THE CHINA DEALS

Agreements that have undermined Venezuelan democracy

TRANSPARENCIA VENEZUELA

August 2020

CREDITS

Transparencia Venezuela

Mercedes De Freitas
Executive management
Editorial management

Christi Rangel
Research Coordinator
Drafting of the document

María Fernanda Sojo
Editorial Coordinator

María Alejandra Domínguez
Design and layout

With the collaboration of:

Antonella Del Vecchio

Javier Molina

Jarmi Indriago

Sonielys Rojas

TABLE OF CONTENTS

Introduction 4
1 Political and institutional context 7
1.1 Rules of exchange in the bilateral relations between Venezuela and China 12

2 Cash flows from China to Venezuela 16
2.1 Cash flows through loans 17
2.1.1 China-Venezuela Joint Fund and Large Volume Long Term Fund 17
2.1.2 Miscellaneous loans from China 21
2.2 Foreign Direct Investment 23

3 Experience of joint ventures and failed projects 26
3.1 Sinovensa, S.A. 26
3.2 Yutong Venezuela bus assembly plant 29
3.3 Failed projects 31

4 Governance gaps 35

5 Lessons from experience 38
5.1 Assessment of results, profits and losses of parties involved 41

6 Policy recommendations 45

Annex 1 50
List of Venezuelan institutions and officials in charge of negotiations with China

Annex 2 58
List of unavailable public information

Annex 3 59
List of companies and agencies from China in Venezuela

INTRODUCTION

The People's Republic of China has been viewed as a key partner by Venezuela's Chávez and Maduro administrations. In the last 20 years, the two countries have expressed common interests, been co-signatories of more than 470 agreements, and negotiated multiple multimillion-dollar loans resulting in huge debts for the South American country. There is little transparency about the terms of these loans.

Following an eight month investigation, this report analyzes the economic and political relationship between China and Venezuela from 1999 to 2019 and assesses the impact of Chinese capital on Venezuela's democratic institutions and public administration. During this period, checks and balances in Parliament and the Comptroller General's Office failed. To date, the Venezuelan justice system has not sanctioned failures to comply with national legislation while government agencies entrusted with ensuring transparency, access to public information, and accountability have also failed to act.

Furthermore, the investigation reveals how the Chinese "Going Global Policy" was applied in Venezuela, including requirements put in place for loans, foreign direct investment and donations. China used four types of rules when granting loans to Venezuela, which may be classified as political, embedded, emerging conditionalities, and confidentiality. The last of these appears in several agreements signed by the two countries and is also evident in the limited information on agreed exchanges, projects and results.

As part of its expansion strategy, the Chinese government supplied more than US$350 billion, mostly in the form of loans, to some 140 countries between 2000 and 2014. Venezuela was the largest recipient in Latin America. According to research conducted for this report, Venezuela received an estimated US$68.7 billion from China, 91.2% of which came in the form of loans. Through the Venezuela-China Joint Fund and the Large Volume Long Term Fund alone, US$50.24 billion were transferred, of which more than US$16.73 billion were due by the end of 2019. This figure is three times higher than Venezuela's international reserves as of March 2020.

Of the 23 loans granted by China to Venezuela, only one was included in the Annual Debt Law and there is no detailed information on the terms of any of the agreements. However, all of them were approved by the National Assembly, which at the time of signing was controlled by the ruling party. China's banks, unlike other multilateral sources of financing, did not demand fiscal discipline, transparency of spending, or the use of good governance and anti-corruption measures.

More than 790 projects between China and Venezuela have been mentioned in official statements since 1999, but specific data about the funding mechanisms and projects plans are almost non-existent. This report documents fifteen cases of failed projects, which altogether squandered at least US$19.6 billion. The most notable projects are the Termocarabobo power plant and the Tinaco-Anaco Railway, which, if fully operational, would have given a much-needed boost to the nation's electricity and transportation systems.

The research also reveals the presence of 90 Chinese companies and government agencies in Venezuela. They operate in over 25 sectors, although Chinese interest in oil is illustrated by their focus on the energy and technology industries. These companies have underperformed despite the high domestic expectations of a positive economic impact, as reflected in the report "*Ni los chinos pudieron con la (mala) gestión petrolera del chavismo*"[1].

China has not granted additional loans to Venezuela since 2017, even though the Maduro administration made several trips to Beijing to attempt to secure more funds. However, the China National Petroleum Corporation (CNPC) acquired 9.9% of the shares in the oil production company JV Petrolera Sinovensa, which provided some financial support. Since 2017, most interactions between China and Venezuela have focused on renegotiating the existing debt, improving hydrocarbon production and maintaining oil shipments to honor payments.

This report shows that the economic relationship between China and Venezuela has been harmful for Venezuelan society. However, it has provided the Chávez and Maduro administrations with vast funds to capture key institutions and to finance clientelist and populist agendas and the military. The conditions under which the relationship between the two countries has developed have exacerbated existing governance gaps such as the lack of transparency in decision-making and the gradual elimination of checks and balances on the executive branch. The relationship with China has also contributed to growing corruption risks related to bribery,

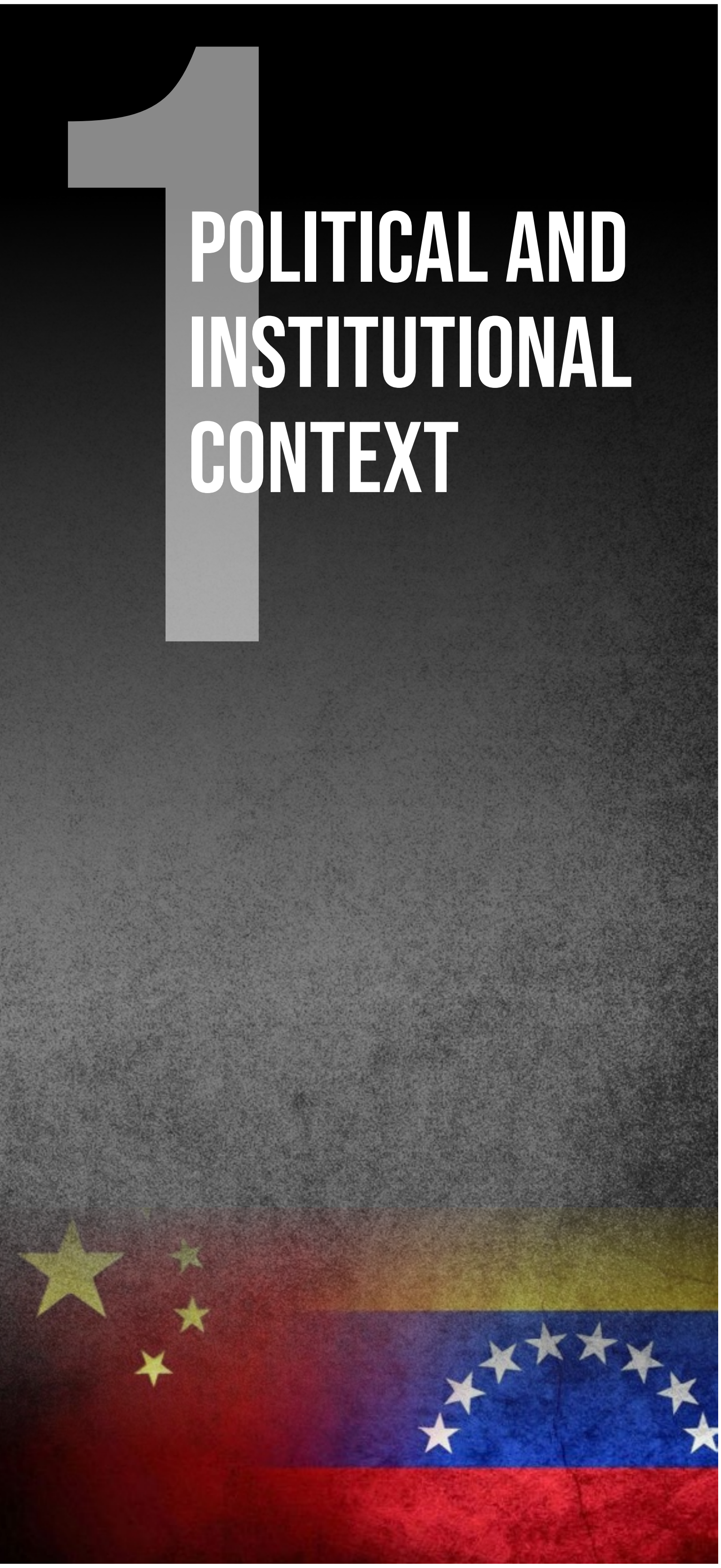
1 A. Figueroa and C. Camacho, "Ni los chinos pudieron con la (mala) gestión petrolera del chavismo" Transparencia Venezuela, 2020. [Online] Available at https://transparencia.org.ve/project/petroleo-historia-1/

clientelism and political corruption. This report attempts to outline a full account of who and what has led to these results, information that has not previously been published.

In order to overcome the opacity surrounding the links between Venezuela and China while preparing this report, an extensive review was made of available sources. These sources included academic papers, news reports, databases, and official publications. The report also includes unofficial sources such as interviews with academic experts, business leaders, and consultants in relevant sectors including oil and energy production.

From these sources, the report develops a timeline of exchanges between China and Venezuela. Included in this timeline are two case studies of joint ventures and a list of failed projects. This report also reviews the institutional context of the China-Venezuela relationship and its deterioration over time. Since the relationship between the two countries has a strong influence on the management of loans, associated projects, and governance, an analysis of the overall partnership and its effects is also included.

Finally, the report outlines policy recommendations to counter the negative effect of corrosive capital, based on the results of this investigation.



1 POLITICAL AND INSTITUTIONAL CONTEXT

Economic relations between China and Venezuela expanded considerably after the turn of the 21st century. First, China's leadership realized that increased access to fuel and commodities was essential to maintain their rapid economic growth. This situation was compounded by the fact that the Beijing government decided to undertake a new global strategy entitled *the Going Global Policy*.[2] This new policy targeted Latin America and the Caribbean, with the aim of increasing trade, investments and financing agreements as well as expanding the reach of Chinese companies[3]. As a result, China became either the largest or second largest commercial partner of several Latin American countries, including Venezuela.[4],[5] According to AidDATA[6]

between

2000 ⟷ 2014

The Chinese government sent funds to

140 countries	**for an amount US $ 350 billion**

These transfers were made in the form of loans, export credits, grants, debt restructuring deals, free technical assistance and scholarships.

2 R. Castro, "Desestadounizar no es descolonizar: apuntes sobre las relaciones entre China y Venezuela de cara a la crisis venezolana" de La crisis venezolana: impactos y desafíos, Bogotá D.C., Konrad Adenauer Stiftung, 2019, pp. 297 – 323.

3 The Going Global Policy of the early 2000s, has been superseded by other policies, notably since 2013 by the Belt and Road Initiative (BRI).

4 M. Ferchen, "Why did China stand by Maduro in Venezuela?" The Washington Post, Feb. 5, 2019.

5 C. Brandt and C. E. Piña, "Las relaciones Venezuela China (2000–2018). Entre la cooperación y la dependencia," Friedrich Ebert Stiftung, Caracas, 2019.

6 M. Ferchen, "¿Dónde está el desarrollo financiado por China?," Jan. 5, 2018. [Online]. Available at: https://dialogochino.net/10449-wheres-the-development-in-chinas-global-development-finance/?lang=es

Second, President Hugo Chávez sought to diversify international buyers of its oil and reduce Venezuela's dependence on the United States oil market by exporting to Asian countries such as China and India. Soon after his inauguration in 1999, Chávez made his first visit to China. On May 24, 2001, the High-Level Joint Commission (HLJC) was created between the two countries. This commission served as the main bilateral decision-making body for the economic, trade and political integration projects that would be approved over the next 17 years.

The enabling powers granted to President Chávez in 2001 were used to approve laws that prompted unrest in the private sector and civil society organizations. These laws also raised tensions between political representatives of opposition parties, local authorities and the government. Massive protest for and against the government took place in 2002. The involvement of business leaders in the failed coup led President Chávez to rally against the private sector and its top executives. In 2003, some employees of the state-owned oil company Petróleos de Venezuela S.A. (PDVSA) went on strike and pressed for the resignation of President Chavez. Prior to this, PDVSA had kept its corporate governance moderately independent of government interference. However, after the strike, PDVSA's corporate independence was eliminated and came under Chávez's direct control. These events led to deteriorated relations between Venezuela and the United States.

The political confrontations during the first few years of the Chávez government led the Executive Branch to do away with checks and balances. In defiance of constitutional provisions, the Chávez government implemented legislative changes to consolidate its power and recruited sympathetic officials to the judiciary and other branches of government[7]. Most importantly, President Chávez gradually gained control of the nation's main public resources and used them to support his party's dominance.

In the early 2000s, the oil fields in the Orinoco Belt were renamed from a Bituminous Belt to an Oil Belt. Several discoveries and expansions of certified reserves made Venezuela the country with the largest proven oil reserves in the world. In recognition of Venezuela's newfound status, Venezuela's massive new reserves made it very attractive to Chinese energy interests.

At the same time, President Chávez saw China as a valuable political ally and a source of new funding. China was seen as a potential trading partner in the energy sector, a provider of services and inputs, and an ideological partner in geopolitical affairs. For their part, Chinese authorities were not only looking for energy security but international markets to expand exports of Chinese companies and implement China's new capital export project. These matching interests made Venezuela an ideal space for Chinese companies to participate in large and diversified investment projects and were instrumental in making Venezuela the first Chinese loan beneficiary in Latin America and the Caribbean. China's highest priority in Venezuela was gaining access to its hydrocarbons[8].

Consequently, the bilateral relationship between China and Venezuela was classified in 2001 as a Strategic Partnership for Shared Development, and in 2014 it was upgraded to a Comprehensive Strategic Partnership.

7 Acceso a la Justicia, "La toma del poder absoluto en Venezuela" Acceso a la Justicia, Caracas, 2019.

8 C. Brandt and C. E. Piña, "Las relaciones Venezuela China (2000-2018). Entre la cooperación y la dependencia" Friedrich Ebert Stiftung, Caracas, 2019.

Moreover, between 2001 and 2018 the HLJC met 16 times to coordinate the flow of capital to Venezuela through loans, foreign direct investment and other exchanges. President Chávez' desire to deepen bilateral relations with China was politically viable from the outset because as head of state, the Constitution granted him the power to establish foreign relations and to enter into agreements and contracts of national interest (Art. 236). His ruling party maintained a majority in the national parliament throughout his time in office. This was crucial because Venezuela's Parliament has the authority to approve new debts and to enter into agreements of national interest. It should be noted that opposition political parties boycotted the elections for the 2005–2010 legislature, protesting the conditions imposed by the National Electoral Council.

As a result, President Chávez's supporters won an absolute majority in Parliament in the 2005–2010 term. This allowed the government to approve the main investment and debt agreements with neither objection nor oversight from other government agencies and public administration. Although opposition political parties were represented in the 2010–2015 legislature, the ruling party retained a majority and continued to support the government's agreements with China.

THE TABLE BELOW SHOWS THE MEETINGS OF THE HIGH-LEVEL JOINT COMMISSION

Table No. 1

BEIJING — CARACAS

Date	Number of cooperation agreements
May 2001	28
October 2002	3
December 2004	11
September 2005	9
August 2006	28
November 2007	5
September 2008	26
December 2009	29
August 2010	6
November 2011	9
November 2012	8
September 2013	27
July 2014	38
September 2015	14
February 2017	22
September 2018	28

Source: Venezuelan Centre for China Studies (2019). China and Venezuela, a comprehensive strategic partnership.

Between 2001 and 2018, 269 agreements were signed within the framework of the 16 meetings of the HLJC. To put this in historical perspective, diplomatic relations between Venezuela and China have existed since 1974, and by 2018, a total of 500 agreements have been signed between the two countries. Data shows that just 30 agreements were signed between the two countries before 1999 while 470 were signed after President Chávez came into power. Thus, there were also agreements outside the HLJC[9].

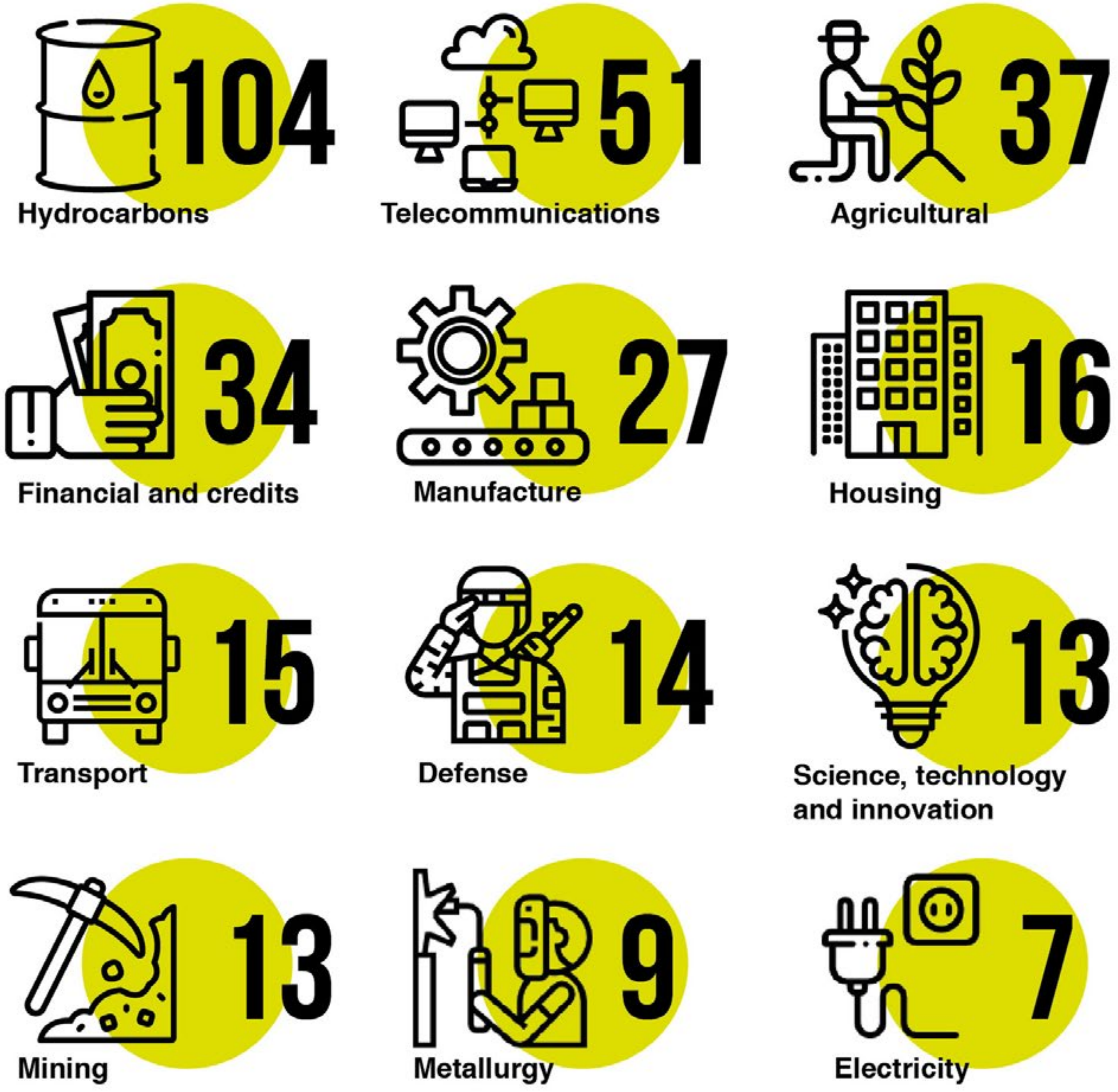
The agreements cover more than 25 economic sectors, including strategic areas such as hydrocarbons, mining, telecommunications and defense. The numerous meetings of the Commission and of each country's highest leaders show that the exchanges were based on state-to-state relations: President Hugo Chávez visited Beijing six times, while President Nicolás Maduro has visited four times. The presidents of China have visited Venezuela twice and their vice presidents three times.

The agreements approved at the HLJC meetings and the loan conditions imposed by China represented the main rules of the game in Venezuela's use of Chinese development capital. However, some terms were set up by the Venezuelan government and will be explained later.

9 This information was obtained after checking own data and data from Venezuelan Centre of China Studies. «China y Venezuela. Una relación estratégica integral. Report on the bilateral relationship between the People's Republic of China and the Bolivarian Republic of Venezuela 2018 - 2019». Caracas: CVEC, 2019. Available at: https://cvechina.wordpress.com/2019/07/19/informe-china-y-venezuela-una-asociacion-estrategica-integral/

THE FAVORITE SECTORS

The agreements signed between China and Venezuela cover more than 25 economic sectors, but the majority focused on 12 sectors



Source: Own elaboration with data on agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China (Registered by the Embassy in Beijing on 25/3/2010) and by the Venezuelan Center for China Studies (2019). China and Venezuela: A comprehensive strategic partnership.

Rules of exchange in the bilateral relations between Venezuela and China

China's "*Going Global Policy*" is based on the export of capital, mostly commercial loans that are promoted as development aid funds[10]. The conditions established by China's policy banks for granting these loans are in sharp contrast with typical Western multilateral banking requirements, which focus on macro-fiscal rules of balance and transparency of spending, as well as market liberalization. In China, such conditions are seen as interference in the internal affairs of countries and run counter to its doctrine against intervention. "Chinese academics, officials and experts often highlight this non-Western approach to exchanges[11]."

Kaplan and Penfold point out that China's interest is to promote long-term business opportunities, secure contracts for its state-owned enterprises, export machinery and have commodities as payment guarantees for the return of its loans. Moreover, Cardona[12], who also agrees with these statements, delves deeper into China's loan conditions. She classifies them into three modalities, according to the ideas of Mattlin & Nojonen: political conditionality, embedded conditionality and emerging conditionality.

Political conditionality is explicit in official policy documents concerning Latin America and the Caribbean (White Paper). To promote the cause of reunification and the one China principle, China requires beneficiary countries to abstain from official relations and contacts with Taiwan[13]. To this end, the Venezuelan government made a statement in 2000 recognizing the government of the People's Republic of China as the sole representative of the Chinese people, with the one-China, two-system scheme. Later, in 2007, Taiwanese trade representatives in Caracas had their visas suspended. It was also documented that the PetroCaribe agreement (under which Venezuela ships oil to several Caribbean countries) was used as a platform to pressure those countries into reducing their links with Taiwan[14]. Thus, China took advantage of Venezuela's dependence on capital to expand its political influence and used the Venezuelan government as an intermediary in China's foreign relations with other countries in the region.

The **embedded conditionality** refers to China's requirement to secure contracts for Chinese companies and labor, to use Chinese technology, and to purchase Chinese raw materials. Thus, the loans granted to Venezuela implied, from the outset, the participation of Chinese companies as contractors or suppliers of inputs and technology. Indeed, 790 projects were concluded with China[15], most of them in the framework of the High Joint Level Commission meetings. The Asian country delegation positioned their companies in projects in various sectors (see annex 3). For example, in 2010 a loan was granted for the creation of the Large Volume Long Term Fund, of which US$14 billion

10 For Ferchen, defining the flow of funds from China as development assistance or development financing is misleading, since more than 75% of the funds are commercial loans for investments in energy and infrastructure, whose impacts on sustainability of domestic debt or the environment of the recipient countries have not been thoroughly studied. M. Ferchen, «¿Dónde está el desarrollo financiado por China?» Jan. 5, 2018. [Online].
Available at: https://dialogochino.net/10449-wheres-the-development-in-chinas-global-development-finance/?lang=es

11 S. B. Kaplan and M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics» Woodrow Wilson Centre, Washington, 2019.

12 A. M. Cardona, «China en Venezuela: Los préstamos por petróleo» Asociación Ambiente y Sociedad, Bogota, 2016.

13 Ibid

14 J. Briceño-Ruiz and N. Molina. «China–Venezuela Relations in a Context of Change,» chapter on China–Latin America Relations in the 21st Century edited by Bernal-Meza and Xing. Palgrave Macmillan, 2020.

15 According to statements by Venezuelan authorities cited by Venezuelan Centre of China Studies. «China y Venezuela. Una relación estratégica integral. Report on the bilateral relationship between the People's Republic of China and the Bolivarian Republic of Venezuela 2018 - 2019» Caracas: CVEC. 2019.
Available at: https://cvechina.wordpress.com/2019/07/19/informe-china-y-venezuela-una-asociacion-estrategica-integral/

(70 billion in renminbi and 4 billion in dollars) were to be invested in cooperation projects undertaken jointly by China and Venezuela.

This investigation identified 90 Chinese companies and government agencies present in Venezuela that are working on various projects. Notable Chinese companies on this list include the following, based on the number of exchanges[16] in which they are engaged:

- China National Petroleum Corporation (CNPC), participating in 17 interactions
- China CAMC Engineering Co., Ltd (CAMCE), participating in 17 interactions
- Huawei Technologies Co., Ltd., in 17 interactions
- Citic Construction Co., in 16 interactions
- China Zhong Xing Telecommunication Equipment Company Limited (ZTE), in 10 interactions.
- China Petrochemical Corporation (SINOPEC), in 6 interactions
- Sinohydro Corporation, in 5 interactions

In the hydrocarbons sector there are two key issues[17]. The first is that projects have gone beyond mere exploration and exploitation of oil and gas. China has also been awarded contracts for refining and for supplying infrastructure, capital equipment and inputs needed for upstream activities as well as maritime transport of oil and by-products. The second issue is that China has managed to position its oil companies in a market previously dominated by U.S. and European companies.

It was found that a number of projects run by Chinese companies hired mostly skilled and unskilled labor from China, in violation of Article 27 of the Venezuela's Labor Law (LOTTT)[18] and impacting job opportunities for Venezuelans. During the years of close ties with China, Venezuela had an informal employment rate of around 40% of the workforce and an unemployment rate that averaged over 12%[19]. The embedded conditionality accepted by the Venezuelan government placed the nation's workers at a disadvantage and prevented the improvement of employment indicators. Examples included the construction of the Luis Zambrano thermal power plant in Mérida, the Power Plant for the Batalla Santa Inés refinery in Barinas, the construction of the Tinaco-Anaco railway and the construction of housing in Ciudad Tavacare and Ciudad Tiuna[20].

The **emerging conditionality** is described as increasing the recipient nation's dependence on the creditor's provision of services, and thus, the need for new credit in the future in order to comply with established agreements[21]. Examples include technological dependence in telecommunications and satellite operation projects, where there is no real technology transfer. A number of the projects analyzed were not sustainable because their production decreased, ceased altogether or, in some cases, was never initiated. Another problem is the volatility of crude oil prices, which makes it difficult for Venezuela to use oil shipping quotas to honor payments. The November 2014 drop in oil prices was a precursor to the 2020 plunge in prices after the COVID-19 pandemic.

16 These exchanges include agreements, memorandums of understanding, letters of intent, business start-ups, covenants, loans, between others.

17 A. M. Cardona, «China en Venezuela: Los préstamos por petróleo» Asociación Ambiente y Sociedad, Bogotá, 2016: p. 27.

18 Article 27 of the LOTTT states: "In businesses with ten or more workers, at least ninety percent must be Venezuelan men or women…"

19 J. Ramoni and G. Orlandoni, «The Size of the Informal Economy in Venezuela» in El Norte – Finnish Journal of Latin American Studies, Finland: University of Helsinki, 2010.

20 This information was obtained from interviews with employers, researchers and workers in the projects' industries.

21 A. M. Cardona, «China en Venezuela: Los préstamos por petróleo», Asociación Ambiente y Sociedad, Bogotá, 2016.

There were two types of contracts that used oil shipments as debt repayments[22]. For the first, China's policy banks supplied money in dollars and renminbi to the Venezuelan government and the state-owned oil company PDVSA. For the second, oil purchases made by importing companies in China from PDVSA were considered debt repayment. In the second case, "the policy bank loan to the national government is collateralized by the daily inflow of oil income from the country's state oil company."[23] Oil-backed loans have also been used in Brazil and Ecuador[24]. In the case of Venezuela, the minimum amount of oil shipments agreed to repay each loan has been documented. In fact, Venezuela sent an average of 373,700 barrels per day between 2007 and 2016, with a peak of 627,000 b/d on average in 2015. The terms of these deliveries gave Venezuela advantageous interest rates with respect to the international credit market[25]. However, these advantages do not take into account the rates that might have been provided by multilateral banks such as the International Monetary Fund, the Inter-American Development Bank and the World Bank. The Venezuelan government did not wish to enter into financing agreements with these institutions to avoid complying with their economic policy conditions.

The third condition was the **confidentiality** or **secrecy condition**. This requirement is featured in the Agreement between the Government of the Bolivarian Republic of Venezuela and the Government of the People's Republic of China on Cooperation for Long-Term Financing[26]; in the protocols amending the Agreement between the two governments on the China-Venezuela Joint Fund[27]. It is also included in cooperation agreements on iron, hydrocarbons, petrochemicals, mining and electricity. In reference to this issue, Professor Pedro Mora, Director of the School of Electrical Engineering of Universidad de Los Andes, stated in an interview[28] that he requested on two occasions to visit and train students on the construction site of the Luis Zambrano thermal power plant in Mérida, but both requests were rejected for security and confidentiality reasons.

In sum, the exchange relations between China and Venezuela took place based on the following rules:

- Venezuela recognizes only one China and refrains from having official ties with Taiwan.
- The funds to finance projects to promote economic and social development are jointly agreed at the meetings of the High Level Joint Commission. They limit the opportunities for Venezuelan companies and workers, since they require guarantees that Chinese companies participate as contractors and suppliers of inputs and technology as well as the hiring of Chinese labor.
- Most loans are paid for with daily shipments of oil in the amounts set out in the agreements, at near-market interest rates.
- The information in the agreements is handled confidentially between the parties.

22 S. B. Kaplan y M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics», Woodrow Wilson Center, Washington, 2019.

23 Ibid, p.3.

24 N. Boza, «El financiamiento chino a cambio de petróleo: implicaciones jurídicas para Venezuela» Revista Venezolana de Legislación y Jurisprudencia, No. 10, pp. 381-418, 2018: p. 383.

25 Carlos Piña compared the amount of oil barrels sent per day, the interest rates, and the risk coverage rate (spread) in said period. C. E. Piña, «Chinese Financing in Venezuela (2000 - 2018). Joint funds and loan-for-oil» in China's financing in Latin America and the Caribbean, Mexico City, Universidad Nacional Autónoma de Mexico, 2019b, pp. 337 - 371.

26 Official Gazette 39.511 of September 16, 2010

27 Official Gazettes 39,927 of May 22, 2012; 40,299 of November 21, 2013; 40,516 of October 10, 2014; and 40,692 of June 30, 2015.

28 P. Mora, Interviewee, Cash flow from China. [Interview]. November 11, 2019.

When looking solely at Venezuelan regulations governing the country's ability to enter into bilateral agreements, which requires presidential and parliamentary approval, these agreements have apparent legal backing. Additionally, international agreements are excluded from the statues in Venezuela's Public Procurement Law that relate to the execution and contracting of works and the purchase of goods and provision of services. However, three situations contradict the Venezuelan legal system[29]:

1. The arrangements for the payment of the debt of the Venezuela-China Joint Fund with oil shipments were made back in 2007. But, they only appear in international treaties signed from 2012 onwards after several renewals.
2. In the second and third amendments to the agreement of the Venezuela-China Joint Fund, Venezuela assumes obligations in accordance with the provisions recorded in diplomatic notes and other communications that were not overseen by Parliament.
3. The loans are collateralized with future sales of oil, which translates into a public credit operation guaranteed by privileged access to national goods or income, which is forbidden in Article 105 of the Law Decree on Public Sector Financial Administration (LOAFSP).

Furthermore, of the **23 officially recorded loans granted by China to Venezuela, only one is mentioned in the debt laws of the 1999–2018 period**. The National Public Credit Office, responsible for the administration, oversight, authorization, and setting limits and rules in relation to public credit and the disclosure of debt balances, (Article 76 of the LOAFSP) was left out of most financing agreements, which prevented the consolidation of debt commitments and proper planning to ensure fiscal sustainability.

Additionally, the requirement for the secret handling of information in the agreements violates the principles of public administration provided for in Article 141 of the Constitution, Article 2 of the Decree of the Law on Public Sector Financial Administration, Article 8 of the Decree-Law against Corruption and rules of international treaties signed by Venezuela.

29 N. Boza, «El financiamiento chino a cambio de petróleo: implicaciones jurídicas para Venezuela», Revista Venezolana de Legislación y Jurisprudencia, No. 10, pp. 381-418, 2018: p. 418.

2 CASH FLOWS FROM CHINA TO VENEZUELA

Chinese capital inflows in Venezuela came through commercial loans, foreign direct investments and grants. The following table summarizes the amount and proportion of funds received by source.

CASH FLOWS FROM CHINA TO VENEZUELA IN 1999-2018

Table No. 2

	QUANTITY	MM US $	%
LOANS	23	62,631.14	91.20
FDI	22	6,045.50	8.80
DONATION	1	1,57	0.00
TOTAL	46	68,678.21	

Source: Prepared by the authors with Official Gazettes; OFDI Monitor of the LAC-China Academic Network; Gallagher, Kevin P. and Margaret Myers (2019) "China-Latin America Finance Database"; Debt Law of 2009; Piña (2019) Chinese investments and loans in the Venezuelan oil sector (2000-2018); and agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China (registered by the Embassy in Beijing as of March 25, 2010)

The table shows that most of the funds (91.2%) are commercial loans. Venezuela is the largest Latin American loan recipient from China[30]. It has received 45% of all Chinese loans granted between 2000 and 2019. These loans were granted by state-owned financial entities in China; primarily the Bank of China, the China Development Bank and the Export-Import Bank of China.

It is important to note that World Bank figures show Venezuela enjoyed a favorable balance of bilateral trade between 2000 and 2017[31]. However, for the purposes of this research only the information on loans and foreign direct investment (FDI) will be broken down.

30 K. Gallagher and M. Myers, «Scaling Back: Chinese Development Finance in LAC, 2019» The Dialogue, March 18, 2020. [Online]. Available: https://www.thedialogue.org/analysis/scaling-back-chinese-development-finance-in-lac-2019/According to data from Gallagher, Kevin P. and M. Myers. "China-Latin America Finance Database" (2020)

31 Bilateral trade reached US$150.1 billion, of which Venezuela sold US$96.4 billion to China and China sold US$53.7 billion to Venezuela.

2.1 Capital inflows through loans

After the global financial crisis of 2008, the Venezuelan government decided to reduce Venezuelan participation in multilateral funds. Given the lack of alternative low interest credit options, the Chinese offer of loans was favorably received.

The flow of funds through loans will be described in two groups. The first includes the loans agreed through the Joint Chinese Venezuelan Fund (FCCV) and the Large Volume Long Term Fund (FGVLP).

Although these were not the first loans granted, they are by far the largest with a total of US$50.24 billion, or about 80% of the loans granted by China to Venezuela. In the second group, we will describe all other Chinese loans agreements.

2.1.1 China-Venezuela Joint Fund and Large Volume Long Term Fund

During the 6th High Level Joint Commission held in Caracas in November 2007, Framework Agreements for the establishment of the Joint Venezuelan-Chinese Fund (FCCV) were signed between four organizations: two Chinese and two Venezuelan. These included the China Development Bank (CDB), the Economic and Social Development Bank of Venezuela (BANDES), Petróleos de Venezuela (PDVSA) and China National Petroleum Corporation.

The CDB and Venezuela's National Development Fund (FONDEN) provided capital to finance "economic and social development projects in the areas of infrastructure, industry, agriculture, mining, energy, technology and technical assistance, among others..."[32] The repayment of these loans is a condition for their renewal[33].

Although not explicitly mentioned in the first agreements approved by the FCCV (2008, 2009 and 2011), loans were negotiated to be repaid with oil shipments from PDVSA to the CNPC. The exchange of payments occurred as follows: CDB transferred funds to BANDES, the institution responsible for administering the Fund; PDVSA sold oil to CNPC, which then deposited the payment for the crude in BANDES accounts at the CDB to cover the loan's principal, interest and other amounts due[34]. It is noteworthy that BANDES was created in 2001 as a development bank with authority similar to that of the defunct Venezuelan Investment Fund[35]. It is supervised only by the Superintendent of Banks and other Financial Institutions (without the power to object to debt operations or sanction irregularities) and the General Comptroller. This minimal oversight has enabled the bank to conduct operations without the limits set by macro-fiscal rules.

The FCCV was structured in renewable tranches that resulted in seven disbursements and three-year payment terms. Table 3 shows the dates on which the agreements were formalized and legalized, although these do not always coincide with the dates of the disbursements.

In addition to the FCCV, the Large Volume Long Term Fund (FGVLP) was approved in 2010. These involved similarly sized transfers from the China Development Bank in US dollars and Chinese renminbi over 10 years. FONDEN was not required to contribute any funds. This agreement was drafted at the 9th High Level

32 Article 1 of the Law Approving the Agreement between the Government of the Bolivarian Republic of Venezuela and the Government of the People's Republic of China on the Joint Financing Fund Official Gazette 39.019

33 C. Brandt and C. E. Piña, "Las relaciones Venezuela China (2000–2018). Entre la cooperación y la dependencia," Friedrich Ebert Stiftung, Caracas, 2019.

34 N. Boza, «El financiamiento chino a cambio de petróleo: implicaciones jurídicas para Venezuela», Revista Venezolana de Legislación y Jurisprudencia, No. 10, pp. 381-418, 2018.

35 Decree-Law of the Economic and Social Development Bank of Venezuela, published in the Extraordinary Gazette No. 6,155 of November 19, 2014.

Joint Commission, held in Beijing in August 2010, "with the purpose of promoting cooperation between the Parties in major projects in the areas of infrastructure construction, social development, energy, mining and agricultural development and to accelerate social and economic development in Venezuela[36]". For the first time, this agreement explicitly mentions the decision to honor commitments with oil shipments from PDVSA to the China National United Oil Corporation (CNUOC), a CNPC subsidiary.

36 Article 1 of the Law Approving the Agreement between the Government of the Bolivarian Republic of Venezuela and the Government of the People's Republic of China on Cooperation for Long-Term Financing Official Gazette 39.511.

FLOW OF FUNDS FROM CHINA IN LOANS FROM THE JOINT VENEZUELA-CHINA FUND AND THE LARGE VOLUME LONG TERM FUND

Table 3

MAY 2008

AGREEMENT: Agreement on the China-Venezuela Joint Financing Fund. **Tranche A**

LENDER: China Development Bank

AMOUNT US$: **4,000,000,000**

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

FEB 2009

AGREEMENT: 1st Amendment to the FCCV Convention **Tranche B**

LENDER: ChinaDevelopment Bank

AMOUNT US$: 4,000,000,000

TERM/YEAR: 3

INTEREST RATE: Libor plus *spread*

SEPT 2010

AGREEMENT: Cooperation for Long Term Financing in US $ and RMB

LENDER: China Development Bank

AMOUNT US$: 10,000,000,000 10,240,000,000

TERM / YEAR: 10 / 10

INTEREST RATE: -

JAN 2011

AGREEMENT: 1st Renewal of Tranche A of the FCCV **Tranche A - II**

LENDER: China Development Bank

AMOUNT US$: 4,000,000,000

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

FEB 2012

AGREEMENT: 2nd Amendment to the FCCV Convention **Tranche B - II**

LENDER: China Development Bank

AMOUNT US$: **4,000,000,000**

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

SEPT 2013

AGREEMENT: 3rd Amendment to the FCCV Convention **Tranche C**

LENDER: China Development Bank

AMOUNT US$: 5,000,000,000

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

JAN 2014

AGREEMENT: 2nd Renewal of Tranche A of the FCCV **Tranche A - III**

LENDER: China Development Bank

AMOUNT US$: **4,000,000,000**

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

JUN 2015

AGREEMENT: 5th Amendment to the FCCV Convention **Tranche B - III**

LENDER: China Development Bank

AMOUNT US$: 5,000,000,000

TERM / YEAR: 3

INTEREST RATE: Libor plus *spread*

TOTAL 50,250,000,000

Source: Prepared by the authors with data from Official Gazettes and data from Carlos Piña "Chinese Financing in Venezuela (2000 - 2018). Joint funds and loan-for-oil.

The financial conditions for the payment of the FCCV and the FGVLP were allegedly advantageous for Venezuela because they were cheaper than issuing bonds in the capital market. Also relevant are the withdrawals by PDVSA from the FCCV between 2010 and 2017 for the remaining oil shipments to China, which were made after settling the debt.[37] [38]

YEARLY BALANCE OF DEBT-FOR-OIL EXCHANGES

Table No. 4

YEAR	FCCV PDVSA WITHDRAWALS IN MM US$
2010	1,320
2011	6,724
2012	13,208
2013	9,640
2014	7,223
2015	2,945
2016	2,987
2017	3,848
TOTAL	47,895

Source: Petróleos de Venezuela S.A., Ministry of Economy and Finance

The table shows that PDVSA did not access the remaining funds before 2010 and that the largest withdrawals were made between 2011 and 2014, when average daily oil production stood at around 2.8 million barrels and international oil prices reached all-time highs.

Following the onset of an economic crisis in Venezuela after the November 2014 fall in oil production and prices, in 2016 the debt payment conditions were renegotiated. During this renegotiation, the parties agreed to suspend the payment of principal quotas and only pay interest until 2018. The debt balance as of December 2019 was US$16.73 billion, with US$3.1 billion expected to be paid in 2020[39]. This amounts to 57% of the approved national budget for 2020. Due to the size of Venezuela's payment commitments to China, covering debt repayments precluded public expenditures in fundamental sectors. This implies that concerns about fiscal sustainability were not addressed.

In 2020, after the drop in oil production and general economic activity aggravated by the COVID-19 pandemic, there has been discussion of a second debt renegotiation. A grace period was granted until December 2020, but the details of the new debt renegotiation and its implications are unknown[40].

37 They are explained in detail in Carlos Piña's work, where he describes the interest rates, the risk protection margin, the expected and actual yields by China, the maturity of the loans, among other analyses, based on the PDVSA reports published until 2016. C. E. Piña, «Chinese Financing in Venezuela (2000 - 2018). Joint funds and loan-for-oil» in China's financing in Latin America and the Caribbean, Mexico City, Universidad Nacional Autónoma de Mexico, 2019, pp. 337 - 371.

38 The data was obtained unofficially from a source at Venezuela's Ministry of Economy and Finance.

39 According to unofficial data from BANDES.

40 M. Armas and C. Ponds, «Venezuela recibe otro período de gracia de China para postergar pagos con petróleo: fuentes». Reuters Aug. 12, 2020 [Online]. Available at https://lta.reuters.com/articulo/venezuela-china-idLTAKCN2581W7

2.1.2 Miscellaneous loans from China

Loans from China began in 1999 during the first year of President Hugo Chávez's government at a modest amount of US$30 million for the purchase of agricultural machinery[41]. Other larger loans followed until a total of 15 disbursements were made, totalling US$12.39 billion. The largest portion of these loans was committed to projects linked to the hydrocarbon sector (US$9.7 billion). These investments were made to increase production of the Sinovensa joint venture and other oil companies owned by PDVSA and CNPC and to acquire fixed capital[42]. It is noteworthy that although Venezuela is the largest Latin American/ Caribbean recipient of financing from China, the flow of loans peaked between 2010–2013. This period, which coincided with surging global oil prices, saw Venezuela receive an average of 64% of China's total loans to Latin America and the Caribbean (LAC). By contrast, during the 2014–2017 period loans to Venezuela accounted for just 18% of loans to the region[43].

There have been reportedly been no new loans from China since November 2016. Various previously cited researchers, including Matt Ferchen[44], Kaplan and Penfold, Carlos Piña[45], Myers & Gallagher[46], as well as reports from several media outlets have highlighted the loss of dynamism in financial relations between China and Venezuela in the last four years. This fact contradicts the rhetoric of the government representatives of both countries who stand by the deepening of their countries' economic, commercial and political ties. However, it is also true that China's lending policy towards Latin America in general has shifted since 2016. New loan amounts have fallen every year and loan recipients have become more diversified.

41 According to an official document from the Venezuelan Foreign Ministry: Embassy of Venezuela to the People's Republic of China, «Agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China» Beijing, 2010.

42 C. E. Piña, «Chinese Financing in Venezuela (2000 - 2018). Joint funds and loan-for-oil» in China's financing in Latin America and the Caribbean, Mexico City, Universidad Nacional Autónoma de Mexico, 2019b, pp. 337 - 371.

43 S. B. Kaplan and M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics» Woodrow Wilson Center, Washington, 2019: p.3

44 M. Ferchen, «Carnegie - Tsinghua Center for Global Policy» Aug. 16, 2018. [Online]. Available at: https://carnegietsinghua.org/2018/08/16/china-venezuela-and-illusion-of-debt-trap-diplomacy-pub-77089.

45 C. E. Piña, «Las relaciones China Venezuela a la luz de las inversiones chinas en el sector petrolero venezolano (2000 - 2018)» China-Mexico Study Centre - UNAM, Mexico, 2020.

46 M. Myers & K. Gallagher, «Scaling back: Chinese development finance in lac, 2019» China-Latin American report. The Dialogue, Global Development Policy Center, March 2020.

Table No. 5

Flow of Funds from China by Miscellaneous Loans

Date	Agreement	Lender	Quantity	Purpose
Oct-99	Bank and credit loans		30,000,000	Agricultural Machinery
Mar-02	Water project loans	Bank of China	239,000,000	Construction of the Bolivarian Aqueduct of Falcon
Dec-03	Loan to finance complementary agreement No. 1	The Export	150,789,844	Rehabilitation of the Central-Western Railway
Jan-05	Document confirming the agreement between the Ministry of Finance and the Export - Import Bank of China	The Export Import Bank of China	13,875,205	Agricultural Machinery
Jan-05	Framework Agreement on Preferential Credit		51,470,588	Not available
Dec-09	Loan	China Development Bank	1,000,000,000	Mining Project
Dec-09	Loan	China Ex Im Bank	500,000,000	Not available
May-10	Commercial credit line	China Development Bank and Portugal's BES	1,100,000,000	Trade credit line. According to Piña (2019b) for the Abreu e Lima Refinery
Nov-11	Loan	China Development Bank Corporation	1,500,000,000	Financing part of 40% of the Abreu e Lima Refinery in Recife
Feb-12	Loan	China Development Bank	500,000,000	Funding activities from the oil industry
Jun-13	Loan	China Development Bank	4,015,000,000	Increase Sinovensa's production
Sept-13	Loan	China Development Bank	700,000,000	Exploitation of Las Cristinas mines.
Sept-13	Loan	China Ex Im Bank	391,000,000	Pequiven Marine Terminal
Nov-16	Joint venture financing	China Development Bank	2,200,000,000	Increase the production of Sinovensa and other oil projects
				Total 12,391,135,637

Source: Prepared by the authors with Official Gazettes; OFDI Monitor of the Academic LAC-China Network; Gallagher, Kevin P. and Margaret Myers (2019) "China-Latin America Finance Database"; Debt Law of 2009; Piña (2019) Chinese investments and loans in the Venezuelan oil sector (2000-2018); and the agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China (Registered by the Embassy in Beijing as of March 25, 2010).

The following table summarizes the amount of funds received by Venezuela compared to the rest of the Latin America and Caribbean region between 2010 and 2017:

RELATIVE WEIGHT OF FLOWS SENT TO VENEZUELA COMPARED TO THE REGION

LAC. Latin America and the Caribbean

PERIOD	Percentage of funds to Venezuela	Relative weight of funds to the rest of LAC
2010 - 2011 - 2012 - 2013	64%	36%
2014 - 2015 - 2016 - 2017	18%	82%

Source: S. B. Kaplan and M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics» Woodrow Wilson Centre, Washington, 2019: p.3

2.2 Foreign direct investment

Capital inflows to Venezuela through Chinese foreign direct investment have been small compared to both the amounts provided to the country in loans and the amounts China has invested in other LAC countries. Investments in Venezuela account for only 5.2% of China's total investments in LAC[47]. Research conducted for this report revealed 22 total investment deals, including new projects, joint ventures and mergers and acquisitions by mostly state-owned Chinese companies totaling US$6.05 billion between 2003 and 2018. However, data was unavailable for China's contributions to four of the joint ventures: Sino-Venezolana, Petrolera Paria, Petro Zumano and Chery Venezuela[48].

Also included in FDI-related agreements is the sale of shares of the Sinovensa joint venture made by PDVSA to CNPC in 2018 for an estimated US$1.58 billion. This deal was part of an effort on behalf of the Venezuelan government to reduce PDVSA's debt with CNPC but should be considered as an acquisition of fixed capital (shares) by CNPC[49]. The amount of the agreement is equivalent to 22% of Venezuela's international reserves as of March 2020.

The following table lists the investments and shows the greatest amount of FDI activity occurred between 2006 and 2014, after which FDI inflows started to decline and were strictly aimed at boosting the productivity of oil companies.

47 Ibid.

48 In relation to Chery, there are two transactions. First, there was an agreement authorising the Chinese company to produce vehicles in Venezuela. Then, the JV Chery Venezuela was established, with a majority Venezuelan capital.

49 C. Piña, «Chinese OFDI in Venezuela (2000 - 2017) » of China's Foreign Direct Investment in Latin America and The Caribbean, Mexico, China Mexico Study Center. UNAM, 2019, pp. 211-230.

CHINESE FOREIGN DIRECT INVESTMENT IN VENEZUELA

Table No. 6

Date	Agreement	Investor	Amount, US$
Sept-03	Orifuel Sinoven Strategic Association Orimulsion Plant	CNPC	480,000,000
Dec-04	Agreement for the Joint Exploration of the Gloria I mining area between CVG Minerven and Shandong Gold Group	Shandong Gold Group	13,000,000
Oct-05	Formation of the Venezuelan Technology Industry Joint Venture (VIT)	Inspur International Ltd, 49%	20,000,000
Oct-06	Formation of the Sino - Venezolana Joint Venture	CNPC 25%	Undef.
Oct-07	Formation of the mixed Venezuelan telecommunications company C.A. (VTELCA)	ZTE Limited, 15,7%	10,000,000
Nov-07	Conformation of the JV Petrolera Paria, S.A.	SINOPEC 32%	Undef.
Nov-07	Formation of the Petro Zumano Joint Venture	CNPC 40%	Undef.
Jan-08	Conformation of the Mixed Oil Company Sinovensa, S.A.	CNPC 40%.	132,000,000
Jun-08	Establishment of JV Industria China Venezolana de Taladros S.A.	China Petroleum Technology and Development Corporation, S.A. (CPTDC)	22,500,000
Mar-09	Establishment of the Electronic Industry Joint Venture Orinoquia S.A. (ORINOQUIA)	Huawei 35%	1,000,000
Aug-09	Agreement for Chery Vehicle Production in Venezuela	Chery Automobile Co. Ltd.	220,000,000
May-10	Design and construction of the Industrial Complex for the manufacture of Haier household appliances	Haier	59,000,000
Aug-10	Private investment for the installation of a vehicle assembly plant.	Great Wall Motors	65,000,000
Aug-10	Agreement on iron production	Wuhan Iron & Steel Group (Wisco)	2,000,000

Feb-12	Purchase and sale of 10% of the shares of the joint venture Petropiar	China International Trust and Investment Company (CITIC)	944,000,000
Aug-13	Creation of Chery Venezuela Joint Venture authorised	Corporación Automotriz ZGT, C.A. 49%	Undef.
Jul-14	China Development Bank opens Caracas office	China Development Bank Corporation	31,000,000
Sept-14	Agreement for the construction of housing for the Gran Misión Vivienda Venezuela	CITIC Group	1,608,000,000
Sept-14	Special Economic Zone for the industrial production of construction materials in the state of Carabobo	Sany Heavy Industry Co Ltd	31,000,000
Oct-15	Formation of a joint venture: Yutong de Venezuela Bus Plant	Yutong Hongkong Ltd 15%	278,000,000
	Contributions to the Sinovensa Oil joint venture	CNPC	549,000,000
Sept-18	Purchase and sale of 9.9% of the shares of Sinovensa Oil Company	CNPC	1,580,000,000
		TOTAL	**6,045,500,000**

Source: Authors, with data from the Latin American and Caribbean Network on China, China OFDI monitor in LAC and data from C. Piña, Chinese OFDI in Venezuela (2000 - 2017).

Most investments contributed to joint ventures (JVs), and most JVs were involved in the oil sector. More than 60% of the Chinese investment entered this industry with the aim of guaranteeing the supply of oil to China and successfully positioning Chinese oil companies in the region. More recently this investment has contributed to national production and helped Venezuela honor its debt.

China's JVs in other sectors such as Vtelca and VIT (telecommunications), Chery (automobiles), Orinoquia (electronics), Haier Plant (household appliances) and Yutong Assembly Plant (buses), operate as monopsonies since the Venezuelan State pledged to buy the entire production[50]. In addition, a major investment of China's CITIC for the construction of residential complexes was contracted by the national government for the Gran Misión Vivienda Venezuela social housing programme.

50 Ibid

3 JOINT VENTURES AND FAILED PROJECTS

3.1 Oil Joint Venture Sinovensa, S.A.

Sinovensa was created on February 29, 2008[51] and became the fifth joint venture to be created between state-owned companies Petróleos de Venezuela S.A. (PDVSA) and China National Petroleum Corporation (CNPC), with an investment by CNPC of US$132 million[52]. This company was awarded the Carabobo block of the Orinoco Oil Belt (150.07 km^2).

After the China-Venezuela Joint Fund was created in the 6th High Level Joint Commission of November 2007, the Venezuelan government pledged to guarantee Chinese companies the rights to exploit hydrocarbons in joint ventures. Early that year, a Presidential Decree approved the Law of Migration to Joint Ventures of the Association Agreements of the Orinoco Oil Belt and the Exploration at Risk and Shared Profits Agreements. These laws changed the legal framework of associations with private companies for the exploration and exploitation of hydrocarbons. All associations were to migrate to a joint venture scheme, in which PDVSA would retain a majority share.

The new legal context in the oil sector and the prerogatives of the bi-national agreements signed by the president and approved by the ruling-party parliament **allowed the establishment of joint ventures without a bidding process and under a secret and discretionary management**. Although the Contracting Law was not violated, the entire agreement contravened good practices of transparency, competitiveness and minimum guarantees of efficient resource management.

Sinovensa was established[53], started operations and received loans between 2013 and 2016, as well as capital contributions (investments) in 2016 and 2018. The government agencies directly linked to the formation of Sinovensa were the Ministry of Petroleum, PDVSA, the National Development Fund (FONDEN) and the Venezuelan Economic and Social Development Bank (BANDES).

51 According to Official Gazette 38,860

52 LAC-China Network and OFDI Monitor, «OFDI China en América Latina y el Caribe» 2017. [Online]. Available at: https://www.redalc-china.org/monitor/informacion-por-pais/busqueda-por-pais/37-venezuela.

53 The company's articles of incorporation are published in the Official Gazette No. 38,868 of February 12, 2008

The largest loan received by the company was for US $4 billion in 2013 to increase production from 105,000 to 330,000 b/d of extra-heavy crude oil from the Orinoco Oil Belt and upgrade its infrastructure. It later received part of a $2.2 billion loan in 2016 to boost production from 160,000 to 230,000 b/d, pilot an alternative steam injection process, and increase crude storage, transportation, and processing capacity[54].

However, subsequent government announcements and media reports indicate that Sinovensa's production expansion projects did not materialise; in fact, production dipped in 2018 about 20%. In 2019, the company again announced that it would increase production to 165,000 b/d, a much lower target than those announced in 2013 and 2016[55]. Later, in September 2019, CNPC declared that Sinovensa's expansion plan was suspended due to PDVSA's failure to comply with agreements[56]. This information suggests that Sinovensa's production has remained stagnant between 105,000 and 130,000 b/d since 2013, which in 2019 accounted for around 13% of Venezuela's total production[57].

In relation to the capital contributions received, the Latin American and Caribbean Network on China and the FDI monitor states that in August 2016 Sinovensa was the recipient of a US$549 million investment by CNPC. In addition, as mentioned above, in 2018 there was a transfer of shares in Sinovensa that reshaped the shareholder composition, leaving PDVSA with 50.1% and CNPC with 49.9% of the shares. This transfer was considered a payment of debt commitments of PDVSA with CNPC as well as an investment. Summing the funds invested by CNPC and the loans received from banks in China, the Sinovensa joint venture has received close to US$7 billion.

CNPC'S CONTRIBUTIONS AND SINOVENSA'S EXPANSION TARGETS

2013

China loan to boost production
US$ 4,015 million

Production target
From 105,000 b/d to 330,000 b/d

2016

China loan to boost production
US$1,256 million

Production target
From 160,000 b/d to 230,000 b/d

2019

China loan to boost production
PDVSA sells 9.9% of Sinovensa shares to CNPC.
CNPC declares that it suspends Sinovensa's expansion plan due to PDVSA's non-compliance

54 Y. Sandoval, "Venezuela y China firman acuerdos por 2200 millones de dólares. PDVSA" November 17, 2016. [Online]. Available: http://www.pdvsa.com/index.php?option=com_content&view=article&id=6656:venezuela-y-china-firmaron-acuerdos-por-2-mil-200-millones-de-dolares&catid=10&Itemid=589&lang=es

55 Petroguía, «PDVSA y CNPC se fijan como meta que Sinovensa aumente 27% su producción en 2019» February 18 2019. [Online] Available at: http://www.petroguia.com/pet/noticias/petr%C3%B3leo/pdvsa-y-cnpc-se-fijan-como-meta-que-sinovensa-aumente-27-su-producci%C3%B3n-en-2019

56 El Estímulo, «Petrolera China CNPC acata embargo contra Maduro y suspende producción en Venezuela» September 4,2019 [Online] Available at: https://elestimulo.com/elinteres/petrolera-china-cnpc-acata-embargo-contra-maduro-y-suspende-produccion-en-venezuela/

57 According to OPEC data, reviewed by Reuters, Venezuela's production in 2019 averaged 1,013 mb/d. Reuters Graphics https://fingfx.thomsonreuters.com/gfx/editorcharts/VENEZUELA-OIL-RAMIREZ/0H001QXSTB69/index.html

There is not access to complete and verifiable information about the company's governance, current corporate structure, financial statements, number of staff, historical production data and tax contributions. No documents were found that explicitly described the terms of the loans to this company. However, it is probable that these were granted under the same conditions as other loans: payments with oil shipments to pay principal, interest at the Libor rate, and additional risk coverage stipulations.

In this context of opacity and lack of accountability, there were alleged acts of corruption. In October 2019, Sinovensa president Alberto Emilio Bockh and two other officials were arrested by Venezuela's General Directorate of Military Counterintelligence (DGCIM) for "embezzlement, conspiracy of officials with contractors, arrangement of bidding procedure or false allegations, as well as conspiracy to commit a crime[58]".

Through Sinovensa, Chinese state-owned company CNPC has participated in hydrocarbon exploration and exploitation as well as in downstream activities such as the expansion of crude oil storage, transportation and processing capacity at its Mixing Plant in the Jose Antonio Anzoátegui Industrial Complex. For the Venezuelan government, Sinovensa and other joint ventures in the hydrocarbon sector have helped meet the objective of diversifying partners and clients in this sector.

However, neither the investments nor the loans have yielded the expected results for Sinovensa. This is evident from the recurrent calls to increase production, the agreements to refinance Venezuela's debt with China—which opened a two-year grace period for the payment of the loan principal—and the transfer of shares to CNPC in violation of provisions that PDVSA should retain at least 60% of JV capital. In April 2020, the lack of proper maintenance at the company is alleged to have led to a fire that caused serious damage to pipes and storage tanks and damaged the company's oil production[59].

Regarding the company's impact on the sector, political scientist and researcher Carlos Piña[60] stated in an interview for this report that: "despite the large amount of money invested in the Sino-Venezuelan joint ventures operating in our country (Sinovensa, Petrozumano, Petrourica and Petrolera Sino-Venezolana), the estimated production targets of the investment projects have not been achieved. Thus, it can be argued that the presence of Chinese capital in the Orinoco Oil Belt has not translated into an increase in Venezuelan oil production, or into technology transfer, human capital training and investment in infrastructure in the sector[61]".

The following graph of Venezuela's oil production reported to OPEC shows the steep and sustained drop in production since 2014.

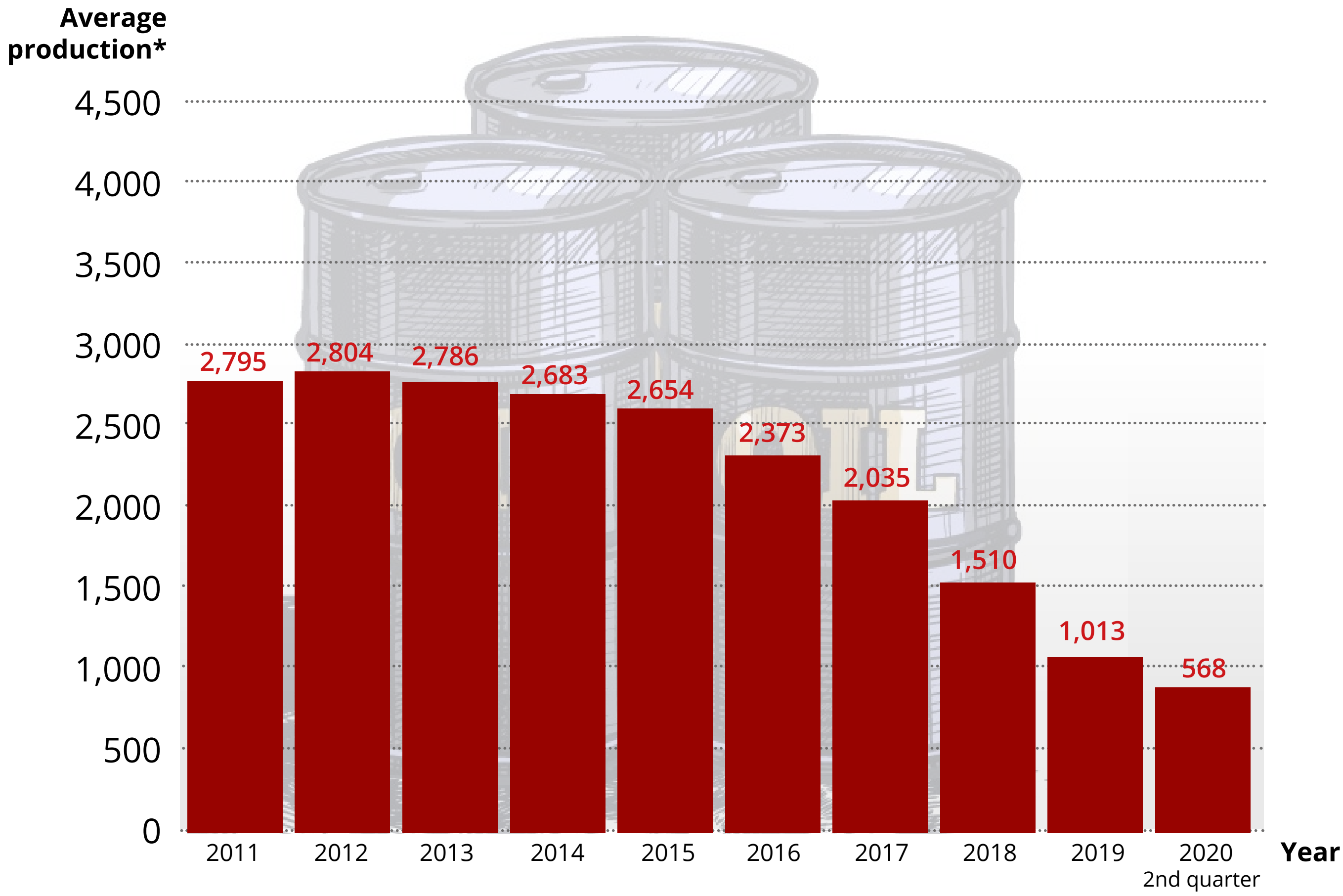
58 Runrun.es, «Arrestaron a presidente y otros dos funcionarios de Petrosinovensa» October 5, 2019. [Online] Available at: https://runrun.es/noticias/390011/arrestaron-a-presidente-y-a-otros-dos-funcionarios-de-petrosinovensa/

59 J. Gutiérrez, "Un incendio arrasa el icónico proyecto de amistad petrolera entre Venezuela y China", May 26, 2020 [Online] Available at https://dialogochino.net/es/actividades-extractivas-es/35547-un-incendio-arrasa-el-iconico-proyecto-de-amistad-petrolera-entre-venezuela-y-china/

60 C. Piña, Interviewee, Relationship between China and Venezuela. [Interview]. February 7, 2020.

61 C. Piña, Interviewee, Relationship between China and Venezuela. [Interview]. February 7, 2020.

FALL IN VENEZUELAN OIL PRODUCTION



* Figures expressed in thousands of barrels of oil per day
Source: Data provided by the Venezuelan Ministry of Petroleum for OPEC's monthly reports.

3.2 Yutong Venezuela Bus Assembly Plant

The entry of Yutong Hong Kong in Venezuela began in 2005, but the government of Venezuela only began purchasing buses from the company in 2011, a few months after the creation of the Large Volume Long Term Fund. On October 8, 2015, a joint venture of the State was authorised through Official Gazette No. 40.763, in the form of a corporation. Given the name Planta de Autobuses Yutong Venezuela, S.A., the joint venture had its ownership distributed as follows:

- 45% for the Venezuelan Ministry of Land Transportation and Public Works
- 40% for the Venezuelan Ministry of Industry and Commerce
- 15% for the China's Yutong Hong Kong Limited.

The Chinese company invested US$278 million[62], or 15% of the company's shares, leaving the Venezuelan government with the remaining 85%. The company´s development was planned in two stages. The first involved the manufacturing of semi-completed testing units and the subsequent construction of fully assembled units[63]. By the end of the second stage, the plant was expected to have a capacity to assemble an estimated 3,600 units per year. Construction of the first phase was completed in December 2015 and the second phase was scheduled for completion by mid-2016. As of March 2019, construction of the second stage was still in progress and President Nicolás Maduro approved an additional 7 million euros for the "civil works for the expansion and completion of the Yutong bus assembly plant and factory" (approximately US$7.9 million)[64].

62 LAC China Network and OFDI Monitor [Online] Available at https://www.redalc-china.org/monitor/
63 (2015). Official account of the Presidential Press. Retrieved from: https://twitter.com/PresidencialVen/status/672099517806833664
62 Venezolana de Televisión, "Venezolana de Televisión," March 21, 2019. [Online]. Available at: https://www.vtv.gob.ve/gobierno-aprobo-recursos-fabrica-yutong/.

Four agreements were signed with the government of Venezuela.

- In 2011, a contract was signed for the Venezuelan government to purchase, through the Ministry of Transport and Communication's Urban Transport Fund (FONTUR), a total of 1,216 buses worth 1.49 billion yuan (approximately US$230 million). In addition, the contract included a smart public transport system, staff training and technical transfer.
- The second agreement was concluded during the 12th High Level Joint Commission in 2013 and included the purchase and sale of 2,000 buses and the public transport management and operation system. The amount of the contracts totalled US$353 million (not including value added tax), equivalent to 2.16 billion yuan, and the unit price of each bus was about 1.08 million yuan[65] (approximately US$176,477.50[66]).
- On June 21, 2014 and again within the framework of the 13th Joint High Level Commission, a Memorandum was signed between Minister of Land Transport Haiman El Troudi and Yutong President Tang Yuxiang for the purchase of 1,500 buses, spare parts, tools, maintenance and the smart management system for public transport operation. No information is available on the cost of this transaction. The parties also agreed to establish a bus assembly joint venture.
- The fourth agreement, signed in April 2015, consisted of the US$361 million purchase of 2,300 semi-assembled transport units that China would send to be completed in Venezuela. The agreement included the training of the company's staff in China and was finalized after the plant had begun construction.

Altogether, an estimated 4,716 assembled units were imported, and 2,300 units were shipped in parts for assembly in Venezuela, for a total of 7,016 units.

Reports show that only 1,600 units have been assembled at the Yutong plant in Venezuela. Thus, the estimated number of completed units should stand at 6,316. However, the president of the Yutong Venezuela plant, Carlos Osorio, during a satellite broadcast on March 21, 2019, explained that there were 1,600 Yutong buses in operation throughout the country and the government had ordered the repair of 2,000 units by the end of that year.

This indicates that **only 23% of the buses purchased from Yutong Hong Kong were operational in Venezuela in 2019**, at a cost of US$944 million, not including the amount of the third agreement. The purchase and manufacturing of buses in Venezuela was aimed at ensuring the supply of urban and inter-city public transport in 55 cities in the country, through the Misión Transporte programme, but the service coverage targets were not met. In fact, the supply of urban and extra-urban public transport in Venezuela remains insufficient, unsafe, and costly, considering the average salary of Venezuelans[67].

65 Yutong, "Yutong Noticias y Medios," Sept. 17, 2013. [Online]. Available at: https://es.yutong.com/pressmedia/marketexpress/2013/0917/2014LdRDAR0scd.html.

66 (2013) Conversion based on USD/CNY exchange information by the Bank of England by the time of the announcement. https://www.poundsterlinglive.com/bank-of-england-spot/historical-spot-exchange-rates/usd/USD-to-CNY-2013

67 Transparencia Venezuela, "Transporte Público," April 11, 2018. [Online]. Available at: https://transparencia.org.ve/project/transporte-publico/.

Based on press statements by Yutong Co., the unit prices for the purchase of 2,000 units assembled in Venezuela after the second agreement was around US$176,400 per unit. Little is known about the specifications of the buses; however, compared to market prices for similar transport units this cost is high. For example, a relatively recent precedent is the sale of 140 units at a unit price of $70,000 per bus by Yutong Company to the government of the Philippines in 2014. During 2016, in Chile, Yutong buses models V7 Urbano (7.7 meters) and V7 Full (8.3 meters) went on the market at a retail price of US$42,500 and US$48,000, respectively.

As in the case of other joint ventures, there is no access to complete, timely and verifiable information on the company's financial statements, number of staff, operational capacity, corporate governance and budget. The lack of information on the company's management violates Venezuelan regulations on public financial administration and impedes parliamentary and civil oversight.

Regarding the Yutong Venezuela assembly plant, a businessman linked to the automobile sector stated in an interview for this investigation:[58] "We also met with this company (Yutong) to coordinate the manufacture of auto parts here, but there were no purchases or development. They claimed (as in the case of Chery Venezuela) that Yutong China has the blueprints. The companies told us that this is part of China's tradition worldwide; they are interested in selling their products, rather than buying foreign products." Furthermore, changes in Venezuelan government policy in the automotive sector[69] in 2007 gave large advantages to Chinese companies.

3.3 Failed projects

Table 7 lists a number of projects in the water, electricity, transport, hydrocarbons, housing and manufacturing sectors that did not meet anticipated targets. The amount invested by the Venezuelan government in these projects totals US$19.6 billion, largely financed with Chinese loans.

The failure of these projects can be explained by the governance gaps addressed in the following section. The risks of abuse of power in the management of public funds are very high if management is conducted in secret and there are no controls, checks and balances, and enforced rule of law. The Venezuelan public sector, in addition to being prone to corruption, was underprepared to negotiate with a superpower like China. The list of contributing factors include insufficient training of Venezuelan public officials engaged in project negotiations; a high turnover rate for authorities and officials; constant improvisation in management; the prevention of private sector participation; and the involvement of the Venezuelan military sector in the projects to guarantee the support to the government regime[70].

68 Automotive entrepreneur, Interviewee, Relation between China and Venezuela. [Interview]. February 12, 2019

69 The joint resolution of the Ministries of Finance, Light Industries and Commerce, and Energy and Petroleum, published in Official Gazette 38,800 dated August 31, 2007, established that the importation of semi-knock down vehicles for completion in the country could be authorised, while traditional vehicle assemblers installed in the country imported the assembly material completely knock down.

70 Academic expert 1, Interviewee, Relation between China and Venezuela. [Interview]. March 24, 2020. The source states: "it is not that there is no corruption in China, on the contrary, it is one of its main scourges, but its public and private sectors are widely trained in their skills."

Table N° 6

Name of failed projects	Body or entity in charge	Cost in US$	Status	Start date	China Company	State	Description of the problem
Falcón Aqueduct	Ministry of Ecosocialism	450,000,000	Completed	2003	China CAMC Engineering	Falcón	The Comptroller in 2007 reported non-compliance, irregularities and cost overruns. It then failed. There is no reliable water supply In Falcón.
Rehabilitation of the Central-Western Railway System	Railway Institute	871,000,000	Ongoing	2007	Yankuang Group Corporation	Lara, Yaracuy, Falcón	The project is at a standstill, and has had cost overruns. Rolling stock purchased from China has since been abandoned.
Putting the Venesat- 1 "Simon Bolivar" Satellite into Orbit	Ministry of Science and Technology (Bolivarian Agency for Space Activities)	406,000,000	Completed	2005	China's General Control Centre for Satellite Tracking and Launching.		The satellite was put into orbit. It had an estimated life span until 2024. It stopped working on March 24, 2020, four years ahead of schedule
Haier Appliance Manufacture Industrial Complex	Ministry of Science, Te-chnology and Intermediate Industries	800,000,000	Ongoing	2010	Haier Group	Miranda	It was declared completed but no appliances have been assembled. It has only served as a warehouse.
Yutong Venezuela Bus Assembly Plant	Ministry of Transport	417,000,000	Ongoing	Jun-14	Zhengzhou Y utong Bus Co.	Yaracuy	The plant should have been ready in 2016. It is still under construction. It is producing below targets.
Batalla de Santa Inés Refinery	PDVSA	2,900,000,000	Ongoing	2010	Wison Engineering	Barinas	Only the refinery's power generator was built.
Planta Centro Thermal Power Plant	Corpoelec	1,465,000,000	Ongoing	2013	China Machinery Engineering Corporation	Carabobo	The contract is estimated to be overpriced by US$805 million. It operates below capacity. Andorran investigations suggest a US$55 million bribe for awarding of the contract

Name of failed projects	Body or entity in charge	Cost in US$	Status	Start date	China Company	State	Description of the problem
Luis Zambrano Thermal Power Plant	Corpoelec	956,000,000	Completed	2011	China CAMC Engineering (CAMC)	Merida	The NA claims there is a surcharge and the real cost is US$ 371 million (2005 prices)
José Félix Ribas Thermal Power Plant	Corpoelec	604,000,000	Completed	Apr-11	Sinohydro	Aragua	The NA claims there is a surcharge and the real cost is US$ 359 million (2005 prices)
Delta Amacuro Rice Processing Plant	PDVSA Agrícola	200,000,000	Ongoing	2010	China Camc Engineering (CAMC)	Delta Amacuro	The plant was not completed, the related works were not done, promises were not fulfilled.
Transmission Line from Manuel Piar Plant to Uribante Caparo	Ministry Energy and Mines; Corpoelec	1,315,000,000	Ongoing	Mar-09	China Electric Power Equipment and Technology, China Gezhouba, and China CAMC Engineering.	Táchira	Works were not completed. Project is halted.
Ciudad Tavacare	Ministry of Habitat and Housing	200,000,000	Completed	2009	CITIC Construction Co, LTD	Barinas	The company enjoyed tax breaks. Quality of housing is precarious; quality controls and procedures were not followed.
Revamping Carbozulia (coal mining)	Ministry of Ecological Mining Development	400,000,000	Completed	Jun-17	China Camc Engineering (CAMC) y Yang Kuang Group	Zulia	Operation was handed over without controls and at a disadvantage to the national company. Production dropped and the project was then handed over to another company.
Tinaco-Anaco Railway	Railways Institute	7,500,000,000	Ongoing	2009	China Railway Engineering Corporation (CREC)	Guárico	Project should have been completed in 2012. It is still halted
TermoCarabobo Power Plant	PDVSA	1,116,000,000	Completed	2012	Sinohydro China	Carabobo	The NA claims there is a surcharge and the real cost is US$572 million (2005 prices) (156%)

Source: Authors, with data from the Venezuelan Embassy to China "Agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China"; Prodavinci, "Vivir sin agua"; Cedice, "Gasto público en infraestructura de transporte colectivo y carga"; Joint commission for the electric crisis of the National Assembly; Transparencia Venezuela, "Ciudad Tavacare, un complejo urbanístico sin ley"; Reuter, How a Chinese venture in Venezuela made millions while locals grew hungry" and Armando Info, "Al rescate millonario de SIDOR se le salieron las costuras" and "Turquía aterriza en el carbón del Zulia y el oro de Guayana".

The current status of JVs Venezolana de Industrias Tecnológicas and Venezolana de Telecommunications C.A. also stand as evidence of the costs imposed by these failed projects, in both money and opportunity.

Venezolana de Industrias Tecnológicas (VIT) was established in October 2005. China's state-owned Inspur International, Ltd. holds 49% of the shares while the Venezuelan government holds the remaining 51%. The company manufactures and assembles technological equipment such as computers, laptops, tablets and servers for the domestic market. There is no reliable data on the company's production, but official websites claim that between 2007 and 2014, 700,000 pieces of equipment were manufactured, and a good portion was used for programs aimed at providing public schools and universities with this technology. However, people could only access these products through the Ministry of Industry and the National Telecommunications Company (CANTV). In 2014, the official channels for the purchase of the products were closed and the programs for the target population (students) were suspended. Currently, the company's official website has a sales link only for Venezuelan government agencies and for clients abroad. However, some VIT products can be found in online markets such as mercadolibre.com, with several models available, which claim to be brand new (built in April 2019), and with prices ranging between US$250 and US$300[71].

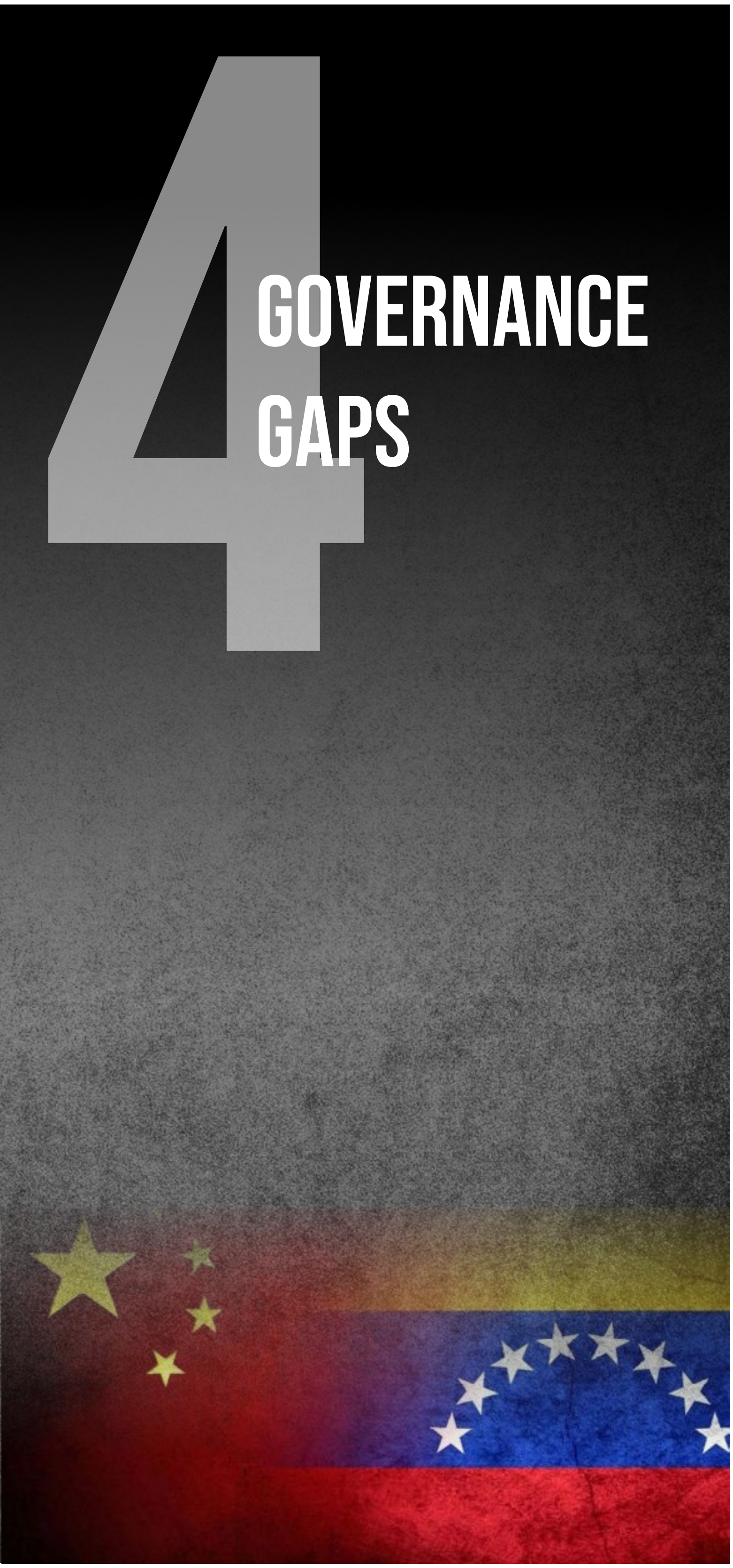
Venezolana de Telecommunications C.A. (Vtelca) was created in October 2007 to manufacture mobile phones. The Venezuelan government owns 84.3% of the capital and the remaining 15.7% is held by JV "ZTE de China". The plant started operations in 2009 with a projected production of 1.5 million telephones per year, but according to official data only around 7.7 million cell phones had been assembled by 2018[72]. That is approximately 70.7% of the projected target. From 2014 onwards, the Ministry of Industries reported that production started to drop due to difficulties importing parts from China. Starting even earlier, in 2013, there have been reports of equipment losses, malfunction, lack of inputs, labor disputes, corruption, and the resale of equipment[73]. As further evidence of the broken process, Vtelca's phones are meant to be distributed by CANTV and Movilnet. Investigation revealed that Vtelca phones were not for sale in their stores.

71 Mercado Libre, https://articulo.mercadolibre.com.ve/MLV-554792984-lapto-core-i3-nueva-en-su-caja-_JM?variation=49472189079&quantity=1#reco_item_pos=13&reco_backend=machinalis-v2p&reco_backend_type=low_level&reco_client=vip-v2p&reco_id=2702ca37-7d8f-4485-9226-491ed033e9d3

72 Vice Presidency of the Bolivarian Republic of Venezuela, «Vice Presidency of the Bolivarian Republic of Venezuela» 2 February 2018. [Online]. Available at: http://www.vicepresidencia.gob.ve/jefe-de-estado-celebra-10-anos-de-inauguracion-de-la-fabrica-vtelca/

73 Producto «Intervienen la empresa estatal Vtelca» 14 de mayo de 2014. [En línea] Disponible en http://producto.com.ve/pro/intervienen-la-estatal-vtelca

4 GOVERNANCE GAPS



In the sections above, governance gaps have been described that limited monitoring and oversight on the inflow and use of funds. The evidence collected and described in this report clearly indicate that these funds have had a pernicious effect on democratic institutions, fiscal sustainability and economic performance.

Even though Venezuela's constitution and legal provisions guaranteed the functioning of checks and balances on power, the rule of law, transparency, and accountability, there were several factors that minimized the scope of the law, including:

- Hugo Chavez's charismatic leadership and strong popular support.
- Strategic mistakes made by the opposition leadership that expanded the power of the executive's party.
- The significant increase in public revenues as a result of the rise in international oil prices, which also gave more power and autonomy to the executive.
- China's interest in Venezuela's oil and mineral resources and its global expansion strategy.
- The government's alliance with the Cuban government, the oldest totalitarian regime in the Americas.

The parliamentary oversight set forth in the Constitution to manage the bilateral agreements proposed by the Executive Branch was not implemented consistently because the ruling-party majority in the National Assembly was allied with the Chavez government. In addition to the bias in Parliament, the opposition parties boycotted the parliamentary elections for the 2005–2010 legislature. This gave the regime almost absolute freedom to implement its projects.

During those years the regime made significant changes in the political and economic institutions. These included changing the conditions for private-sector participation in the exploitation of hydrocarbons; designing the legal framework for money-for-oil loans to advantage Chinese companies; creating and managing extra-budgetary funds that were not submitted to the National Assembly for discussion; and the creation of the Joint Chinese Venezuelan Fund and the Large Volume Long Term Fund. The FCCV and the FGVLP brought US$50.25 billion into the country, under the rules imposed by China.

In 2004, President Chávez managed to change the number of Justices of the Supreme Court, from 11 to 20, and later to 32. The selection process for Supreme Court Justices depends on the National Assembly[74]. Therefore, control over the constitutionality of the laws, their interpretation and the decision in relation to controversies between two or more cases, have not been autonomous or independent, impinging on the rule of law, which has been progressively deteriorating since then. As a result, the Judiciary refrained from reviewing the constitutionality of bilateral agreements and from ensuring consistency with macro-fiscal rules aimed at protecting economic stability and debt sustainability.

Provisions of sound, transparent, sustainable and efficient public sector financial administration were set forth in the 1999 Constitution and in the 2000 Law on Public Sector Financial Administration (LOAFSP). The legal framework was aligned with economic recommendations and international best practices. The Constitution and the LOAFSP included principles of efficiency, solvency, transparency, accountability and fiscal balance. They also established that the national budget should be the only instrument for economic and financial administration, include all national public expenditures and revenues, and must be approved by Parliament[75]. A Multi-annual Budget Framework was also created to establish expenditure and debt ceilings in the national budgets for a period of three years, with indicators and rules for fiscal discipline. In addition, a constitutional status was given to the Investment Fund for Macroeconomic Stabilization, created in 1997 to ensure stability in public spending in the face of volatility of oil revenues.

However, the LOAFSP was amended 13 times from 2003 to 2015 to relax discipline and sustainability rules. The Multi-annual Budget Framework never came into force, and the Macroeconomic Stabilization Fund was dismantled and eliminated from the LOAFSP. Since 2003, extra-budgetary public funds began to be created, a practice that was entrenched in decision-making in 2005 with the creation of the National Development Fund (FONDEN). FONDEN was used to divert oil revenue and international reserves from full Parliamentary oversight. Then came the Venezuela-China Joint Fund in 2008, the Large Volume Long Term Fund in 2010, and the Independence Fund 200 in 2010[76].

In the midst of a commodity boom that spurred growth in public revenue, the removal of formal controls or limits on budgetary public spending and the introduction of unregulated extra-budgetary funds significantly increased the size of the state as a percentage of GDP[77]. Unfettered by normal limits, these expenditures formed

74 As provided for in Article 264 of the Constitution of the Bolivarian Republic of Venezuela.

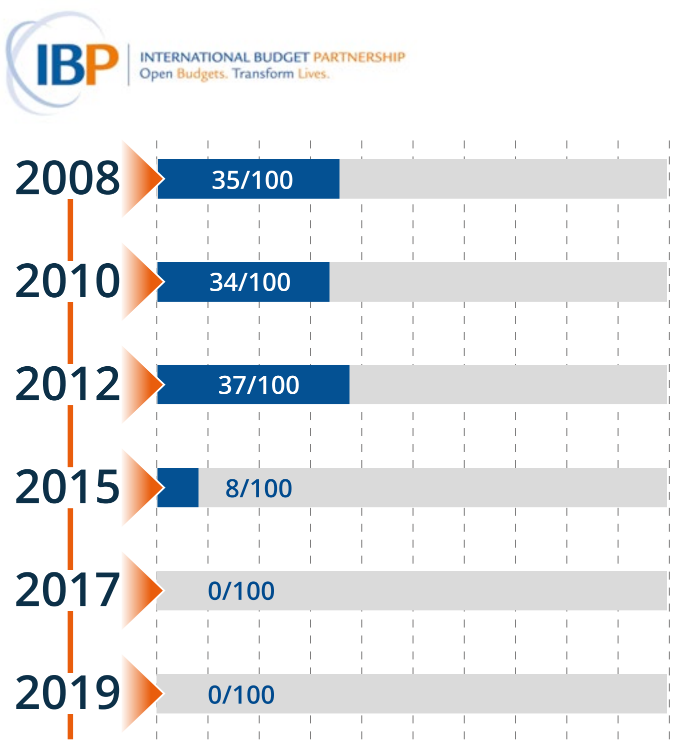
75 Constitution of the Bolivarian Republic of Venezuela, Articles 311-315. Law on the Financial Administration of the Public Sector, Articles 8-27.

76 A. Paredes, «Gestión Fiscal en Venezuela y su incidencia en el desempeño económico 1999-2018», Mérida: Master in Economics, School of Economic and Social Sciences, Universidad de Los Andes, 2020.

77 G L. Zambrano, «Estructura e Incidencia de la Política Fiscal en Venezuela», Academia Nacional de Ciencias Económicas, 2009. A. Paredes, «Gestión Fiscal en Venezuela y su incidencia en el desempeño económico 1999-2018», Mérida: Master in Economics, School of Economic and Social Sciences, Universidad de Los Andes, 2020.

an aggressive policy of creation, nationalization, expropriation and re-nationalization of companies[78]. It increased the number of government ministries and agencies and created social programs that served as instruments of social coercion during elections.

These were only part of a set of nationalist policies that were fiscally irresponsible and favored the authoritarian tendencies of the regime. The increased presence of the public sector in the economy had a negative impact on macroeconomic performance. Productive activity has been in decline since 2014, annual inflation has skyrocketed to over 100% since 2015 and the country has been in default since 2017. In relation to the growing opacity in the management of public funds, the results of the Open Budget Index prepared by the International Budget Partnership speak for themselves. Venezuela has been evaluated since 2008 and ranked as follows[79]:



China has supported the rationale that loans should not be subject to criteria of sustainability, expenditure control and transparency. Instead, they push for agreements to remain secret and non-competitive to benefit Chinese companies and local well-connected contractors. These practices have contributed to the waste of public resources and the implementation of discretionary decisions even when projects were failing.

It should be noted that Venezuela's Decree-Law on Public Procurement excludes implementation of projects, purchase of goods and provision of services that are part of international agreements, or any contracts employed to fulfill these agreements[80]. **Thus, all projects and purchases agreed with China were made without a bidding process or quotes**. There was no open competition to attract the most efficient companies and ensure reasonable costs, and domestic entrepreneurs did not have the opportunity to bid for the projects. The destination of the funds, the projects and the companies participating as contractors and suppliers were all defined by the High Level Joint Commission. This means a group of government representatives for Venezuela and China made decisions that left Venezuela as China's captive buyer[81].

78 Transparencia Venezuela, «Empresas propiedad del Estado, Un modelo de control I y II. 2018» [Online] Available at: https://transparencia.org.ve/empresas-propiedad-del-estado/

79 Transparencia Venezuela, «Venezuela saca cero en transparencia en la administración de los recursos públicos», Jan. 31, 2018. [Online] Available at: https://transparencia.org.ve/project/venezuela-saca-cero-transparencia-la-administracion-recursos-publicos/

80 Art. 4, # 1 and 2 of Decree-Law on Public Procurement.

81 F. Culshaw, «El Fondo Chino auxilia al gobierno venezolano en la crisis económica» Debates IESA, vol. XIX, No. 2, pp. 64-66, April-June 2014.

5 LESSONS LEARNED

Assessments of the relationship between China and Venezuela are varied. Some authors highlight the advantages of the economic exchange for Venezuela because of three main beneficial effects: it allowed the diversification of the trade partners in the energy sector, enabled access to funds for infrastructure and social spending and led to a favorable trade balance for Venezuela between the two countries from 2000–2018. "The model of bilateral relations established between the People's Republic of China and the Bolivarian Republic of Venezuela has represented the most advanced experiment in economic and political cooperation between China and any country in Latin America[82]."
The common denominator is oil. While other countries in Asia, Central Africa and LAC also have large hydrocarbon reserves, none has received such a large flow of capital from China as Venezuela[83].

On the other hand, a group of authors point out that China has applied "debt-trap diplomacy" that forces credit recipients to give up assets, influence in economic decision-making and part of their sovereignty in return for capital.[84,85] From this perspective, the conditions described in the second section on the trade and investment ties between Venezuela and China worsened the already existing governance gaps and impinged on national interests, both because of the loss of opportunities for Venezuelan private businesses and workers, and because failed projects squandered funds without

82 C. Piña, «Las relaciones China Venezuela a la luz de las inversiones chinas en el sector petrolero venezolano (2000 - 2018)» China Mexico Study Centre UNAM, Mexico, 2020.
83 Ibid.
84 Brandt and C. E. Piña, «Las relaciones Venezuela China (2000 - 2018). Entre la cooperación y la dependencia» Friedrich Ebert Stiftung, Caracas, 2019; R. Castro, «Desestadounizar no es descolonizar: apuntes sobre las relaciones entre China y Venezuela de cara a la crisis Venezolana» in La crisis venezolana: impactos y desafíos, Bogotá D.C., Konrad Adenauer Stiftung, 2019, pp. 297 - 323.
85 M. Rendon and S. Baumunk, «When investment hurts. Chinese influence in Venezuela» April 3, 2018. [Online]. Available at: https://www.csis.org/analysis/when-investment-hurts-chinese-influence-venezuela.

delivering the promised goods and services. Two specific situations serve as examples of China's influence on economic decisions. In 2010, the Venezuelan government, through the state owned Corporación Venezolana de Guayana, reached an agreement with the third largest iron ore company in China (Wuhan Iron & Steel Group) for the sale of 40 million tons of iron ore over a seven-year period at a price US $20 lower than the one on the international market. This led to an estimated loss of US$59 million for Venezuela[86]. In the hydrocarbons sector, PDVSA sold 9.9% of Sinovensa's shares to CNPC in 2018 to honor debt commitments. The disposal of shares in the Sinovensa JV, without the knowledge or approval of the National Assembly, infringes Article 33 of the Law of Hydrocarbons. The alleged transfer of operational control of the companies violates Articles 3, 9 and 10 of the cited law and articles of the Constitution. In addition, since the end of 2019 several media outlets have reported that PDVSA began ceding operational control of joint ventures to avoid further production losses in this sector[87].

Some observers disagree that the idea of China's "debt-trap diplomacy," applies to Venezuela[88]. These argue that the relationship between China and Venezuela has been detrimental to both parties and that "China's lending has not only greased the wheels of Venezuela's path to self-immiseration, but it has also clearly undermined China's own economic and geostrategic interests[89]." In fact, **the case of the relationship between China and Venezuela is the most extreme example of financing agreements in which both the debtor and the creditor have lost[90]. This is attributed to the policies of handing over money without demanding fiscal discipline, transparency and checks and balances, assuming that oil shipments would be enough to honor the payments, underestimated the profound weaknesses in public management in Venezuela, especially in state-owned companies like PDVSA**, and ignoring the Venezuelan government's own moral hazard problem. In truth, China has fallen into the "creditor trap" and should have made payment terms more flexible, given a two-year grace period, postponed due dates and reduced oil shipment quotas. The failure to do so has harmed its interests.

An economic expert who asked to remain anonymous pointed out that between 2012-2014 the Venezuelan government diverted funds that were intended for projects in which Chinese companies made investments. This was done with a promise that the funds for the reimbursements would be available in the Venezuelan Chinese Joint Fund or in the Large Volume Long Term Fund. However, faced with unjustified delays, several Chinese companies whose funds were diverted decided to halt works and abandon the projects. The Chinese government asked the companies not to make any complaints or enter into international litigation to claim this debt, which came on top of the debts described herein. Despite these setbacks, China is still "a country with a large demand for heavy oil, of which there remains huge reserves in Venezuela. [China] sees the country as a long-term supplier. They believe they can still have a lasting and pragmatic relationship," the source said. Another serious problem for China has been the constant change

86 D. Pratt, «Guayana. El milagro al revés» Ed. Alfa, Caracas, 2012

87 M. Párraga & S. Eschenbacher «Exclusive: Weakened by sanctions, Venezuela's PDVSA cedes oilfield operations to foreign firms», 3 enero 2020, [Online]. Available: https://www.reuters.com/article/us-venezuela-oil-ramirez/exclusive-weakened-by-sanctions-venezuelas-pdvsa-cedes-oilfield-operations-to-foreign-firms-idUSKBN1Z221R

88 S. B. Kaplan and M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics» Woodrow Wilson Center, Washington, 2019.

89 M. Ferchen, «China, Venezuela, and the Illusion of Debt-Trap Diplomacy» Carnegie - Tsinghua Center for Global Policy, August 16, 2018. [Online]. Available at: https://carnegietsinghua.org/2018/08/16/china-venezuela-and-illusion-of-debt-trap-diplomacy-pub-77089

90 S. B. Kaplan and M. Penfold, «China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics» Woodrow Wilson Center, Washington, 2019.

of policy officials in Venezuelan ministries, with no guaranteed delivery of management reports or administrative continuity of the projects. This has slowed their progress, in some cases leading to project halts and to the lack of proper oversight and monitoring and which, in turn, created space for embezzlement and abuse.

Furthermore, the embedded conditionality of the credits from China forced Venezuela to become its buyer. This confirmed an asymmetric market, with advantages for Chinese companies over the national private sector. The Venezuelan private sector has been feeling the pressure of price controls, irregularities in the exchange system and pernicious labor regulations since 2003. In this regard, Professor Pedro Mora, an expert in the electricity sector[91], noted that Chinese companies should not have overseen the main thermal power generation projects since Venezuela was technically able to take charge. As mentioned in the section on failed projects, three thermoelectric power plants commissioned to Chinese companies did not yield the expected results, and according to a report by the National Assembly were paid at prices above international average[92].

A businessman from the agro-food sector[93] described in an interview his experience purchasing and distributing agro-chemicals through one of the loans granted by China. At that time, there were no other bidders due to problems in the government-controlled exchange market[94]. Since 2013, only agrochemicals from China were available, and these turned out to be of poor quality—although it is not certain whether this was due to the poor quality of the raw chemicals or to the poor preparation of the final product in Venezuela. In either case, the use of these products harmed agricultural productivity. The Ministry of Agriculture never gave precise information on the quantity of chemicals purchased or their yield; they merely stated that it would be enough for four years. The opacity on the negotiations with these items also led to the emergence of black markets with prices higher than the international market.

Another example of the negative impact China's loan conditionalities had on the economy is in the automotive sector. Various policies such as the 2007 resolution of the Ministry of Industry and Commerce grant privileges to Chinese automotive companies[95]. Negotiations between the Venezuelan national government and these companies limited the participation of domestic auto part suppliers. These policies led to the decline of domestic automotive production, which was also affected by the malfunctioning of the exchange system, price control and labor regulations. In addition to the prior descriptions of the negative impact these embedded conditionalities had on Venezuela's economy, it should be recalled that in several projects most of the labor force was hired from China, to the detriment of Venezuelan workers.

Field research in African countries that received funds from China and the World Bank concluded that the funds from China exacerbated local corruption and had little impact on economic activity[96]. In this matter, authors such as Moisés Rendon[97], Matt Ferchen[98], and Ricardo Hausmann[99] state that the amount of capital

91 P. Mora, Interviewee, Cash flow from China. [Interview]. November 11, 2019.
92 National Assembly, «Mixed Committee for the Study of the Power Crisis in the country. Final Report,» January 15, 2017.
93 Businessman in the agro-food sector, Interviewee, Relation between China and Venezuela. [Interview]. Dec. 12, 2019.
94 While purchases were approved, foreign currency was not transferred to international suppliers, which forced companies to shut down.
95 The joint resolution of the Ministries of Finance, Light Industries and Commerce, and Energy and Petroleum, published in Official Gazette 38,800 dated August 31, 2007.
96 A.-S. Issakson and A. Kotsadan, «Chinese aid and local corruption» AidData, Washington, 2016.
97 M. Rendon y S. Baumunk, «Center for Strategic & International Studies» April 3, 2018. [Online]. Available at: https://www.csis.org/analysis/when-investment-hurts-chinese-influence-venezuela.
98 M. Ferchen, «China, Venezuela and the Illusion of the Debt-Trap Diplomacy» Aug. 16, 2018. [Online]. Available at: https://carnegietsinghua.org/2018/08/16/china-venezuela-and-illusion-of-debt-trap-diplomacy-pub-77089
99 R. Hausmann, «El Maligno Secretismo de China» Jan. 2, 2019. [Online]. Available at: https://www.project-syndicate.org/commentary/china-development-finance-secrecy-by-ricardo-hausmann-2019-01/spanish?theme=acento2018&barrier=accesspaylog

inflows as well as the institutional context increased fiscal spending, corruption and irresponsible financial administration. Hausmann notes: "China's financing of development often leads to a corruption-driven bender in the economy, followed by an unpleasant financial (and sometimes political) hangover."

There have been many allegations of corruption in projects financed with Chinese funds and in which their companies were linked, such are the cases of

- The Delta Amacuro Rice Processing Plant
- The deep conversion unit of the Puerto La Cruz Refinery
- The thermal power plants of El Vigía, Morón and La Cabrera
- Jose Abreu e Lima Agroindustrial Complex[100]

Several documents from Transparencia Venezuela reveal not only increased corruption in the country, but also the establishment of a grand corruption pattern since 2003. Grand corruption is the abuse of high-level authorities, with cross-border links, that causes serious and widespread damage to the population. Some elements that enable grand corruption are discretionary public spending, the declaration of states of exception and emergency, increasing powers of the Executive Branch and suppressing checks and balances, irregular procurement, opacity, and lack of accountability[101].

5.1 Assessment of results, profits and losses of the parties involved

The different perspectives on the relations between China and Venezuela invite an assessment based on the outcomes for the parties involved. In this regard, the profits and losses for China, Venezuelan society and the government of Venezuela are listed below.

China's gains include:

- Venezuela's willingness not to recognize the government of Taiwan and their influence on PetroCaribe countries to follow suit.
- Positioning of more than 90 companies and agencies in various economic activities as contractors and suppliers in the public sector, through direct and secret awarding and procedures under the veil of the nation's weak institutions. Noteworthy is the entry of Chinese companies in upstream and downstream activities in the hydrocarbon sector, previously dominated by U.S. and European companies.
- The privileged access to Venezuela's oil as an instrument for the repayment of loans, which made it possible to quickly recover China's expended resources, at least until 2015.
- Geostrategic positioning in Latin America as Venezuela's main trading partner.
- Hiring most of the labor for large projects from China.
- Guaranteeing the purchase by the Venezuelan government of the products of Chinese joint ventures.
- •Discounted prices on the purchase of iron ore for seven years.

100 F. Olivares, «Los grandes negocios de China en Venezuela» Aug. 19, 2019. [Online]. Available at: https://primerinforme.com/index.php/2019/08/19/los-grandes-negocios-de-china-en-venezuela-i/

101 Transparencia Venezuela, «Manual against corruption. 12 actions and one mandate», Caracas: Transparencia Venezuela, 2019.

China's losses include:

- Between 2012 and 2014, the Venezuelan government diverted funds from joint projects with China-funded companies which they were unable to recover, affecting the assets of their companies and bringing works to a halt.
- China is having a difficult time collecting its loans from Venezuela. In 2016, the Chinese government was forced to restructure the terms of the loans: it extended the maturity dates, granted a two-year grace period and reduced the oil shipment quotas. Some publications in the media estimate new renegotiations of the debt commitments in 2020.
- Several projects failed because of the lack of preparation of Venezuelan officials, the high turnover of authorities in relevant ministries, the lack of administrative continuity and the involvement of the military.
- Since 2016, Venezuela has not complied with the agreed oil supply and conditions to increase oil production, process by-products and improve distribution in joint projects.
- Chinese companies in Venezuela are not yielding the expected results.
- Political instability coupled with the humanitarian and economic crisis in Venezuela, following the significant cash flow from China, is a latent threat to the image of China's expansion strategy.

Gains for Venezuelan society include:

- A part of the population had access to subsidized or free products from China or manufactured by the Chinese-Venezuelan joint ventures: Haier household appliances, VIT tablets and computers, Vtelca phones, Chery cars, homes of the Gran Misión Vivienda Venezuela.
- Cultural, educational and job training exchange programs benefited an undetermined number of undergraduate and graduate students, university professors and workers from some of the joint ventures.

However, the promise of Venezuela's economic and social development with the flow of capital under the principles of equality, reciprocal consultations, mutual respect for sovereignty and reciprocity of advantages[102], was not fulfilled. Venezuelan losses include:

- Economic activity in Venezuela grew on shaky ground since the early 2000s until 2013; however, this period has been followed by six years of economic contraction. According to 2019 data, during this period the Venezuelan economy shrunk by 60%.
- The large investment projects financed with the loans in strategic sectors such as hydrocarbons, electricity, mass transport and agro-industry did not meet the expected production targets, but the debt remains. Paying it off means sacrifices for Venezuelans.
- In most projects, there was no equal access for Venezuelan entrepreneurs and workers; in fact, asymmetric markets were created in several sectors. Venezuela was forced to become a captive buyer of China.
- The oil JVs did not meet the announced production targets. An assessment of the activity of the entire hydrocarbon sector shows great losses in recent years; similarly,

102 Official Gazette 39.019 containing the Law Approving the "Agreement between the Government of the Bolivarian Republic of Venezuela and the Government of the People's Republic of China on the Joint Financing Fund"

public finances, activities in this production chain and sources of employment were also compromised.

- In SINOVENSA, state-owned PDVSA was forced to transfer shares to CNPC to honor debts, expansion projects were halted and production has continued to fall.
- Investments in joint ventures in the telecommunications, household appliances, vehicle and housing sectors did not meet production targets, nor did they lead to effective technology transfer or staff training. Their activities have slowed down or halted, as in the case of the Haier household appliance factory.
- The failure of the joint projects was extremely costly and wasted huge amounts of public resources, which now add up to the nation's debt.
- There was a reprimarization of the economy as dependence on exports of raw materials and imports of value-added products from China increased. An example is the case of the automotive industry and the decline of the vehicle assembly plants, auto parts factories and other companies linked to this production chain.
- The debt policy affected the sustainability of public finances and of PDVSA, since the oil shipments pledged to China reduced the regular income to cover essential expenses and affected the basic investments for the maintenance and expansion of the oil industry. For example, according to leaked information from BANDES, the debt service to China for 2020 is US$3.1 billion while the nation's budget (unofficially disclosed) totals US$5.44 billion[103].

This means that debt service commitments with China account for 57% of the nation's budgeted expenditure.

DEBT

At the end of 2019, Venezuela owed China US$ 16.73 billion just for the loans received through the two large funds created between the two countries, not counting what is owed for other credits.

The commitment to pay the debt to China for the funds in 2020 represents 57% of the budget approved in 2020.

Source: Own elaboration with Official Gazettes; OFDI Monitor of the LAC-China Academic Network; Gallagher, Kevin P. and Margaret Myers (2019) "China-Latin America Finance Database"; 2009 Indebtedness Law; Piña (2019); Chinese investments and loans in the Venezuelan oil sector (2000-2018); and embassy in Beijing

103 Transparencia Venezuela, «Entre la oscuridad y la ilegalidad aprobaron la Ley de Presupuesto 2020» Dec. 17, 2019, [Online]. Avilable at: https://transparencia.org.ve/entre-la-oscuridad-y-la-ilegalidad-aprobaron-la-ley-de-presupuesto-2020/

- There was an elite capture through non-transparent capital flows, followed by repurposing the institutions of democratic governance and eliminating checks and balances in exercising political and economic power. Therefore, it was possible the expansion over time of the governance gaps described in the previous section: concentration of power, guarantees of impunity, secrecy, corruption, procurement with biased, non-competitive markets and violation of macro-fiscal rules, have significantly reduced the country's welfare. This result coincides with the effect produced by corrosive capital[104].

In short, the results have been disastrous for Venezuelan society as a whole. **However, Venezuela's highest authorities and members of the ruling coalition received significant benefits from their dealings with China, including**:

- Achieved their geopolitical goals, such as the diversification of partners and clients in the hydrocarbon sector and displacing Western and national companies in other sectors.
- Managed cash in excess of US$62 billion at their discretion, ensuring their permanence in power through the tactics described in the following bullets.
- Expanded the size of the state in the economy and its bureaucratic structure.
- Acquired funds that allowed the government to maintain a high and unsustainable level of populist and clientelistic public spending.
- Eliminated checks and balances, weakening democratic institutions and public management until they achieved the capture of the State.
- Secured unconditional support from the Chinese government in international bodies and in the face of reports from groups of countries and non-governmental organizations, denouncing the authoritarian regime and the complex humanitarian emergency.

104 Corrosive capital originates in authoritarian regimes and lacks transparency, accountability and market orientation. CIPE, "Corrosive capital" [Online] Available at https://corrosivecapital.cipe.org/

6 POLICY RECOMMENDATIONS

The negative consequences on Venezuelan society stemming from the relationship between China and Venezuela pose questions about the causes and the culprits. However, it should be noted that the policy of secrecy, the failure of investment projects, the lack of respect for macro-fiscal rules and for the regulations on hiring, labor, environment and competition that exist around certain foreign investments and financing systems are not an exclusive problem of agreements and cash flows from China.

Regardless of the specific origin of the funds, Venezuela's institutional context combined with the amount of funds and the conditions accepted by the Venezuelan government have led to disastrous consequences. Authorities in the Executive Branch are primarily responsible for these consequences. Other contributing influences include the complicity of Parliament and the General Comptroller (CGR), neither of which exercised proper controls, and the Judiciary, which allowed the violation of legislation protecting national interests. Together, these factors gave the Executive Branch complete discretion in international relations decisions, contracting new debts, the destination of the resulting funds, the procurement methods for projects, goods and services, and impunity when projects failed.

Nevertheless, the proposal of this report is not that Venezuela should cease international relations with China. Instead, there is an urgent need for Venezuela to define the conditions of exchange and internal public management processes applicable to all foreign investment and to all new debt, with transparency incorporated as an essential feature of each step in the process. To this end, the following recommendations are proposed:

1) Design and approve a long-term development plan for Venezuela with defined roles for foreign investment and international debts.

2) Separation of powers

   a. Ensure that the National Assembly exercises its powers as legislator and comptroller with the power to assess and approve public debt as well as bilateral and multilateral agreements. Re-establish and strengthen the Economic Advice Office of the National Assembly on a technical basis.

   b. Strengthen the autonomy of the justice system to put an end to impunity.

   c. Ensure the independence and effectiveness of the Comptroller to support the efficiency and quality of public spending.

   d. Ensure the stability and efficacy of the legal framework including respect for private property, compliance with agreements, international arbitration through ICSID and macro-fiscal rules.

3) Reforms of the legal framework based on open government principles

   a. Enforce the macro-fiscal rules; limit the powers granted to the president in budgetary matters; eliminate the exceptions to authorize debt operations with international financial institutions; limit the debt operation prerogatives of decentralized entities (BANDES, PDVSA and other banks) outside the control of the National Credit Office and Parliament; and incorporate the obligation to publish all information on public financial administration. This will require a reform of the Law on Public Sector Financial Administration.

   b. Eliminate the autonomy of BANDES, FONDEN, as well as any parallel funds and their sources, which operate outside the control of the National Public Credit Office, the Treasury, the National Assembly and the Comptroller General's Office.

   c. Require the legislature to approve the Multi-Annual Budget Framework.

   d. Reform the current legislation on foreign investment (Law on Foreign Investment, O.G. No. 6,152 Extraordinary of Nov. 18, 2014 / Constitutional Law on Productive Foreign Investment No. 41,310 of December 29, 2017) to eliminate restrictions, disincentives, excessive procedures, corporate responsibility oversight, and the state's right to monopolize strategic sectors. At the same time, strengthen the conditions that guarantee openness, respect for labor and environmental regulations and social agreements, competitive markets, technology transfer and equal conditions for investors.

   e. Set up an entity to promote foreign investment in Venezuela composed of a technical team of experts free from political influence with the power to supervise compliance with legislation, monitor the results of investments in the public sector and ensure transparency by keeping and publishing a record of all investments.

   f. Reform the Law on Procurement to eliminate exclusions, ensure transparency and disclose the entire procurement and contracting process, in all government agencies, regardless of the origin of the funds.

g. Approve regulations that eliminate or control conflicts of interest, including nepotism, revolving door, etc.

h. Reform the Law of the General Comptroller to include an annual audit on the budget to evaluate the efficiency of public spending and to disclose sworn statements of assets and interests of employees and officials.

i. Approve the Law on Transparency and Access to Public Information.

j. Approve a law on lobbying or management of special interests with respect to authorities and public officials to minimize conflicts of interest and abuse of power.

k. Eliminate exchange controls, price controls and analyze subsidies in order to minimize weaknesses of vulnerable groups.

4) Transparent and effective processes

a. Define clear, stable and transparent conditions for foreign investment.

b. Ensure the effective organizational unity of the treasury.

c. Respect the legality of the budgetary process and rules governing new debt.

d. Ensure transparency of the budgetary process and the taking out of new debt, including quarterly publication of a record of consolidated public sector debt, indicating the following in an open data format: creditor, debtor, amount contracted, amount repaid, amount owed, currency, interest rate, terms and methods of payment.

e. Submit any new loan agreement for approval to the National Public Credit Office, which, together with the competent authority in planning and public finance, must evaluate financial plans to guarantee accountability and the effective use of funds.

f. Avoid loans that are bound to conditions that weaken transparency, free competition, human rights and equality before the law for economic agents.

g. Minimize the state's participation in economic activities where it acts as the regulatory body. In addition, clearly identify state responsibilities in circumstances when it acts as an investor, promoter, entrepreneur or regulator in different agencies, in order to prevent the duplication of roles, conflicts of interest, weak budgetary restrictions, asymmetric markets and abuses of power.

h. Strengthen the corporate governance of State-owned companies to guarantee the rationale for public ownership of the company, the role of the State as owner, integrity practices, transparency, autonomy from political interference and accountability.

i. Implement transparent processes that follow global best-practices, including the use of digital technologies and single-window models that facilitate and streamline government operations.

j. Prohibit confidentiality clauses in all public procurement and streamline processes.

k. Select technical teams responsible for loan, investment and procurement units through rigorous and competitive selection processes based on the merits of applicants and their strict commitment to submitting a sworn statement of assets and interests.

l. Create a Foreign Investment Registry in open data format, which includes all elements of the investment: identification of the final beneficiary (beneficial ownership), sector, projects, amounts, origin of funds, purposes, partners, declaration of interests, public or private shares, contracts, terms, and timelines.

m. Eliminate incentives for corruption such as measures that facilitate arbitrations and illicit profits, selection of officials for political reasons or cronyism, and revolving doors for officials in different public authorities, agencies and companies.

Access to information in a timely, complete, truthful manner and in an open data format, together with accountability for all matters related to public sector financial administration, public procurement and investment, will allow civil society organizations to monitor all state-run projects. This practice has yielded positive results in several countries, since it made deviations visible in some cases, and it contributed to the fulfilment of project objectives in others[105].

The role of investment and debt in designing a national development model, the estimation of losses due to corruption, the macroeconomic impact of the cash flow from China, its importance in closing the financing gap in other markets, how cheap or expensive the debt was according to its underlying conditions, and what changes in financial conditions have occurred over time will be discussed in a forthcoming report. Similarly, the next report will define, at greater length, ideal conditions for foreign investments and how to implement the recommendations presented above.

August 2020

105 V. Ramkumar, Our Money, Our Responsibility. A Citizen's Guide to Monitoring Government Expenditures, Washington D.C.: International Budget Partnership, n.d.

ANNEX

Annex 1

List of Venezuelan institutions and officials in charge of negotiations with China

Annex 2

List of unavailable information

Annex 3

List of Chinese companies and agencies in Venezuela, linked to the agreements signed by both countries since 1999

ANNEX 1

List of Venezuelan institutions and officials in charge of negotiations with China

Institutions and officials involved in the signing and administration of the Venezuela-China Joint Fund (2007 - present) and the Large Volume Long Term Fund (2010 - present):	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2013)
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Petroleum	Rafael Ramírez (2004 - 2014)
Ministry of Petroleum	Asdrúbal Chávez (2014 - 2015)
Ministry of Petroleum	Eulogio Del Pino (2015 - 2017)
Ministry of Petroleum	Nelson Martínez (2017)
Ministry of Petroleum	Manuel Quevedo (2017 – April2020)
Ministry of Petroleum	Tareck El Aissami (April 2020 - present)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Ministry of Foreign Relations	Elías Jaua (2013 - 2014)
Ministry of Foreign Relations	Delcy Rodríguez (2014 - 2017)
Ministry of Foreign Relations	Jorge Arreaza (2017 - present)
Ministry of Finance and FONDEN	Rodrigo Cabezas (2007 - 2008)
Ministry of Finance and FONDEN	Rafael Isea (2008)
Ministry of Finance and FONDEN	Alí Rodríguez (2008 - 2010)
Ministry of Finance and FONDEN	Jorge Giordani (2010 - 2013)
Ministry of Finance and FONDEN	Nelson Merentes (2013 - 2014)
Ministry of Finance and FONDEN	Rodolfo Marco Torres (2014 - 2016)
Ministry of Finance and FONDEN	Rodolfo Medina (2016 - 2017)
Ministry of Finance and FONDEN	Ramón Lobo (2017)
Ministry of Finance and FONDEN	Rodrigo Cabezas (2007 - 2008)
Ministry of Finance and FONDEN	Simón Zerpa (2017 - present)
Ministry of Planning	Jorge Giordani (2003 - 2007; 2008 - 2013)
Ministry of Planning	Haiman El Troudi (2007 - 2008)
Bandes	Rafael Isea (2007)
Bandes	Alejandro Andrade (2008 -2010)
Bandes	Edmée Betancourt (2010-2013)
Bandes	Temir Porras (5 months in 2013)
Bandes	Gustavo Hernández Jiménez (2013-2014)
Bandes	Simón Zerpa (2014 – present)
Bandes	Edmée Betancourt (2010-2013)
Bandes	Temir Porras (5 meses en 2013)
Bandes	Gustavo Hernández Jiménez (2013-2014)
Bandes	Simón Zerpa (2014 – presente)

ANNEX 1

Institutions and officials linked to the failed projects between Venezuela and China: Bolivarian Aqueduct Project (2003 – 2009)	
Government Agency	**Official**
Ministry of Environment and Natural Resources	Ana Elisa Osorio (2000 - 2005)
Ministry of Environment and Natural Resources	Jacqueline Faría (2005 - 2007)
Ministry of Environment and Natural Resources	Yubirí Ortega (2007 - 2010)

Revamping of the Centre-Western Railway (2004 – present)	
Government Agency	**Official**
National Railway Institute	Fernando Román Lugo (2004)
National Railway Institute	Ángel García Ontiveros (2005)
Ministry of Infrastructure	Ramón Carrizales Rengifo (2003 - 2006)
Ministry of Infrastructure	José David Cabello (2006 - 2008)
Ministry of Infrastructure	Isidro Rondón (2008)
Ministry of Infrastructure	Diosdado Cabello (2008 - 2010)
Ministry of Land Transport	Juan García (2011 - 2013)
Ministry of Land Transport and Public Work	Haiman El Troudi (2014 - 2015)
Ministry of Land Transport and Public Work	Luis Sauce (2015 - 2016)
Ministry of Transport	Ricardo Molina (2016 - 2017)
Ministry of Transport	Carlos Osorio (2017 - 2018)
Ministry of Transport	Carlos Osorio (2017 - 2018)
Ministry of Transport	Hipólito Abreu (2018 – presente)

Putting Venesat - 1 Simón Bolívar Satellite into orbit (2005 - 2008)	
Government Agency	**Official**
Ministry of Education, Science and Technology	Marlene Yadira Córdova (2003-2006)
Ministry of Education, Science and Technology	Héctor Navarro (2007-2008)
Ministry of Education, Science and Technology	Nuris Orihuela (2008-2009)

Haier Appliances Industrial Manufacturing Complex (2010 – present)	
Government Agency	**Official**
Ministry of Industry	José Khan (2010 - 2011)
Ministry of Industry	Ricardo Menéndez (2010-2014)
Ministry of Industry	Wilmer Barrientos (2014)
Ministry of Basic Industries	Juan Arias (2016)
Ministry of Industry and National Production	Tareck El Aissami (2018 - present)

ANNEX 1

Yutong Venezuela Bus Assembly Plant (2014 - present)	
Government Agency	**Official**
Ministry of Land Transport and Public Works	Haiman El Troudi (2014-2015)
Ministry of Land Transport and Public Works	Luis Sauce (2015-2016)
Ministry of Transport	Ricardo Molina (2016-2017)
Ministry of Transport	Juan de Jesús García (2017)
Ministry of Transport	Carlos Osorio (2017-2018)
Ministry of Transport	Hipólito Abreu (2018 - present)
Yutong Venezuela Assembly Plant (President)	Carlos Osorio (present)

Batalla de Santa Inés Refinery (2010)	
Government Agency	**Official**
Ministry of Petroleum and Petróleos de Venezuela (President)	Rafael Ramírez (2004 - 2014)
Petróleos de Venezuela (Vice President of	Asdrúbal Chávez (2007 – 2009)
Refining, Trade and Supply)	Asdrúbal Chávez (2007 – 2009)

Planta Centro Thermal Power Plant (2013 - 2016)	
Government Agency	**Official**
Ministry of Electric Energy and CORPOELEC	Héctor Navarro (2012-2013)
Ministry of Electric Energy and CORPOELEC	Jesse Chacón (2013-2015)
Ministry of Electric Energy and CORPOELEC	Luis Motta Domínguez (2015 - 2019)

Luis Zambrano Thermal Power Plant (2011 - 2014) and José Félix Ribas Thermal Power Plant (2011 - 2014)	
Government Agency	**Official**
Ministry of Electric Energy	Alí Rodríguez Araque (2010 - 2012)
CORPOELEC	Argenis Chávez (2011)
CORPOELEC	Alí Rodriguez Araque (2011 - 2012)
Ministry of Electric Energy and CORPOELEC	Héctor Navarro (2012 - 2013)
Ministry of Electric Energy and CORPOELEC	Jesse Chacón (2013 - 2015)
Ministry of Electric Energy and CORPOELEC	Luis Motta Domínguez (2015 - 2019)

"Hugo Chavez" Delta Amacuro Rice Processing Plant (2010)	
Government Agency	**Official**
Ministry of Petroleum and PDVSA president	Rafael Ramírez (2004 - 2014)
PDVSA Agrícola	Egli Antonio Ramírez (2008-2012)
PDVSA Agrícola	Miguel Ruíz (2013 - 2014)
PDVSA Agrícola	Humberto Laurens (2015)
Ministry of Agriculture and Land	Wilmar Castro Soteldo (2016 - present)
Regional Department of Rural Development Institute (INDER)	Víctor Meza (2016)

ANNEX 1

Transmission Line from Manuel Piar Power Plant to Uribante Caparo (2009 - present)	
Government Agency	**Official**
Ministry of Petroleum and PDVSA	Rafael Ramírez (2004 - 2014)
Ministry of Electric Energy	Angel Rodríguez (2009-2010) / Hipólito Izquierdo (2008-2009)
Ministry of Electric Energy	Alí Rodríguez Araque (2010-2011; 2011-2012)
Ministry of Electric Energy	Rodolfo Navarro Díaz (2011)
Ministry of Electric Energy	Héctor Navarro (2012-2013)
Ministry of Electric Energy	Jesse Chacón (2013-2015)
Ministry of Electric Energy	Luis Motta Domínguez (2015 - 2019)
Ministry of Electric Energy	Igor Gavidia León (2019)
Ministry of Electric Energy	Freddy Brito Maestre (2019 - present)

Ciudad Tavacare (2009 - 2011)	
Government Agency	**Official**
Ministry of Housing and Habitat	Diosdado Cabello (2009 - 2010)
Ministry of Housing and Habitat	Ricardo Molina (2010 - 2013)

Carbozulia Revamping (2017 – present)	
Government Agency	**Official**
Ministry of Ecological Mining Development	Roberto Mirabal Acosta (2016 - 2017)
Ministry of Ecological Mining Development	Jorge Arreaza (2017)
Ministry of Ecological Mining Development	Víctor Cano (2017 - 2019)
Ministry of Ecological Mining Development	Gilberto Pinto Blanco (2019 -present)

Tinaco–Anaco Railway (2009)	
Government Agency	**Official**
National Railway Institute	Franklin Pérez Colina (2009 - 2013)
National Railway Institute	Francisco Torrealba (2013 - 2017)
National Railway Institute	Hipólito Abreu (2017 - present)
Ministry of Infrastructure	Diosdado Cabello (2008 - 2010)
Ministry of Land Transport	Francisco Garcés (2010 – 2011)
Ministry of Land Transport	Juan García T. (2011 - 2013)
Ministry of Land Transport and Public Work	Haiman El Troudi (2014 - 2015)
Ministry of Land Transport and Public Work	Luis Sauce (2015 - 2016)
Ministry of Transport	Ricardo Molina (2016 - 2017)
Ministry of Transport	Juan de Jesús García (2017)
Ministry of Transport	Carlos Osorio (2017 - 2018)
Ministry of Transport	Hipólito Abreu (2018 – presente)

Termocarabobo Power Plant (2012 - 2014)	
Government Agency	**Official**
PDVSA	Rafael Ramírez (2004 - 2014)
Ministry of Electric Energy	Héctor Navarro (2012-2013)
Ministry of Electric Energy	Jesse Chacón (2013-2015)

Continuous Concrete Mixing Machine (2014)	
Government Agency	**Official**
Ministry of Industries	Ricardo Menéndez (2013 - 2014)
Ministry of Industries	Wilmer Barrientos (2014)
Ministry of Industries	José David Cabello (2014 - 2015)
CVG	Carlos Osorio (2013 - 2014)
CVG	Justo Noguera Pietri (2014 - 2018)
CVG	Pedro Maldonado (2018 - present)

Sale of iron ore to China's "Wuhan Iron & Steel Group (Wisco)" $20 under market price for 7 years	
Government Agency	**Official**
Ferrominera del Orinoco	Radwan Sabbagh (2006 - 2013)
CVG	Rodolfo Sanz (2008 - 2010)

Yutong bus acquisition and purchase of spare parts, tools, maintenance, intelligent administration system of public transport operation.	
Government Agency	**Official**
Ministry of Transport and Public Works	Francisco Garcés (2010 - 2011)
Ministry of Land Transport and Public Works	Juan García Toussaintt (2012 - 2013)
Ministry of Land Transport and Public Works	Haiman El Troudi (2014 - 2015)
Ministry of Land Transport and Public Works	Luis Sauce (2015 - 2016)
FONTUR	Wiliam Peña
FONTUR	José Bernardo Hurtado (2013 - 2016)
Yutong S.A. Plant	Carlos Osorio (2016 – present)

Venezuelan authorities that participated in the meetings of the "China-Venezuela High Level Joint Commission" between 2001 and 2018	
1st High Level Joint Commission (2001)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Luis Alfonso Dávila (2001 - 2002)
Ministry of Planning	Jorge Giordani (1999 - 2002)

ANNEX 1

2nd High Level Joint Commission (2002)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Roy Chaderton (2002 - 2004)

3rd High Level Joint Commission (2004)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Alí Rodríguez Araque (2004 - 2006)

4th High Level Joint Commission (2005)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Alí Rodríguez Araque (2004 - 2006)

5th High Level Joint Commission (2006)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Alí Rodríguez Araque (2004 - 2006)
Venezuelan Embassy in China	Rocío Maneiro (2004 - 2013)

6th High Level Joint Commission (2007)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Ministry of Energy and PDVSA	Rafael Ramírez (2004 - 2014)
BANDES	Rafael Isea (2007)

7th High Level Joint Commission (2008)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Venezuelan Embassy in China	Rocío Maneiro (2003 - 2008)

8th High Level Joint Commission (2009)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Ministry of Planning	Jorge Giordani (2009- 2014)

9th High Level Joint Commission (2010)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Ministry of Planning	Jorge Giordani (2009- 2014)
PDVSA	Rafael Ramírez (2004 - 2014)
Venezuelan Embassy in China	Rocío Maneiro (2004 - 2013)

10th High Level Joint Commission (2011)	
Government Agency	**Official**
President of the Republic	Hugo Chávez (1999 - 2012)
Ministry of Foreign Relations	Nicolás Maduro (2006 - 2012)
Ministry of Planning	Jorge Giordani (2009- 2014)
Ministry of Petroleum and PDVSA	Rafael Ramírez (2004 - 2014)

11th High Level Joint Commission (2012)	
Government Agency	**Official**
Ministry of Foreign Relations	Vice minister David Velásquez Caraballo
Ministry of Planning	Jorge Giordani (2009- 2014)
PDVSA	Rafael Ramírez (2004 - 2014)
Ministry of Commerce	Edmée Betancourt (2011- 2013)
Venezuelan Embassy in China	Rocío Maneiro (2004 - 2013)
Ministry of Science and Technology	Vice minister

12th High Level Joint Commission (2013)	
Organismo o ente público	**Funcionario a cargo**
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Foreign Relations	Elías Jaua (2013 - 2014)
Venezuelan Embassy in China	Iván Zerpa (2013 - present)

13th High Level Joint Commission (2014)	
Government Agency	**Official**
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Foreign Relations	Elías Jaua (2013 - 2014)
Ministry of Planning	Ricardo Menéndez (2014 - present)

14th High Level Joint Commission (2015)	
Government Agency	**Official**
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Foreign Relations	Delcy Rodríguez (2014 - 2017)
Ministry of Planning	Ricardo Menéndez (2014 - present)
Venezuelan Embassy in China	Iván Zerpa (2013 - present)
Ministry of Petroleum and PDVSA	Eulogio Del Pino (2014 - 2017)

ANNEX 1

15th High Level Joint Commission (2017)	
Government Agency	**Official**
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Foreign Relations	Delcy Rodríguez (2014 - 2017)
Ministry of Planning	Ricardo Menéndez (2014 - present)
Ministry of Petroleum PDVSA	Eulogio Del Pino (2014 - 2017)

16th High Level Joint Commission (2018)	
Government Agency	**Official**
President of the Republic	Nicolás Maduro (2013 - present)
Ministry of Foreign Relations	Jorge Arreaza (2017 - present)
Ministry of Finance	Simón Zerpa (2017 - present)
Ministry of Petroleum PDVSA	Manuel Quevedo (2017 - 2020)
Venezuelan Embassy in China	Iván Zerpa (2013 - present)

ANNEX 2

List of unavailable public information

1. Agreements signed between the Bolivarian Republic of Venezuela and the People's Republic of China since March 2010-present.
2. Authorities in charge, status and results of most of the 480 agreements signed since 1999-present.
3. Name, location, authorities in charge, status, cost, and economic and social results of the 790 joint projects derived from the agreements.
4. Number of staff hired in the joint projects, by nationality.
5. Details of the financial conditions of the loans granted by China to Venezuela from 1999 to 2016.
6. Detailed breakdown of the US$62.63 billion received through loans from China.
7. Current status of Venezuela, BANDES, and PDVSA's debt with China and any other decentralised entity that has assumed commitments, for each year, from 1999 to 2019: amount of debt, amount repaid, balance, interests and terms.
8. Current balance of the consolidated public sector debt broken down by agencies and entities.
9. Annual budget, financial statements and corporate governance of BANDES and FONDEN, since their respective creation dates.
10. Amount of China and Venezuela's initial investment and contributions in the Chinese-Venezuelan JVs Petrolera Paria, Petrozumano and Chery Venezuela.
11. Authorities in charge, budget, financial situation and annual production capacity of the Chinese-Venezuelan JVs from their date of creation to date.
12. Names of all Venezuelan authorities that participated in the 16 meetings of the High Level Joint Commission, commitments assumed by each of them for execution and follow-up of the agreements.
13. Cost of organisation and transfers for the 16 meetings of the High Level Joint Commission and other trade meetings with China.
14. Number and description of cultural, educational, scientific and job training exchange programmes and number of beneficiaries per year.

List of companies and agencies from China in Venezuela

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
1	Chinese Academy of Space Technology (CAST) under China Aerospace Science and Technology Corporation (CASC)	Technology	Space	State	1
2	Xinhua Agency	Telecommunications	-	State	1
3	Alcatel Shanghai Bell Co. Ltd.	Telecommunications	-	Nokia	7
4	Aluminium Corporation of China Limited (Chinalco)	Manufacture	Metallurgy	SOE	-
5	Aluminium International Engineering Corporation Limited (Chalieco) a subsidiary of Chinalco	Engineering	Aluminium	SOE	-
6	Bank of China (BOC)	Financial Services	Banking	SOE	2
7	Bohai Shipbuilding Heavy Industry Company Limited (BSHIC) a subsidiary of CSIC	Manufacture	Shipbuilding	SOE	-
8	Bohai Shipyard Group Co., LTD,	Manufacture	Shipbuilding and Repair	-	-
9	CAME YTO	Agriculture	Manufacture	-	1
10	Chery Automobile Co., Ltd	Manufacture	Automobile	SOE	1
11	China Calvic Engineering Co	-	-	-	-
12	China CAMC Engineering Co., Ltd (CAMCE) a subsidiary of SINOMACH	Engineering Services	Water, electricity, industries, agriculture, communications	SOE	13
13	China Development Bank (CDB)	Financial Services	Banking	SOE	9
14	China Investment Corporation	Financial Services	-	-	1

ANNEX 3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
15	China Machinery Engineering Corporation (CMEC) a subsidiary of Sinomach	Construction	Thermal Power Plant	-	-
16	China Metallurgical Construction Group Corporation	Manufacture	Metallurgy	-	1
17	China Minmetals Group	Mining	-	-	-
18	China National United Oil Corporation	Hydrocarbons	Oil, hydrocarbons and maritime transport	-	2
19	China National Complete Plant Import Export Corporation (Complant)	Construction	-	-	1
20	China National Electronic Wire	Telecommunications	-	-	1
21	China National Electronics Import & Export Corporation (CEIEC)	Technology	National Defence	-	4
22	China National Machinery & Equipment Corp Group	Trade	International Trade	SOE	-
23	China National Machinery Industry Corporation Ltd (Sinomach)	Engineering Services and construction	-	SOE	-
24	China National Offshore Oil Corporation (CNOOC) a subsidiary of CSIC	Hydrocarbons and energy	-	SOE	4
25	China National Paper Industry Corp	Financial Services	-	-	-
26	China National Petroleum Corporation (CNPC)	Hydrocarbons	Oil and gas	SOE	13
27	China National United Oil Corporation (CNUOC) a subsidiary of CNPC	Hydrocarbons	Oil, gas and coal	SOE	3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
28	China Petrochemical Corporation SINOPEC Group Sinopec Corporation	Hydrocarbons	Oil, gas and coal	SOE	10
29	China Petroleum Technology and Development Corporation (CPTDC) a subsidiary of CNPC.	Construction	Oil Rigs	SOE	3
30	China Railway Engineering Corporation – CREC	Transport	Railways	-	2
31	China Railway Group Limited	Transport	Railways	-	1
32	China Shipbuilding and Offshore International Co. LTD. A subsidiary of CSIC	Manufacture	Shipbuilding	-	-
33	China Shipbuilding Industry Corporation (CSIC)	Manufacture	Shipbuilding	SOE	1
34	China State Shipbuilding Corp (CSSC)	Manufacture	Shipbuilding	SOE	1
35	China Zhen Hua Oil Company Limited	Hydrocarbons	Oil and energy	SOE	2
36	Citic Bank a subsidiary of Citic	Financial Services	-	SOE	-
37	Citic Construction Co. Ltd	Construction	Housing	SOE	11
38	Citic Group China International Trust and Investment Corporation	Financial Services	Banking	SOE	-
39	Chinese Council for the Promotion of International Trade (CCPIT)	Diplomatic Relations	-	JV	1
40	Chine Corporation of Credit and Export Insurance (SINOSURE)	Banking and credit	-	SOE	1

ANNEX 3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
41	China National Oil & Gas Development Corporation (CNODC)	Hydrocarbons	Gas	-	-
42	CSR Meishan Rolling Stock a subsidiary of China South Locomotive & Rolling Stock Co. Ltd (CSR)	Transport	Industrial Machinery (cargo wagons)	SOE	1
43	CV Shipping PTE. LTD.	Transport	Maritime Transport	SOE	1
44	Freet- Shengli Oil Field Petroleum	Hydrocarbons and energy	-	Privately	1
45	Great Wall Industry Corporation	Technology	Space	-	1
46	Haier Group	Manufacture	Appliances	SOE	5
47	China National Oil and Natural Gas Group	Hydrocarbons	Orimulsión Products	-	1
48	Harbour Engineering Company (CHEC) a subsidiary of China Communications Construction Company Ltd	Engineering	Construction	SOE	-
49	Helongjiang Xiliang Grains y Oil Group Co Ltd	Hydrocarbons and energy	-	-	3
50	Huawei Technologies Co.,Ltd	Telecommunications	Networks and Telecommuni-cations	Private Multinatio-nal	16
51	Aviation Industry of the PRChina	Manufacture	Aircraft	State	-
52	Industrial and Commercial Bank of China (ICBC)	Financial Services	Banking	SOE	-
53	International Institute of the University of Traditional Medicine of China	Healthcare	-	-	1

ANNEX 3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
54	Meheco Co Ltd.	Manufacture	medical, surgical and pharmaceutical supplies	-	-
55	Jianghuai Automobile Co., Ltd., JAC Motors	Manufacture	Automobile	-	1
56	Jiangsu Rongsheng Heavy Industries	Transport	Maritime	-	1
57	Langchao Group Co. Ltd - Inspur Group	Digital Technology	Big data, applications, servers, artificial intelligence	SOE	4
58	Metallurgical Construction Group Corporation	Manufacture	Metallurgy	-	5
59	Milco- ZTE	Telecommunications	Networks and Telecommuni-cations	-	1
60	Nuctech	Security	Inspection of industrial processes and technology	-	1
61	Petrochina Company Limited (a subsidiary of CNPC)	Hydrocarbons	Diesel, Petrol, Fuel oil, Kerosene, Lubricants, Asphalts, Paraffin, Ethylene, Propylene, Benzene, Urea, ammonium nitrate	SOE	8
62	Petro-King Oil Field Technology	Hydrocarbons	-	-	-
63	Qingdao Techking Tire Co	-	-	-	-
64	Sany Heavy Industry	Manufacture	Mining machinery	-	-
65	Shandong Gold Group Co. Ltd	Energy	Mining	SOE	4
66	Shandong Kerui Petroleum	Hydrocarbons	-	-	-
67	Shenyang Cement Machinery Co.	Manufacture	Industrial Ma-chinery	-	1

ANNEX 3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
68	Shenzhen Agricultural Investment Co., LTD	Agriculture	-	-	2
69	Sinohydro Corporation	Engineering Services	Oil and energy	SOE	4
70	Sinotruk	Manufacture	Automobile	-	-
71	China Central Television (CCTV)	Telecommunications	Television	State	1
72	The Export - Import Bank of China (EXIMBANK)	Financial Services	Export Credit Agency	SOE	1
73	UNIPEC Asia Company Limited	Hydrocarbons and energy	-	-	1
74	Wison Engineering Services Co.	Engineering Services and construction	Refinery repair	-	3
75	Yankuang Group Company Limited	Transport	Mining and coal	-	1
76	Yuan Longping High-Tech Agriculture Company	-	-	-	-
77	Yutong Hongkong Limited	Manufacture	Automobile	-	-
78	Zhengtai Co, Ltd	Manufacture	Industrial machinery	-	1
79	Zhengzhou Yutong Group, Corp.	Tourism	-	-	1
80	China Zhong Xing Telecommunica-tion Equipment Company Limited (ZTE)	Telecommunications	Networks and Telecommuni-cations	JV	
81	China National Aero Technology Import & Export Corporation (CATIC)	-	-	-	-
82	China Huanqiu Contracting & Engineering Corporation (HQCEC) a subsidiary of CNPC	Hydrocarbons	Oil	-	-

ANNEX 3

No	COMPANY/AGENCY	SECTOR	SEGMENT	OWNED BY	Number of projects in Venezuela
83	Bohai Drilling Service, S.A a subsidiary of HQC	Technology	-	-	-
84	China Electric Power Equipment and Technology	Electric	-	-	-
85	China Gezhouba Group International Engineering (CGGC) a subsidiary of China Energy Engineering Group	Construction	Power plants, dams, roads and bridges	-	-
86	Hongdu Aviation Industry Group Ltd. (HAIG)	Manufacture	Aircraft	-	-
87	Heilongjian Beidahuang State Farm Business Trade Group	Agroindustrial	Food	-	-
88	National Development & Reform Commission (NDRC)	-	-	State	-
89	China Precision Machinery Import-Export Corporation (CPMIEC)	Defence	Radar, missiles	-	-
90	China Great Wall Industry Corporation	Telecommunications /Aerospace	-	-	-
91	Bohai Drilling Engineering Company Limited filial CNPC	Manufacture	Oil rigs	-	-
92	Wuhan Iron and Steel Company Limited	Metallurgy	Iron	SOE	-

THE CHINA DEALS

Agreements that have undermined Venezuelan democracy