuela never exported enough BPD to pay back its debt.

However, this data only considers oil sent directly to China from Venezuela. There is a possible distortion with regards to shipments which were sent via other States or directly sold by China to other countries. This fact is especially important as Venezuela's heavy oil, which makes up most exports, requires especial refineries. Since China has traditionally lacked the infrastructure to refined heavy crude oil, it most likely sold some shipments to the US or Europe. As such, the real exported BPD would be most likely higher than what the UN Comtrade records.

Table 2. Difference between exported Barrels per day (BPD) in thousands ('000) from China to Venezuela according to UN Comtrade and BPD required to pay back loans-for-oil from 2007 onwards

Year	2007	2008	2010	2011	2012	2013	2015	2017	2018	2019
Required BPD ('000) by loans-for-oil	100	107	200	480	300	485	665	Grace period	374	N/A
Exported BPD ('000) reported UN Comtrade ¹⁰	69.3	82.3	85.3	101.0	96	77.6	93.6	11.64	3.07	2.80
Net difference: (Exported-Required)	-30.6	-24.6	-114.6	-378.9	-204	-407.3	-571.3	~	-370.9	~

Source: UN Comtrade

Despite the mentioned skew in its database, the UN Comtrade still provides a clear picture of Venezuela's dramatic decline in oil exports between 2015 and 2017 and how it has continued declining ever since.

Another source to determine Venezuela's oil exports to China could be the PODE, "Petróleos y Otros Datos Estadísticos" (Petroleum and Other Statistical Data), published by the "Ministerio del Poder Popular de Petróleo" (Ministry of Popular Power of Petroleum). This annual report (see table 3) was an in-depth analysis of Venezuela's petroleum industry produced by the Ministry of Petroleum since 1959 until 2014.

Table 3. Difference between exported Barrels per day (BPD) in thousands ('000) from China to Venezuela according to PODE and BPD required to pay back loans-for-oil from 2007 onwards

Year	2007	2008	2010	2011	2012	2013	2015	2017	2018	2019
Required BPD ('000) by loans-for-oil	100	107	200	480	300	485	665	Grace period	374	N/A
Exported BPD ('000) according to PODE	94	8	87	183	213	253	N/A	N/A	N/A	N/A
Net difference: (Exported-Required)	-6	-99	-113	-297	-87	-232	~	~	~	~

Source: PODE (2014)

¹⁰ Information obtained from UN Comtrade Database China's reported imports from Venezuela using HS code 2710. Since the database does not provide units in barrels but net weight, it has been estimated that each barrel weights on average 136 kg.

The PODE was elaborated by the Venezuelan government for three main reasons. First, it was used to keep records of the domestic production of oil. Secondly, it kept tabs on exports of crude and refined oil by country. Finally, this report helped to monitor the oil used to finance the welfare system instituted by the Government.

However, the PODE also has some disadvantages. Most notably the last published information was about the year 2013. So, no data has been disclosed since Maduro's rise to power. Additionally, similarly to UN Comtrade, it does not take into consideration shipments of Venezuelan oil sold by Chinese firms to other nations.

Still, PODE data is significantly higher than what has been reported by the UN (with the notable exception of 2008), but still remains remarkably below the requirements. Some of this discrepancy between UN Comtrade and PODE may have been caused by accounting differences. Additionally, some trade might have been conducted with countries that do not report to the UN. These circumstances showcase the difficulty when researching about this topic.

The third and final source (See Table 4) is a compilation of public statements made by PDVSA, the Ministry of Petroleum of Venezuela (MPV), and Reuters. These various sources are more problematic to corroborate and often provide diverse and contradictory data.

Table 4. Required, exported and value of Barrels per day (BPD) in thousands ('000) sent by Venezuela to China according to public statements

Year	2007	2008	2010	2011	2012	2013	2015	2017	2018	2019
Required BPD ('000) by loans-for-oil	100	107	200	480	300	485	665	Grace Period	374	N/A
Exported BPD ('000) various sources	154 ¹¹	321 ¹²	460 ¹³	480	640 ¹⁴	550 ¹⁵	550 ¹⁶	435 ¹⁷	~	283 ¹⁸
Source	PDVSA	MPV	MPV	MPV	MPV	PDVSA	Reuters	Reuters	~	Reuters
Net difference: (Exported-Required)	54	214	260	~	340	65	-115	~	~	~

Source: Compilation by the author based on various sources

Furthermore, the information provided by PDVSA and the Ministry may be biased, meanwhile Reuters' is based on internal non-disclosed documents of PDVSA and on media sources. As such, this information should not be taken at face value.

11 http://www.pdvsa.com/index.php?option=com_content&view=article&id=1804:3109&catid=10&Itemid=589&lang=es

12 https://www.elconfidencial.com/mercados/2009-02-18/venezuela-puede-defender-un-recorte-adicional-de-la-produccion-en-la-opecp_885654/

13 <https://www.europapress.es/economia/energia-00341/noticia-venezuela-asegura-ya-exporta-460000-barriles-diarios-crudo-china-20100417195757.html>

14 https://www.elconfidencial.com/economia/2012-08-13/venezuela-eleva-su-venta-diaria-a-china-a-640-000-barriles-de-petroleo_292953/

15 <https://www.petroleum-economist.com/articles/politics-economics/asia-pacific/2014/china-gives-venezuela-break-on-oil-for-loan-repayment>

16 <https://www.eleconomista.es/materias-primas/noticias/7984821/11/16/China-vuelve-a-confiar-en-Venezuela-a-cambio-de-800000-barriles-de-petroleo-al-dia.html>

17 <https://www.reuters.com/article/us-china-venezuela-oil-idUSKBN1JB0YI>

18 <https://lta.reuters.com/article/venezuela-petroleo-negocios-idLTAKBN23J1NH>

Nevertheless, the publicly announced information provides two key elements that should be considered. First, this data shows that Venezuela exported enough BPD to satisfy its debt until 2013. Secondly, exported BPD started to decline after 2012, but it was not until 2015 when total exports failed to meet the requirements.

There are significant differences between the various sources. This is caused by the difficulty in obtaining data on secret agreements between two countries. However, there are several factors which further complicate any analysis on Venezuela's exports of oil to China.

The reality might be quite different to what the different sources claim. First, none of the analyzed data considers exports via third countries. Additionally, several Chinese companies extracted the oil directly in Venezuela, then they export it back to China or to other countries, although this is not recorded on any statistical database.

Then, it must also be considered that, especially in the early 2000s Venezuela sent both oil for profit, as well as to pay back its debts. This fact further muddies the data. However, despite these disclaimers, some conclusions may be drawn.

Firstly, Venezuela has repeatedly failed to meet China's quotas. The exact year of when Venezuela started to fall behind payments is hard to pinpoint, but it is undeniable that at least since 2015. The fact that since Maduro's rise to power PODE ceased to report, may indicate that the situation might have already begun to worsen in 2014.

Secondly, since 2015-2017, after President Trump's sanctions were imposed the situation further declined. This is supported by the fact that China granted a grace period to Venezuela in 2017, which confirms that Venezuela was unable to meet the required exports. In short, the data shows the total destruction of the Venezuelan oil industry

The development of the bilateral economic relationship can be divided into three distinct stages

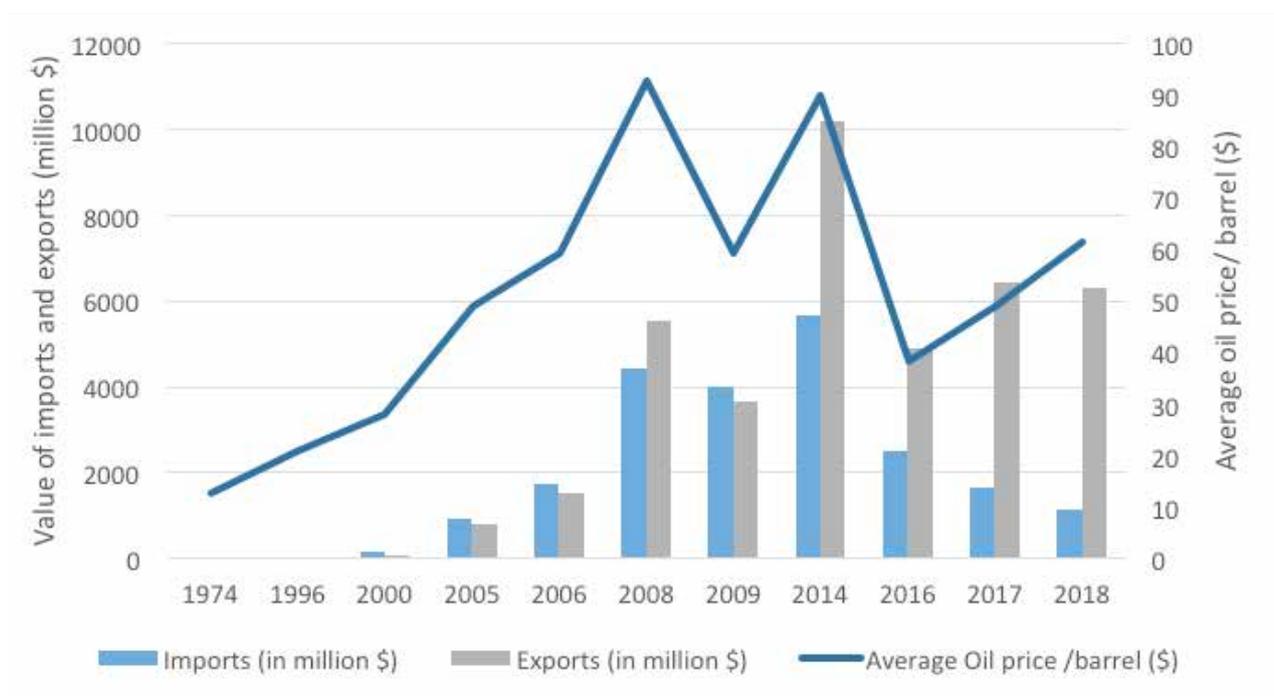
9. Bilateral trade (1974-2018)

The improvement in the Sino-Venezuelan ties after Chávez rise to power in 1999 did not limit itself to loan-for-oil deals, but also had a dramatic effect on the trade volume between both nations (see graph 1). The development of the bilateral economic relationship can be divided into three distinct stages: between 1974 and 2005 a slow growth, an exponential expansion between 2006 and 2014 and a decline and stagnation from 2015 onwards.

The first stage was marked by a relatively slow increase in trade volume. During this period, a steady growth occurred until the turn of the millennium, after which trade volume saw a faster expansion. In 1974, trade between China and Venezuela was almost non-existent, just a little over \$ 10 million worth, most of which were Chinese exports into Venezuela. By 1996, however, bilateral trade reached \$ 63.9m, two thirds of which were Chinese exports into Venezuela. From 1996 onwards trade grew rapidly, and by 2005, it totalled over \$ 1.7b.

The second stage came about between 2006 and 2014. It was characterized by a rapid expansion of bilateral trade driven by an increase in oil prices, with the notable exception of 2009, when Venezuela was hit by the effects of the 2008 Great Recession.

In 2006, trade volume almost doubled that of the previous year. The year 2007 marked a turning point in the bilateral economic relationship, after Venezuela's nationalization of the third largest crude oil field of the world at the time ("Costa de Bolívar" with more than 32 billion barrels) and the signing of the first "loan-for-oil".

Graph 1. Venezuela's imports and exports from China and oil prices (1974-2017)

Source: Compilation by the author based on OEC (2019) and Amadeo (2020)

By 2008 everything seemed great, trade volume was six times that of 2005 and thrice the volume of 2006, and for the first time in history, Venezuela had a trade surplus with China, a significant \$ 1.09 b. However, the dramatic decrease in oil prices of 2009, which plummeted from over \$ 130/barrel (in June 2008) to \$ 40/barrel (in January 2009), crippled the Venezuelan economy, causing a recession. This affected bilateral trade in 2009, which decreased to \$ 7.6 b.

Yet trade recovered, and in 2014 it reached its all-time high at over \$ 15.86b, two thirds of which were Venezuelan exports. Oil prices were up (over \$ 110/barrel in June 2014), and Maduro had recently settled down as President of Venezuela, after Chávez demise in March 2013.

The third stage began during the second half of 2014 and continues to this day. It has been marked by a sharp decline in trade and economic stagnation. It was originated by a dramatic drop in oil prices, from \$ 110/barrel to \$ 47/barrel in only six months. Additionally, oil prices have remained below \$ 80/barrel ever since, which has hindered Venezuela's chances of recovery. Because of these low prices, between 2014 and 2016 trade volume was reduced to the 2009 level. The last available data states that the trade volume in 2018 totalled \$ 7.4 b, of which \$ 6.3 b were Venezuelan exports and \$ 1.1 b were imports.

Since 2014 Venezuela's inflation is off the charts. The interannual Consumer Price Index (CPI), which records the increase of prices from one year to the next one, has grown exponentially between 2014 and 2020. In the year 2018 the prices rose by over 65,354%. Meanwhile in 2019 CPI reached 19,906%.

The effect of this hyperinflation in the domestic economy has been devastating, which in turn has crippled its ability to pay for imports and has reduced Venezuela's demand for Chinese goods. In 2014 total Chinese imports into Venezuela were \$ 5.6b, by 2018, they had reduced to \$ 1.1 b.

In fact, according to Professor Víctor Mijares, one of the leading researchers on the relationships between China and Latin America, the sharp decline in oil prices between 2014 and 2016, together with a series of economic and political decisions based on Chavista ideology were the key drivers in the failure of the “Petro-State” of Venezuela (Mijares & Chaustre, 2020).

This deterioration in Chinese trade flow is but a symptom of the many factors that affect Venezuela. First, there has been a constant loss of purchasing power due to the rampant inflation. Secondly, the economy as a whole has been in the decline since 2014. Thirdly, corruption, violence and public unrest has rapidly escalated, and now it is almost omnipresent. Fourthly, there has been a mass outward migration which has dramatically reduced the population. Additionally, the recent developments in 2020, such as the COVID-19 pandemic and the sharp decline in oil prices has certainly worsen Venezuela’s economy. In short, Venezuela is no longer a trade partner for China, but a sort of client state bound to repay its loans with oil.

10. Declining relationship (2014 - onwards)

Both the evolution of bilateral trade and the loan-for-oil deals paint a clear picture of decline in the Sino-Venezuelan relationship starting between 2013 and 2014. While President Chávez remained in power and oil prices were high everything seemed perfect. However, in 2013 began a quick succession of events which explain this dramatic shift in the relationship.

First, a generational jump took place. In March 2013, in a matter of nine days, both Chávez and Hu Jintao, the parents of the bilateral relationship disappeared. Chávez died, and Mr. Hu stepped down from office. The successors, Nicolás Maduro and Xi Jinping lacked the same “feeling” their predecessors shared. Additionally, Maduro was not Chávez, he lacked his charisma and people skills, which may have played a role in worsening the personal relationship between the two leaders.

Second, the price of oil, which encompass virtually all Venezuelan exports, plummeted in the second half of 2014, remaining significantly low ever since. This dramatic decline was the straw that broke the camel’s back. PDVSA, the state-owned oil company of Venezuela, suffered from an endemic lack of reinvestment and was politized to the extreme¹⁹. The consequences were major inefficiencies, disrepair, and a decrease in output in the Venezuelan oil industry. Additionally, since PDVSA was used as a cash cow to finance the social policies implemented by Chávez, there was no room to manoeuvre. The combination of these factors drove up the extraction costs of oil and deeply reduced its production capabilities. This has had devastating effects on Venezuela’s main export -and the paramount reason for China’s investment in the country- oil.

Additionally, since 2007 the largest part of the economy, especially US-owned businesses, has been nationalized. As a result, the whole economy and the funding for most social benefits came solely from oil revenue. The subsequent decline in oil prices between June 2014 (\$ 110/barrel) and January 2015 (\$ 44/barrel) collapsed the Venezuelan economy. This exacerbated a plethora of other problems. Rampant inflation destroyed the purchasing power of Venezuelans,

Venezuela is no longer a trade partner for China, but a sort of client state bound to repay its loans with oil

¹⁹ It is well-known that since Chávez arrival to power in 1999, the regime has been influencing PDVSA by appointing political clients and allies into responsibility posts within the organisation. The consequences of these actions have been a decrease in efficiency, an increase in corruption, and a general lack of technical know-how (since the administrators are chosen according to political standards, rather than capabilities).

GDP growth became negative while violence, corruption and public unrest escalated. The seeds for the humanitarian crisis had been planted.

Regarding the Sino-Venezuelan relationship, Venezuela's inability to produce and export oil has left Caracas with a big problem. In addition to having an economy in shambles and over 5 million citizens fleeing the country, in 2019 Venezuela owed Chinese investors between \$ 20 to \$ 25 billion of outstanding loans (Collins, 2019). This situation has deeply affected the bilateral relationship, which has deteriorated because of Venezuela's inability to fulfil the contracts. Consequently, many Chinese companies are losing patience, and some have gone as far as bringing commercial issues to court. In December 2017, the American branch of Sinopec (a Chinese oil and gas enterprise) sued PDVSA in US District Court in Houston (Texas) for failing to make a full payment.

Although China is owed over \$ 20 billion, it seems unable to make Venezuela honour its part of the deal. Yet this is only the tip of the iceberg. Sinopec's lawsuit is but a sign of a deeper issue: the extreme loss of trust between Chinese and Venezuelan companies. According to Sinopec, PDVSA created a subsidiary (Bariven) "as a sham to perpetrate fraud against Sinopec" (Rucinski, 2017). China, as a consequence of, "chronic payment delays, troubles with joint venture projects, and crime faced by Chinese firms operating in Venezuela" decided in 2015 to cut down its investment projects in the country. In the years since, the situation has not improved.

The presidency of Donald Trump (2016-2020) further complicated the Sino-Venezuelan relationship, as a ban on the acquisition of Venezuelan oil was instituted in 2017 and continues to this day. The US sanctions on the South American country make it virtually impossible to legally buy Venezuelan oil, which makes it much harder for Maduro to pay back its debts. Furthermore, the development of the COVID-19 pandemic in 2020 and the subsequent decline in oil prices due to a reduction in demand might be the final nail in the coffin.

Regarding the Sino-Venezuelan relationship, Venezuela's inability to produce and export oil has left Caracas with a big problem

11. A plausible change of regime?

If the situation in Venezuela is so desperate, and its relationship with China, its main economic backer, is strained, how likely is for a regime change to happen?

If Maduro wishes to continue ruling Venezuela, he needs to satisfy two conditions: to maintain political support (both internal and external), and to generate cash. Internally, the Venezuelan military and the ruling elite will (mostly²⁰) support the status quo as long as they are better off. Maduro's regime relies on an intricate network of connections, based on nepotism and cronyism. So, in order to remain in power, he needs to keep the Venezuelan *Nomenklatura* satisfied (Rendon & Baumunk, 2018).

With regards to the external support, Venezuela's main backers are Russia, Cuba and China, whose support primarily revolves around oil. Therefore, if Maduro wants to maintain power, he needs enough funds to buyout favours internally and to keep the required oil flowing outwards.

Hence, if Maduro had access to enough cash, he could solve his problems and meet his obligations with the Chinese. That is why in December 2017, Maduro announced the Petro: "The

²⁰ Several senior members of Maduro's party and the military defected to Guaidó's side in the early months of 2019 (Guaidó, 2019).

first cryptocurrency ever backed by a State". According to the Venezuelan President, this new virtual currency would be backed by Venezuela's natural resources reserves, mainly petroleum, gold, gas, and diamonds (Petro, 2019).

The Petro was seen by Maduro as the perfect solution for Venezuela's lack of foreign reserves, since it would allow the government to raise \$ 6 billion (Al Jazeera News, 2018). The reality, however, was very different, since several factors transformed Maduro's "brilliant idea" into a marginal cryptocurrency. The first issue was the lack of certainty caused by the fact that the Opposition and the Venezuelan National Assembly declared Petro to be illegal. Additionally, further scepticism was raised, since the government could increase the number of tokens if need be.

The second problem came with the technical capabilities of the Petro. Since its launch in March 2018, the PetroApp has been plagued with technical issues, delays and several experts claim that "it just does not work" (Reuters, 2018). The third, and probably the most relevant factor, would be the lack of transparency. It is impossible to know how much a Petro is really worth. At its launch in March 2018, Maduro proposed a fixed exchange of 1 Petro for Bs 3,600; but the last available information in the government webpage states that 1 Petro is worth Bs 4,370,561.70 (PetroMoneda, 2020). The price volatility generated by the rampant inflation prevents any fixed exchange rate from truly working out.

On the one hand, Maduro claimed that, during its pre-sale in March 2018, Petro raised \$ 735 million, which came from the 38.4% of the Petros sold at a 60% discount (Reuters, 2018). On the other hand, according to cryptocurrency experts, the Petro was a substantial commercial blunder, and its effects were negligible. At any rate, the Petro was not Maduro's lifesaver. To make matters worse, a huge new problem for the Sino-Venezuelan relationship arose in 2019, the name was Juan Guaidó.

12. Guaidó's dilemma

By 2019, the steady decline in the China-Venezuela bilateral relationship had suffered since 2014 came to a boiling point. The substitution of Chávez and Hu Jintao in the leadership roles, the economic debacle suffered in Venezuela due to declining oil prices and the mismanagement caused by the government, together with the \$ 20 billion in outstanding oil-for-loans deals.

23 January 2019 Juan Guaidó, the President of the National Assembly of Venezuela, invoked articles 233 and 333 of the Venezuelan Constitution and proclaimed himself Interim President of Venezuela. His proclamation was rapidly followed by the official recognition of the United States, the majority of Latin American countries (with the exceptions of Mexico, Uruguay²¹, Cuba, and Bolivia²²) and the European Union (Rodríguez-Martínez, 2019).

The proclamation of Guaidó generated a new problem for the Sino-Venezuelan relationship. At the time China found itself supporting a regime, heavily indebted, with few prospects of recovery, which was being opposed by President Donald Trump, who imposed heavy sanctions on the Venezuelan economy, and most notably on CITGO. The American-based subsidiary of PDVSA was responsible for importing vital elements to dilute Venezuela's heavy oil, and it was one of

*23 January 2019
Juan Guaidó, the
President of the
National Assembly
of Venezuela,
invoked articles
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Constitution and
proclaimed himself
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Venezuela*

21 In March 2020, the Lacalle Pou, the new President of Uruguay recognized Guaidó as President.

22 In November 2019, the new Bolivian Government recognized Guaidó as President of Venezuela.

the main sources of US dollars the Bolivarian Government had. Trump's sanctions also froze PDVSA's bank accounts in the US and gave its management to Guaidó. According to National Security Adviser John Bolton, over \$ 7 billion in Venezuelan assets were frozen and transferred to Guaidó. Additionally, the US blocked Venezuelan exports into the country during 2019, with an estimated value of \$ 11 billion (Bloomberg, 2019).

In April 2019, Trump announced further sanctions to block Venezuelan Oil shipments to Cuba. The objective was to prevent the 20,000 to 50,000 daily barrels sent from Venezuela to the island in exchange for intelligence and counterintelligence services (Karni & Casey, 2019).

The effect of Trump's sanction and the ascension of Juan Guaidó created a dilemma for the Chinese authorities, they could either maintain its support of Maduro's regime, or bet on Guaidó.

In January 2019 China found itself in a lose-lose situation regarding Venezuela. On the one hand, China could decide to continue supporting Nicolás Maduro, the President responsible for the economic, humanitarian, and political crisis in which Venezuela finds itself submerged. This crisis led to the complete collapse of the country, which endangered Venezuela's ability to repay its loans. Despite his economic mismanagement, Maduro remained the de facto leader of Venezuela and ideologically he was much closer to Russian, Cuban and Chinese interests.

On the other hand, Guaidó served as a possible challenger to Maduro and opened the door for a regime change. To that avail, the Interim President aimed to obtain Chinese support by targeting China's own economic interests. Guaidó repeatedly publicly announced his willingness to negotiate Venezuela's debt with China, and some sources even state that negotiations took place in 2019 (Vyas, 2019). Furthermore, Trump's sanctions prevent companies that are trading directly with Venezuelan oil from obtaining US dollars, which greatly complicates operations in the South American country.

Yet, choosing Guaidó also came with its own risks. First, it existed the possibility that Maduro could remain in power even if China sided with Guaidó. This reduced the likelihood of Chinese support to the Interim President in a clear and undeniable way since it would alienate Maduro.

Secondly, the importance of credibility and commitment and consistency cannot be understated. China had publicly announced its backing to Maduro. If Xi Jinping broke his word regarding Venezuela, that could send a negative message to Chinese allies and partners. Although, arguably, maintaining its support for Maduro's regime may also harm current and potential future partnerships, especially in Latin America.

Thirdly, Guaidó received far more help from the USA than from China, which in turn could mean that a hypothetical new Venezuelan government could have been less inclined to support Chinese interests in the region.

Fourthly, the Sino-Venezuelan relationship, as explained in this essay, cannot be understood in isolation. It is an extension of the broader US-China relations. In turn, this means that any change in the interactions between Washington and Beijing could deeply influence the Venezuela question. As such the ascension to power of President Biden could potentially affect the Sino-Venezuelan relationship.

Finally, it can be argued that every passing day that Maduro remains in power reduces Guaidó's legitimacy. His authority derives from offering a united, viable opposition to Maduro, so a stalemate favours the incumbent government.

China had publicly announced its backing to Maduro

Until September 2019, the Chinese response to Guaidó's dilemma was keeping both alternatives open. Chinese officials allegedly kept negotiations with Guaidó, while the state-owned CNPC (China National Petroleum Corporation) propped up its imports of Venezuelan oil during the beginning of 2019.

However, despite some hiccups in late 2019 after Maduro arrested three Venezuelan managers of CNPC on the charge of corruption, it seems like President Xi Jinping has finally chosen to maintain its support of President Maduro. The reasoning behind this choice can be traced back to three key elements: Guaidó's loss of influence, the COVID-19 pandemic, and the recent evolution regarding the loan-for-oil deals.

The loss of influence of Interim President Juan Guaidó, has been caused by several factors, most notably his lack of real success during the last two years. Guaidó portrayed himself as a real alternative to Maduro, he unified and agglutinated the Venezuelan Opposition into a cohesive form. However, the fragmentation of the Venezuelan Opposition as seen during his second proclamation in January 2020, the failed coup d'état in May 2020, and the release of prominent members of the Opposition like Leopoldo López in October 2020 may raise doubts on Guaidó's unchallenged leadership.

Secondly, the year 2020 has been greatly determined by the COVID-19 pandemic. The sanitary crisis has deeply affected Venezuela, a country already devastated by seven years of economic debacle. Nevertheless, in these dark times China has risen as a beacon of hope for Venezuela.

Since early March, Venezuela has received a multitude of shipments from the Asian country with respirators, PCR tests, thousands of PPE (Personal Protection Equipment), teams of Chinese doctors, and several million facemasks. These deliveries of Chinese supplies provide Maduro with much needed air, both in terms of material to fight the virus, as well as in public relations, since they reinforce Chinese support for his regime.

In fact, Chinese backing to the Bolivarian Government has also taken the form of a new grace period of over \$ 19 b in loan-for-oil deals until at least December 2020 (Armas & Pons, 2020). Additionally, the Chinese are expected to continue purchasing Venezuelan oil despite the US sanctions, by transferring it in the middle of the ocean (Cohen & Parraga, 2020). The combination of these two actions may give Maduro a breather during the pandemic.

At the beginning of 2021 it seems like the PRC has chosen to keep up its defence of the Bolivarian Government in detriment of the Interim President.

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13. Conclusion

The Sino-Venezuelan relationship can be clearly divided into three distinct eras: the origin of the relationship (1974-1999), the golden age during Chávez presidency (1999-2013) and a declining relationship after Maduro rise to power (2014 - onwards).

During the first era (1974-1999), the bilateral relationship was relegated to a minor exchange of Venezuelan political recognition for some trade agreements and revolved mostly around the Taiwan question. It was not until Chávez became president in 1999, that the Sino-Venezuelan alliance saw an explosive growth and started to be based on Pragmatism.

Throughout Chávez Presidency (1999-2013) a mutually beneficial arrangement was established. China provided Venezuela with economic, political, and technological support in exchange for oil. Between 1999 and 2014 there are no doubts that the bilateral relationship was clearly supported by Chinese pragmatism. The material reality of Venezuela's oil reserves and China's demand made a "pragmatist" partnership, which was further supported by ideological, personal, and political links between Chávez and Hu Jintao.

For Chávez, the Sino-Venezuelan alliance seemed the perfect solution to end the dreaded Venezuelan dependency on the US. He believed China offered an alternate economic model away from the "American Imperialism", and while he was alive and oil prices remained high that was the case. Chinese investment through the Joint Fund China Venezuela, helped to develop the country and the establishment of the loan-for-oil deals in 2007 provided a great source of revenue to the South American country.

Nevertheless, after Maduro took over and oil prices plummeted during the second half of 2014, everything collapsed, and so did any resemblance of a win-win situation. The subsequent crisis brought an economic, political, social, and humanitarian debacle, with over 5 million Venezuelans fleeing the country. The Bolivarian government response worsened the endemic inflation of the country, which further damaged the economy and dramatically reduced the bilateral trade between the two nations.

Furthermore, declining oil output left Venezuela unable to meet the requirements to pay back its loan-for-oil deals. At this point, Venezuela ceased to be a trade partner and became a sort of client state which owed China \$ 19 b in loans. The relationship shifted from a "pragmatist" agreement between two complementary economies into a difficult arrangement reminiscent of the North Korea- China relationship.

Venezuela since 2014 has become such a major headache for the People's Republic of China (PRC). Similarly, to Kim Jong-un, Maduro's main objective has become to remain in power. As such he devised a "perfect plan" to raise \$ 6 billion using the first cryptocurrency backed by a State, which failed miserably.

Then in January 2019, Juan Guaidó proclaimed himself Interim President of Venezuela, and 56 countries recognised him. Soon after that Donald Trump imposed several sanctions to the Venezuelan Oil industry, which gave access of PDVSA's assets in the US to Guaidó. This embargo further worsened Venezuela's situation and added a new variable for Beijing to consider. The subsequent "Guaidó's dilemma", left Beijing in a tough spot since they could either support a possible change of regime or maintain its backing of President Maduro.

At this time, China was forced to decide between incumbent President Maduro and challenger Guaidó. Either decision was bound to harm Chinese interests. At the beginning of 2021, the PRC seems to have chosen to continue defending the Bolivarian regime. The selection of Maduro over Guaidó can be understood under the framework of Chinese pragmatism, since supporting the Bolivarian government could be considered the lesser of two evils.

The bilateral Sino-Venezuelan relationship had transformed from a clearly "pragmatist" win-win situation based around loans-for-oil deals to an asymmetric relationship more akin to the North Korean-Sino relationship. The contemporary 2020 bilateral relationship between China and Venezuela is, at least nominally, still based on an ideological framework, which is reinforced by the results of a careful examination of the alternatives.

Then in January 2019, Juan Guaidó proclaimed himself Interim President of Venezuela, and 56 countries recognised him

Chinese actions both in North Korea and Venezuela are the result of a balancing act of costs and benefits. In Korea, the PRC is weary of an enlarged South Korea and having potential American troops at its doorstep. Additionally, the costs of a regime change could easily spiral out of control since a bloodless regime change is highly unlikely. As such, the “pragmatist” position is to support the Status quo.

The decision to maintain its support for Maduro comes from a similar reasoning. Firstly, the Bolivarian regime is heavily indebted to China, both politically, sanitary, and economically. This situation has been further reinforced by the US sanctions and the COVID-19 outbreak, which have left the regime with no alternative but China.

Secondly, similarly to North Korea, Maduro has proven capable of maintaining power, and after the mass migration of Venezuelans and the failed attempts in 2019 it looks unlikely a regime change would take place without foreign direct intervention.

Thirdly, with regards to China there is no real alternative to Maduro. Guaidó’s position in 2019 as a real, believable, and legitimate alternative has been challenged by lack of results, the passing of time, and the liberation of other prominent members of the opposition.

In short, the Sino-Venezuelan relationship in 2021 can be explained by the material reality and the ideological alignment. At this moment, it seems unlikely a potential change of heart in Chinese support for Maduro, since the PRC’s actions in Venezuela are based on a “pragmatist” understanding of the circumstances.

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Annex. Timeline of events

Year	President	Event	Description
25 October 1971	Rafael Caldera	UN General Assembly Resolution 2758	Venezuela votes against the recognition of the PRC
4 July 1974	Carlos Andrés Pérez	Birth of Modern Sino-Venezuelan relationship	Official recognition of the PRC by Venezuela
November 1981	Luis Herrera Campins	First Official visit by a Venezuelan President	Several minor agreements are signed.
1992	Carlos Andrés Pérez	Chávez leads two failed coup d'états against Pérez	Chávez is arrested and the coups fail.
1994	Carlos Andrés Pérez	The President pardoned Chávez	This allowed Chávez to run for the presidency on the 1998 elections.
1996	Rafael Caldera	Chinese Prime Minister Li Peng visits Venezuela	Recognition of Hong Kong as part of China
2 February 1999	Hugo Chávez	Election of Chávez as President	This is the beginning of Chávez Era.
1999	Hugo Chávez	1st visit to China	Multiple bilateral treaties are signed
11 April 2002	Hugo Chávez	Failed coup d'état attempt against Hugo Chávez	Chávez is reinstated by military loyalists. He blames the US and seeks to reduce its influence in Venezuela.
2007	Hugo Chávez	First loan for oil deal	Minimum daily barrels sent to China is set at 100,000.
2009	Hugo Chávez	Taipei Economic and Culture Office is shut down	Conclusion of the unofficial relationship between Venezuela and Taiwan.
2009	Hugo Chávez	Oil prices drop from over \$ 140/barrel to \$ 40	Economic downturn in Venezuela
23 August 2010	Hugo Chávez	New soft loans in exchange for oil	\$ 20b in exchange for 200,000 daily barrels of oil.
5 March 2013	Hugo Chávez	Chávez's death	Nicolás Maduro takes over
2015	Nicolás Maduro	Opposition-lead National Assembly is elected and President Obama imposes first sanctions.	Several countries and institutions do not recognise Maduro's new term as legitimate.
2015- onwards	Maduro	Economic debacle in Venezuela.	Mass exodus of Venezuelans out of the country.
2017-2020	Maduro	President Trump establishes further sanctions.	Venezuelan oil forbidden to be sold for US dollar. Several large oil companies are sanctioned for doing business with Venezuela.
24 January 2019	Nicolás Maduro	Juan Guaidó proclaims himself Interim President of Venezuela	Donald Trump and many Western and Latin American countries recognize him as the legitimate president.