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Chinese Pragmatism in the International Relations:

The Case of Venezuela

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Abstract

This paper aims to make a broad overview of the Sino-Venezuelan bilateral relationship in order to understand the reasons and motivations behind this peculiar connection. The main objective of this research is to see if the relationship could be defined as “Pragmatic, as well as to understand what are the key elements that make China uphold a Pragmatic stance in its international relations. The means to achieve this end are: a historic overview of the modern bilateral relationship, starting in 1974, all the way to the first months of 2019; along with the analysis of several key definers of the relationship, namely oil, technology and political support.

Additionally, the author also describes Venezuela’s dependency on the US, how the 2019 Trump sanctions have affected Caracas and what is the most likely outcome of Guaidó’s proclamation according to China’s economic interests.

Key words: China, Venezuela, pragmatism, Guaidó, Maduro, Chávez, superpower.

Resumen

Esta investigación busca hacer una amplia revisión de la relación bilateral entre China y Venezuela, con la finalidad de entender las razones y motivaciones detrás de esta peculiar alianza. El objetivo principal de este estudio es el de ver si esta relación puede ser definida como “pragmática”; así como entender cuáles son elementos principales que hacen que China mantenga una postura pragmática en sus relaciones internacionales. Los medios utilizados para este fin han sido: una revisión histórica de la relación bilateral moderna, empezando en 1974 y llegando a los primeros meses de 2019, así como el análisis de varios elementos fundamentales en la relación, el petróleo, la tecnología y el apoyo político.

Además, el autor también describe la dependencia venezolana en Estados Unidos, cómo las sanciones impuestas por Trump en 2019 han afectado a Caracas; así como cuál es el resultado más probable de la proclamación de Guaidó, desde un punto de vista de interés económico para China.

Palabras clave: China, Venezuela, pragmatismo, Guaidó, Maduro, Chávez, superpower.

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List of abbreviations

Bpd: Barrels per day

BS: Bolívar Soberano (Venezuela's currency)

BITOR: Bitúmenes del Orinoco, subsidiary of PDVSA

CDB: China Development Bank

CNPC: China National Petroleum Corporation

CPC: Communist Party of China

CPIFA: Chinese People's Institute of Foreign Affairs

FCP: Four Cardinal Principles

FONDEN: Fondo Nacional para el Desarrollo Nacional

MBR-200: Movimiento Bolivariano Revolucionario-200, Revolutionary Bolivarian Movement-200

MoU: Memorandum of Understanding

NCM: New Culture Movement

OBOR: One Belt One Road Initiative

PCV: Partido Comunista de Venezuela, Communist Party of Venezuela

PDVSA: Petróleos de Venezuela Sociedad Anónima, Venezuela's state-run oil firm

PRC: People's Republic of China

ROC: Republic of China, popularly addressed as Taiwan

UN: United Nations

UNGA (Res): United Nations General Assembly (Resolution)

VES: Venezuelan Bolivar

Timeline of events

Year	President	Event	Description
25 October 1971	Rafael Caldera	UNGA Res 2758	Venezuela votes against the recognition of the PRC
4 July 1974	Carlos Andrés Pérez	Birth of Modern Sino-Venezuelan relationship	Official recognition of the PRC by Venezuela
27 October- 2 November 1981	Luis Herrera Campins	First Official visit by a Venezuelan President to China	Several minor agreements are signed.
1992	Carlos Andrés Pérez	Chávez leads two failed coup d'états against Pérez	Chávez is arrested and the coups fail.
1994	Carlos Andrés Pérez	The President pardoned Chávez	This allowed Chávez to run for the presidency on the 1998 elections.
1996	Rafael Caldera	Chinese Prime Minister Li Peng visits Venezuela	Recognition of Hong Kong as part of China
2 February 1999	Hugo Chávez	Election of Chávez as President	This is the beginning of Chávez Era.
1999	Chávez	1 st visit to China	Multiple bilateral treaties are signed
11 April 2002	Chávez	Failed coup d'état attempt against Hugo Chávez, he is ousted from office during 2 days.	19 people get killed, hundreds injured, Chávez is reinstated by military loyalists
2005	Chávez	Bilateral trade reaches \$1.7b	The increase in bilateral trade signifies the growing relations between China and Venezuela.
2007	Chávez	First loan for oil deal	Minimum daily barrels sent to China= 100,000
2009	Chávez	Taipei Economic and Culture Office is shut down	This marks the end of the unofficial relationship between Venezuela and Taiwan.
2009	Chávez	Oil prices drop from over \$140/barrel to \$40	Economic downturn in Venezuela
23 August 2010	Chávez	New soft loans in exchange for oil	\$20b in exchange for 200,000 daily barrels of oil
5 March 2013	Chávez	Chávez's death	Nicolás Maduro takes over
2015	Nicolás Maduro	Opposition-lead National Assembly is elected	Several countries and institutions do not recognise Maduro's new term as legitimate.
2015- onwards	Maduro	Mass outwards exodus of Venezuelans	In total 3.4 million Venezuelans have fled the country (ACNUR-OIM, 2019)
24 January 2019	Nicolás Maduro	Juan Guaidó proclaims himself Interim President of Venezuela	Donald Trump and many Western and Latin American countries recognize him as the legitimate president.

1. Introduction

The Chinese- American relation is probably one of the most interesting bilateral relation in history. The sheer complexity of their interaction is mind blowing. On one hand, China has traditionally looked up to the United States as a beacon of liberties and economic prowess. This was the reason for the migration of many Chinese (mostly Cantonese) labourers to the American west coast since the 19th century. It is also why the idea of the “American Dream” can be seen in the Chinese name for the country, Meiguo (美国), which could literally be translated to “Beautiful country”.

On the other hand, not everything in the garden is rosy. The “Century of Humiliation”¹ has deeply influenced the Chinese stance in the international relations. This historic event has been the benchmark for the constant ideological (communism versus capitalism), economic (the current Trade Wars or the US debt to China) and strategic clashes (Taiwan or the South China sea) that dramatically affect current relationships between China and the Western countries. This ambivalence between cooperation and confrontation among the superpower and the Asian Giant will be one of the key determinants of the future of international relations, as well as the keystone of the Sino-American relationship.

In a modern historical perspective, the Chinese-American relationship has been greatly influenced by mutually satisfying interactions, or in other words, Pragmatism. The recognition of the People’s Republic of China as the rightful representative of China in the United Nations in 1971 is a clear example of this. In the middle of the Cold War the US was in need to isolate the Soviet Union, while communist China held grudges against the Soviet “encirclement of China” by Stalin’s support to the regimes in Vietnam, North Korea, Afghanistan and even India (The People's Daily, 1966). By recognising the PRC as the “sole China” the US and China met their strategic objectives in a mutually beneficial manner. They did so despite the apparently irreconcilable ideologies. They even went as far to create “fruitful working relations”, which gave, in a case by case basis, mutually agreed solutions. This relationship was not a formal alliance but, to a certain

¹ Period between 1839 and 1949 when foreign powers held large chunks of Chinese territory. This period was marked by external interventionism in China, mainly by the United Kingdom (First and Second Opium Wars) and Japan (occupation of Taiwan and Manchuria and World War II). However, other western countries like Germany (which held Qingdao), Russia, France and even the United States took part in this scramble (Kaufman, 2011).

degree, it worked better than any coalition could have. Furthermore, this “working relationship” has been the baseline for bilateral relations between these two countries ever since (Kissinger, 2015). However, both Xi Jinping and Donald Trump seem to have departed this cooperative route towards a more direct confrontation. Trump’s “Make America Great Again” is facing Xi Jinping’s aim to make China a “strong and young nation” (Clover, 2017; Wang, 2015).

Since the election of Donald Trump as President of the United States, and many argue that even before, the centre of the world seems to be drifting towards Asia. Trump’s Trade Wars, controversial speeches and outright confrontation towards historic allies are making many countries reformulate its strategies for the future. America’s role as the sole superpower is being questioned. Its international status has been tarnished, and as Trump himself said: “The United States cannot continue to be the policeman of the world” (SBS News, 2018). So how will the future of international relations be? No one knows, but it looks like China will have a more prevalent say in that future. So, the key question should be, what is China’s strategy for the future?

The simple answer to this question would be that China will continue with its traditional self-interest strategy. This pragmatic way of understanding international relations comes from a deep analysis of both its own inner strengths and weaknesses and those of the other nations. This was the guiding principle of Deng Xiaoping’s “hide your strength and bide your time”, when China was “weak” and surrounded by “strong nations”. Now, Xi Jinping’s “Standing tall and firm in the east” seems to be the latest iteration of this pragmatism. The current President of the PRC has reformulated China’s role in the international stage. The OBOR initiative, the String of Pearls, the creation of the Asian Development Bank, China’s interactions with Africa and Latin America...are just a few examples of the new role of China (Clover, 2017).

The PRC will not continue with a low-profile policy, but it will try find its own way to become a more relevant player. Having this in mind many actions conducted by Beijing make more sense. A clear example of this can be seen in the Sino-Venezuelan relationship. This paper will argue that relations between Xi’s China and Maduro’s Venezuela are based on pragmatism.

This paper aims to make a brief theoretical analysis of China’s decision-making in international relations; and how pragmatism and “*Realpolitik*” are some of the key drivers

of the Asian country's stance in the international sphere. The author will point out several reasons why the Chinese have adopted this approach in its foreign policy; as well as showcasing several historical examples of this pragmatism. Later, the author will try to explain if the Sino-Venezuelan relationship is based on a pragmatic premise or on something else. The paper will conclude by analysing whether or not the relationship is based on a pragmatic basis and to what extent China could be willing to go to support the regime of Nicolás Maduro.

2. Object and Purpose

The object of this paper is the Sino-Venezuelan bilateral relationship. The objective is to analyse whether this relation is based on Pragmatism. There are two main reasons why this research has been conducted. The first reason being that the author has had personal experience with both subjects of study, the countries of China and Venezuela. Secondly, both countries have been in the forefront of current affairs for a significant period of time, yet previous to this research the author only had a vague idea of what was happening between the two nations. These two reasons, the personal experiences and the relative lack of knowledge with regards to their relationship, have been the main drivers and purpose of this paper.

Regarding China, the author spent a whole year living in Beijing, as part of an International Exchange program. During that stay, his interest in China grew exponentially, and since then he has been extremely interested in China's history, social and political structure and its philosophical premises. With regards to Venezuela, since his birth, the author has shared close connections, both friendships and family ties, with many Venezuelans living in Spain. Additionally, during his period in Beijing the author met many Venezuelan students in China.

Furthermore, the author finds very interesting the rapid growth of the Asian country since the 1978 Reform and opening-up, and the drastic changes both the country and its people have encountered, and continue to face. The consequences of these changes are already having a significant impact on China's relevance in the world; and this relevance is likely to further increase in the decades to come. This newfound relevant role in the international community has come with growing interests and interactions with other nations, such as

the OBOR initiative², China-Africa relations or the case study of the Sino-Venezuelan relationship.

Additionally, Venezuela's recent development, especially since the death of Chávez in March 2013, has gone sour. The oil revenue, one of the most relevant sources of income for the Government has plummeted³; the inflation has skyrocketed and there is extreme social and political insecurity and even public uprising against Maduro's government. The social and economic debacle suffered in Venezuela in recent years has dramatically increased its reliance on Chinese economic and political support. This relationship has mostly been based around natural and raw resources, especially oil. Although much has been written about the oil relationship between China and Venezuela, there are still certain gaps that need to be filled in order to have a deeper understanding on this particular matter.

Therefore, the author aims to contribute to the study of the subject by making a brief analysis of the particular relationship between China and Venezuela. The author intends on going beyond the oil relationship and takes into account several other aspects that are shaping the connection. Furthermore, due to recent developments in Venezuela, after the proclamation of Juan Guaidó as Interim President of Venezuela⁴, this paper will try to analyse how committed China is to keep Maduro in power, as well as to make a brief overview of Guaidó's attitude towards China.

² The One Belt One Road (OBOR) is a huge infrastructure project that aims to improve the connectivity and cooperation between 78 countries across Asia, Europe and Africa. The "Project of the Century", as Chinese officials have come to call it, aims to boost Chinese domestic growth and political influence in the world (Seth, 2018).

³ Oil accounts for 95% of Venezuela's export revenues and bankrolls, yet its output has sank to 1 million barrels a day, which is the lowest in seven decades (Kassai, Marino, & Lin, 2018)

⁴ Juan Guaidó declared himself president 23 January 2019, invoking Articles 233 and 333 of the Venezuelan Constitution. Article 233 states: "when the president-elect is absolutely absent before taking office, a new election shall take place (...) And while the president is elected and takes office, the interim president shall be the president of the National Assembly"; and Article 333 says: "(if the Constitution is ceased to be observed) every citizen will have the duty to collaborate for the reestablishment of its effective validity" (Constitución de la República Bolivariana de Venezuela, 1999; Bello, 2019)

3. State of the art

3.1 What is Pragmatism?

An element to take into consideration when writing about pragmatism is to make clear a theoretical difference between behaving in a “pragmatic” manner and being a “pragmatist”. This difference is of especial relevance when separating the common use of a word and its deeper philosophical meaning. According to David Goodman, Deng Xiaoping’s biographer, he considered himself “pragmatic” rather than a “pragmatist”. This idea of Deng being pragmatic has been upheld by many of his quotes and aphorisms⁵, as well as by many Chinese scholars on the topic (Tan, 2011; Goodman, 1994). Yet, what is the difference between “pragmatic” and “pragmatist”? And why is this difference important for the definition of Pragmatism?

In the common use of the words there is no big difference between the two. Nevertheless, the relevance of this debate lies in the fact that the popular use of these words is generally misunderstood. Many use both as synonyms, either because they do not know the difference, or because they do not care. However, this difference allows for a very different understanding of the world, and how the people, and therefore a country, should be ruled. The use of similar words to refer to completely different ideas creates an Orwellian paradox, by which “pragmatic” and “pragmatist” are understood as having the same meaning. Nevertheless, Are a Democracy and a Totalitarian, single-party regime the same? The answer seems easy enough, yet the legitimacy factor lies in the sole difference between “pragmatic” and “pragmatist”.

The difference between “pragmatic” and “pragmatist” is that between the common use of the word Pragmatism, and its philosophical concept. In other words, “pragmatic” refers to what is generally understood to be Pragmatism; while “pragmatist” refers to the follower of the philosophical Pragmatism theory.

Having this in mind, being “pragmatic” is generally defined as: “*behaviour disciplined by neither (a) set of values nor established principles*” (Zhao, 2016, p. 4). In other words,

⁵ Some examples include: “It doesn’t matter if a cat is black or white, so long as it catches mice, it is a good cat”; “Poverty is not socialism. To be rich is glorious” or “Cross the river by feeling for stones” (Goodman, 1994). These quotes show that Deng put great emphasis on results and experience, over ideology.

it is a justification for the lack of a comprehensive ideology that defines each one of your interactions and actions. For the “pragmatic” the greater good is defined by the final result, and whether or not the end satisfies its needs.

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

The modern Chinese Pragmatism is neither of the two concepts, but a combination of both ideas, pragmatic and pragmatist. China’s behaviour and discourse both domestically and internationally might lack the American Universalism approach; yet it is still a “somehow loosely defined” ideology. Therefore, it is not a pure “pragmatic” ideology. Otherwise, the Chinese ideology does not dramatically limit its ability to adapt to the circumstances. A clear example of this combination between “pragmatist” and “pragmatic” behaviour can be seen in the 1978 opening up of the economy. It can be understood as an adaptation to the reality of the world (“pragmatist”), as well as the abandonment of pure “Socialism ideology” (“pragmatic”).

3.2 Chinese ideology

The Chinese ideology, now onwards defined as “Pragmatism”, “pragmatic” or “pragmatist” interchangeable, was deeply marked by Mao’s demise. After that, Deng Xiaoping marked the limits for the Chinese pragmatism with the so called Four Cardinal Principles (Si-xiang Jiben Yuanze, 四项基本原则). These principles were:

- 1) Uphold to the socialist path.
- 2) Uphold to the people’s democratic dictatorship.
- 3) Uphold the leadership of the Communist Party of China (CPC).
- 4) Uphold Mao Zedong Thought and Marxism-Leninism (Deng, 1979).

These principles meant a lower emphasis on ideology, compared to Mao’s Era. At the same time, they marked the limits for any kind of further reform within the PRC. These precepts have been the guidelines for the subsequent Party leaders, and they have deeply influenced the policy making and ideology within the Party. The Four Cardinal Principles

(FCP) have also greatly influenced Xi Jinping's thoughts, especially regarding his Four Comprehensives:

- 1) Comprehensively build a moderately prosperous society⁶.
- 2) Comprehensively deepen reform.
- 3) Comprehensively govern the nation according to law.
- 4) Comprehensively strictly govern the Party.

These are considered to be the current ruling principles of Chinese domestic politics, and they are adaptations of Deng's FCP (BBC News, 2015).

To sum up, the Chinese Pragmatism is an amalgamation of two concepts, "pragmatic" and "pragmatist". From the "pragmatic" concept, the Chinese policymakers understand the need to not be limited by ideological and idealistic limitations. The Chinese try to get along with everyone, without taking into consideration political, ideological or economic differences. From the second concept, "pragmatist", Chinese pragmatism has borrowed the idea that the world is inseparable from reality. This means that in order to achieve its objectives China will do what is best for the Party and the national interests. The rationale that has led to the Chinese Pragmatism will be further explained in the Theoretical framework.

Once the concept of Pragmatism has been defined, it is relevant for this paper to determine if the bilateral relation between China and Venezuela can be seen as Pragmatic. In order to do so, the historical transformation of the relationship must be considered, especially since the arrival of Chávez to power.

3.3 The Sino-Venezuelan relationship.

The modern Sino-Venezuelan relationship was born 28th of June 1974, after both governments had signed an agreement regarding the recognition of the "One China policy"⁷ (Chinese Embassy in Caracas, 2006). This was the necessary precondition for the establishment of a formal relationship between the two countries, since Venezuela

⁶ Xiaokang society 小康 or Moderately prosperous society is a concept defined in Confucianism, and later adopted by Deng Xiaoping and Hu Jintao which defines the objective of the CPC to achieve lower wealth inequalities in the country (Contreras-Piña, 2016).

⁷ The "One China policy" or "One China Principle" is a mutual agreement between the governments of the People's Republic of China (PRC) and the Republic of China (ROC) to recognize that there is only one country of China. This principle, though does not prevent grudges from being held against one another (Gill, 2000).

had voted against The United Nations General Assembly Resolution 2758. The UNGA Res 2758 (XXVI) stated: “(The) Restoration of the lawful rights of the People’s Republic of China in the United Nations”; in practice, this meant that the ROC –popularly designated as Taiwan- was no longer the legitimate representative of China to the United Nations (United Nations General Assembly, 1971).

The Venezuelan position regarding the Taiwan question was the most relevant interaction between the PRC and Venezuela for the remainder of the 20th century. Venezuela’s stance with regards to Formosa was the same that most other countries followed, they officially only recognized the PRC, but they held informal relations with the Taiwanese. Taipei’s embassy was replaced by the “Oficina Comercial de Taiwan” –Commercial Office of Taiwan-, the very same day the Venezuelan-PRC relationship was established. However, since the arrival to power of Hugo Chávez in 1999 the PRC-Venezuela official relationship suffered a great transformation.

Chávez position regarding Taiwan evolved as time progressed. At the beginning of his mandate, the relationship remained quite similar to that of his predecessor. However, starting in 2007, the Taiwan-Venezuela unofficial relation started to sour. On March, Venezuela repealed a 90-day exemption for Taiwan passport holders, and ever since then Taiwanese citizens are required to apply for visas to enter the country (Oficina Económica y Cultural de Taipei en Venezuela, 2012). In June the same year, the Venezuelan government decided not to renew visas for the five members of the commercial representation. These unilateral decisions culminated in 2009, when the “Taipei Economic and Culture Office” in Caracas was shut down. This marked the end of the unofficial relation between Taiwan and Venezuela.

However, why did all of this happen? What was the rationale behind Chávez unilateral decisions to actively boycott the bilateral relationship with Taiwan? The answer to these questions lies in the improvement of the bilateral relationship between the PRC and Venezuela. The turning point in the bilateral relation took place the day Hugo Rafael Chávez Frías was elected as president of the Bolivarian Republic of Venezuela, on the 2nd of February 1999.

Before the election of Chavez there had only been an official visit by a Venezuelan President to China. This took place between the 27 October and 2 November 1981 by President Luis Herrera Campins. The first official visit by the Chinese authorities to

Venezuela occurred between 12 and 14 November 1985 by the Chinese Prime Minister⁸ Zhao Ziyang. During Zhao's visit both countries signed a China-Venezuela Trade agreement, a Cultural Exchange program 1984-1988 and a protocol for scientific and technological cooperation for oil exploration and exploitation (China.org.cn, 2001). A second official visit by the Chinese Primer Minister, Li Peng, occurred in 1996. During that visit China and Venezuela subscribed and agreement to preserve the General Consulate of Venezuela in the Special administrative region of Hong Kong⁹. Additionally, it was also signed a joint cooperation agreement in the oil sector, as well as an accord to conduct a feasibility assessment of the development of Orimulsion¹⁰ and its subsequent sale.

Despite these official visits the relation was not especially close and it was mostly based on Venezuelan political recognition of Chinese sovereignty of Taiwan –starting in 1974- and Hong Kong –since 1996- in exchange for oil-related advantages, such as exports or technological know-how. In total, by 1999, China and Venezuela had only 30 cooperation agreements (Embajada de Venezuela en China, 2015). The relation improved significantly in 1999, when Chávez was invited by the Chinese President Jiang Zemin to visit China and Hong Kong. During the **eight-day-meeting** both countries signed:

- The Memorandum of Understanding (MoU) for the creation of a mixed committee on energy.
- The MoU for the subscription of a treaty regarding the protection of foreign investment.
- The MoU for the concession of a \$30 million line of credit for exports by the Bank of China, to the Government of Venezuela.
- Exchange of notes regarding the extension of the area of influence of the General Consulate of Venezuela in Hong Kong to Macau.
- Partnership agreement between the Chinese People's Institute of Foreign Affairs (CPIFA) and the Academy of Diplomacy of Venezuela.

⁸ The Prime Minister, officially called The Premier of the State Council of the People's Republic of China, is the head of government and leads the State Council. Although the Vice-president is officially the second in command in the CPC, the Prime Minister is the second most important person in practice. Therefore, a visit from the Prime Minister is consider relevant, but it has lesser importance than a visit from the President (The Economist, 2019; Darlington, 2018).

⁹ In order to do so, Venezuela officially recognised the PRC's sovereignty over Hong Kong

¹⁰ A type of oil emulsion formed by a 70% bitumen and 30% water emulsion. This extremely dense oil derivative was produced by PDVSA's filial company BITOR between 1988 and 1999.

- Academic cooperation agreement between Nanjing University and University of Los Andes.
- Letter of Intent about the long term joint production of Orimulsion by “Corporación Venezolana del Petróleo” –a subsidiary of PDVSA- and China National Petroleum Corporation (CNPC) by a binational association, Sinovensa. This company took over the production of Orimulsion until 2003, when the Venezuelan government unilaterally stopped its production and closed the joint venture¹¹ (Oil & Gas Journal, 2008)

This first Venezuelan visit to China by Chávez, marked a new age in the bilateral relationship. The topics discussed, although still centred around oil-related issues, added additional layers of understanding. The establishment of bilateral academic cooperation marked a trend by which thousands of Venezuelan students have migrated to China (Quiroz, Petit, & Rivero, 2011). It was also the beginning of the “aid” and loans provided by the Chinese government to Venezuela.

The improvement in the relationship had effects in the trade volume (See Graph 1). In 1974 trade between China and Venezuela was almost non-existent, just a little over \$10 million worth, almost all of which were Chinese exports into Venezuela. By 1996, however, the trade volume started to grow. That year bilateral trade reached \$63.9m, two thirds of which were imports. Since 1996 onwards trade grew rapidly, in 2005 it totalled for the first time over \$1.7b. In 2006 trade volume was almost double that of the previous year.

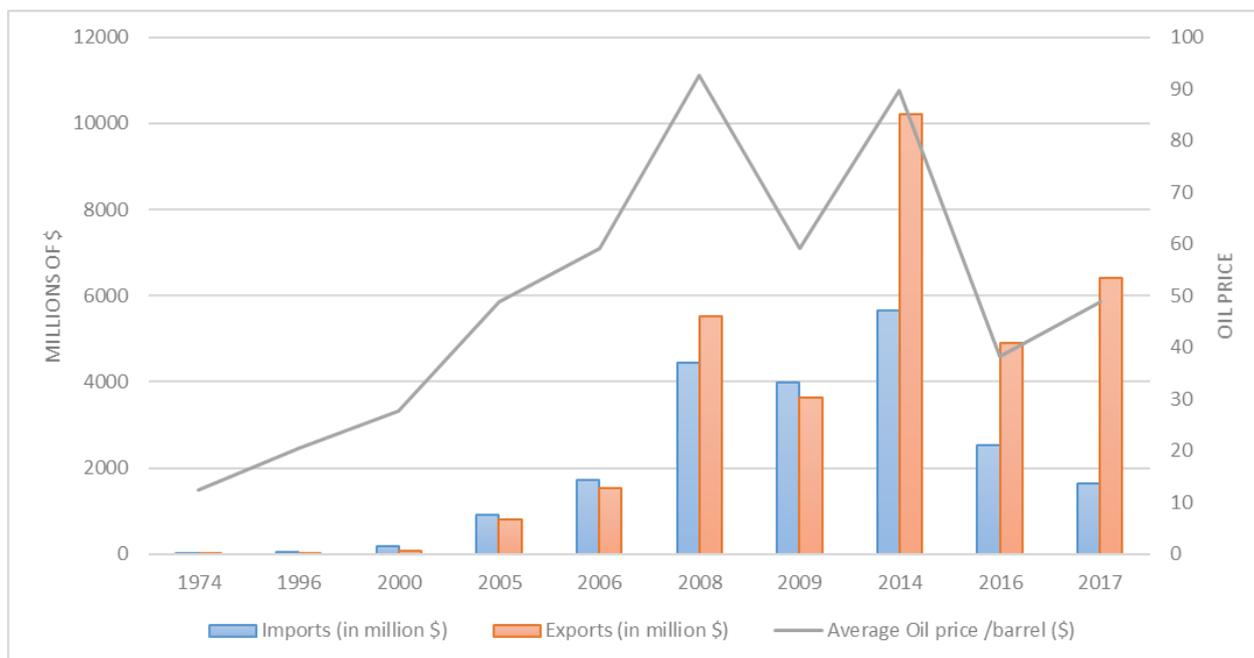
By 2008 everything seemed great, trade volume was six times that of 2005 and thrice the volume of 2006, and for the first time in history Venezuela had a trade surplus with China, a significant \$1.09b. However, the dramatic decrease in oil prices of 2009; which plummeted from over \$140/barrel to \$40/barrel crippled the economy causing an economic recession. This affected bilateral trade in 2009, which decreased to \$7.6b.

Yet the bilateral trade recovered, and in 2014 it reached its peak at over \$15.86b, two thirds of which were Venezuelan exports. Since then trade volume has been reduced to the 2009 level. The last available data states that the trade volume in 2017 totalled \$8b,

¹¹ This happens due to a change in the technical description of the product. Although it had always been a heavy oil derivative, before 2003 it had been classified as a bitumen. This meant that it was accounted and sold as coal. In 2003 the Venezuelan authorities wanted to give a different use of the Orinoco’s heavy oil (Oil & Gas Journal, 2008).

\$6.4b were Venezuelan exports and \$1.65b were imports. Nevertheless, the dramatic decline of Venezuela's economy in the last few years, especially since 2015 will have most likely affected the bilateral trade from 2018 onwards.

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



Source: Compilation based on information supplied by (OEC, 2017) and (Amadeo, Oil Price History With Highs and Lows since 1974, 2019)

When analysing the bilateral trade between China and Venezuela it is relevant to understand the trade deficit, and how it has changed and shifted throughout the years. Two main periods can be identified the first one occurred between 1974 and 2006, when China had a trade surplus with Venezuela and the second, 2008 onwards, when Venezuela has the trade surplus.

The first period (1974-2006) happened due to the fact that large quantities of cheap Chinese goods, like textiles, shoes were demanded, as well as machinery, electric appliances and refined oil. This together with increasing oil revenues (which amount to 96% of Venezuelan exports) meant that had the purchasing power to acquire Chinese goods.

This situation changed in the second period (2008 onwards), when the bilateral trade switched to favour the Venezuelans. The reasons for this change are several First, oil prices rapidly increased, which greatly benefited Venezuelan exports which were mostly

crude oil and oil derivatives (such as Orimulsion). Secondly, the creation of loans-for-oil in 2007 created an obligation for the Venezuelans to provide large quantities of oil to pay back the loans. Thirdly, especially since 2015, the dramatic loss of purchasing power - due to the galloping inflation- suffered by the Venezuelans greatly diminished the demand for Chinese goods (OEC, 2017).

The election of Hugo Chávez in 1999 was a turning point in the Chinese-Venezuelan foreign affairs¹², however until 2007 it remained a relatively minor and casual relationship. In 2007, the relationship suffered an explosive growth both in terms of volume of trade and political cooperation. That year both countries created the “Joint Fund China Venezuela” which invested in multiple infrastructures and telecommunications projects in Venezuela, including the creation of five subway lines, a highway and the launch of satellites Venesat-1 “Simón Bolívar” in 2008, VRSS-1 “Francisco de Miranda” in 2012 and VRSS-2 “Antonio José de Sucre” in 2017 (Puertas, 2018). These projects were mostly financed by China Development Bank (CDB), which disbursed \$4b in loans, together with an additional \$2bn from the Venezuelan “Fondo Nacional para el Desarrollo Nacional” (FONDEN). This agreement was part of 11 Cooperation accords subscribed by Caracas and Beijing, and it totalled over 60% of China’s investment in Latin America and the Caribbean at the time (Pira, 2013; Hernández C. , 2007).

The 2007 soft loan was the first of a multitude of “loans-for-oil” deals struck between the two countries. The loan in 2007 was provided in exchange for Venezuela’s commitment to export more than 100 thousand oil barrels per day to China. In 2008 the number of daily barrels was increased to between 107,000 to 253,000. In 2010, CDB provided a \$20b-worth credit line to Venezuela in exchange for 200,000 daily barrels of oil during 2010, 250,000 during 2011 and at least 300,000 in 2012 onwards (Pira, 2013).

However, the bilateral understanding between Chávez and China did not limit itself to political and economic fields. It was also a military one. In 2008, Venezuela acquired two squadrons of four Chinese manufactured training jets K-8 Karakorum. And by 2016, The “Aviación Militar de Venezuela” (Venezuelan Air Force) had a total of twenty-four Chinese manufactured K-8 jets (Hernández C., 2016)

¹² During Chávez’s presidency (1999-2013) the Sino-Venezuelan relationship increased from just 30 cooperation agreements to over 500 (Embajada de Venezuela en China, 2015).

Everything seemed great for the bilateral relation in 2013, when Hugo Chávez passed away. Trade reached an all-time record in 2014 and oil prices were quite high. However, a quick succession of events caused a dramatic change in the relationship. These events, together with Maduro's relationship with China will be further explained in the Analysis and discussion.

4. Theoretical framework

Before analysing the current bilateral relationship between Venezuela and China it is relevant to make several clarifications regarding nomenclature; as well as explaining several reasons for the existence of the Chinese pragmatism. The most relevant definitions are superpower and asymmetric relationship.

4.1 Superpower.

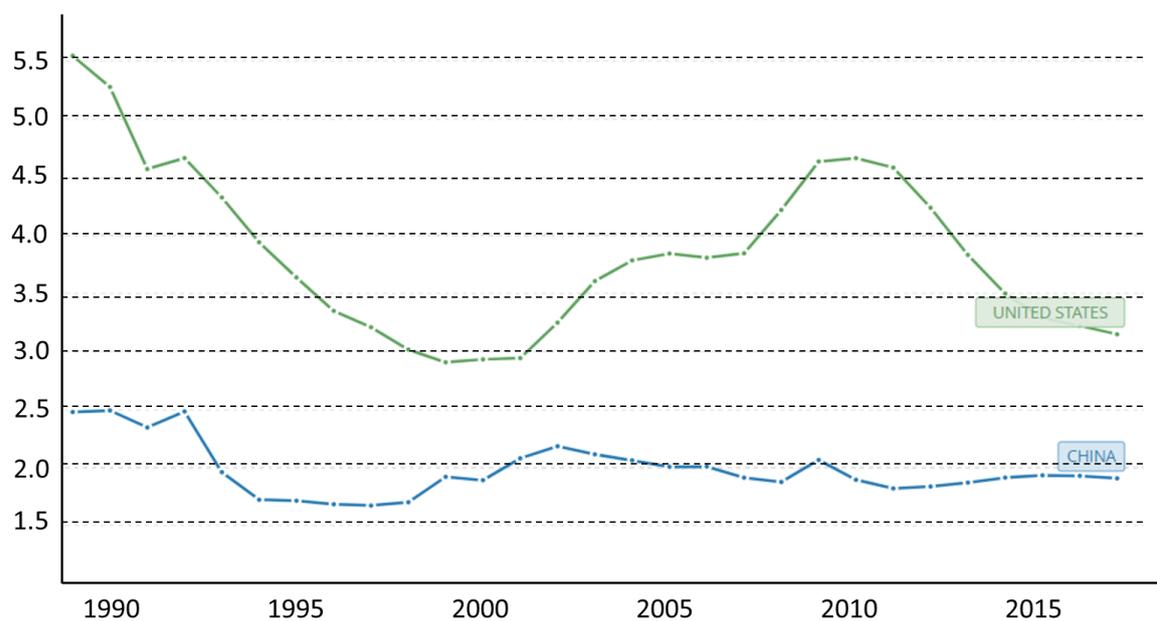
According to Barry Buzan, "*superpowers are big, system-dominating powers, that have the material capabilities and the social standing to operate globally and influence in a major way all over the planet*" (London School of Economics and Political Science, 2011). This definition is relevant because different authors and papers claim that China, through its actions in Latin America, Africa, South-East Asia, even Europe¹³ is trying to become a superpower.

Therefore, it would be relevant to make a brief analysis of China's material capabilities and social standing in the world, to be able to determine whether China might become a new superpower or not. In line with Buzan, China's material side is fairly impressive, 40 years after the reform and opening-up China's GDP is 82 times that of 1978. Its global relevance has grown exponentially, from less than 1.75% percentage of global GDP, to over 15% (Global Times, 2018). This rapid economic expansion has been followed by rising military expenditure (See Graph 2). However, this increase in expenditure comes from economic growth, since the percentage of GDP acknowledged to be spent on the military has remained constant, at around 2%. Additionally, the recent Chinese economic

¹³See the recent admission of Italy into the OBOR (News, 2019), the Chinese acquisition of the Greek port of Piraeus (Johnson, 2018) or the recent talks between China and the United Kingdom regarding their bilateral relationship post-brexite (Lawler, 2019).

slowdown might prevent this percentage to be further increased. Altogether, the material capabilities of China could suffice to be considered a superpower.

Graph 2: Chinese and American military expenditure as % of GDP (1989-2017)



Source: Compilation based on information supplied by (The World Bank, 2018)

Nevertheless, Chinese social resources, although they have improved in the last decades, remain largely small dictatorships (such is the case of Maduro’s Venezuela). Additionally, China lacks the American “Outward Exceptionalism”, in turn the Chinese approach is much more an inward model. The so called “Chinese Characteristics model” is specific for China; and the Asian giant does not seem interested in implementing its political system in the world. Therefore, China does not meet the social standing in the international community to be considered a superpower (London School of Economics and Political Science, 2011).

According to Barry Buzan’s De-centered globalism, both the European Union and China are Great Powers, since they can influence more than one region; while the United States is a declining Superpower. For Buzan, the future will mean a return to the “natural order in the International Relations”. This professor claims that the age of superpowers, when one or two big superpowers dominated the international system (a clear example would be the Cold War), has been a historic exception rather than the norm. According to Buzan, the world is heading back to a new age where there will be no single superpower, but several great powers and many regional powers (London School of Economics and

Political Science, 2011). If this theory proves correct then China will not be able to achieve the superpower status.

4.2 Asymmetric relationship.

Another definition that must be explained in order to understand the current bilateral connexion between China and Venezuela, would be Asymmetric relationship. According to Professor Brantly Womack: “*an asymmetric relationship is one in which the smaller side is significantly more exposed to interactions than the larger side because of the disparity of capabilities, and yet the larger side is not able to dictate unilaterally the terms of the relationship*” (Womack, 2016, p. 10). In other words, despite the difference in relative power in the relationship, an asymmetric relationship remains problematic for the stronger side, since: “*the strong does what is feasible (or cost-effective), while the weak do what they can*” (Womack, 2016, p. 23). The Sino-Venezuelan relationship could be described as an asymmetric relationship, since there is one side (the Chinese one) which is arguably much stronger than the other one; however, as it has been proved this does not mean that the Venezuelans will simply follow China. In the Analysis and discussion, the author will aim to prove this point with several examples.

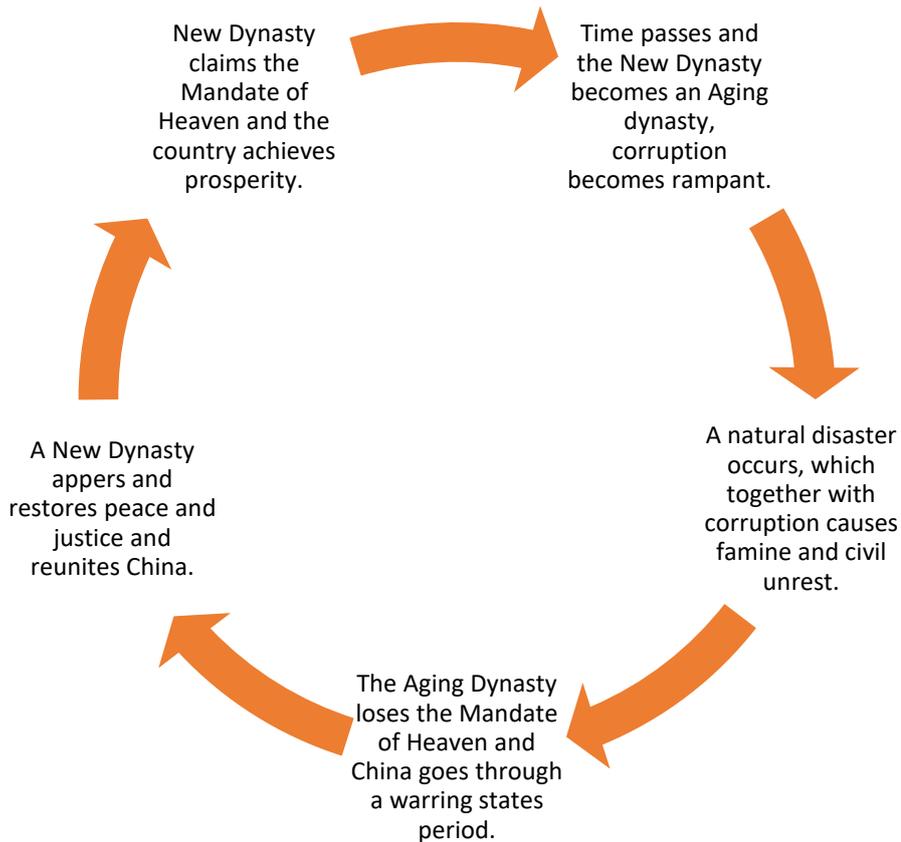
4.3 Understanding China’s pragmatism.

Once superpower and asymmetric relationship have been defined it seems relevant to understand what has made China take a Pragmatic/pragmatist stance in its international relations. There are a series of factors for this to happen, yet the most relevant in the opinion of the author are: China’s history, China’s traditional philosophies (specially Taoism and Confucianism) and the role of the Chinese Communist Party (CPC).

4.3.1 China’s history.

China’s history has been deeply influenced by a long standing tradition of cycles between unifications and Splits, the so called Dynastic cycle or Chaodai Xunhuan (朝代循环). This cycle has occurred several times throughout Imperial China’s history (221 BC-AD 1911) and some even argue that the PRC is nothing but the latest iteration of this cycle (See Graph 3).

Graph 3: Chinese Dynastic cycle



Source: Compilation based on information supplied by (Fairbank, 1979)

The Chinese Dynastic Cycle, therefore is a simple statement of China's historic reality of the constant transformation of the status quo, which has been a consistent transmutation from internal reunification and prosperity to fragmentation and stagnation. The driving force behind the cycle is the idea of the Mandate of Heaven¹⁴. This was the endower of the Chinese Emperor's legitimacy, yet it was not like the Western idea of "Divine Right of Kings". The Mandate of Heaven was earned and lost by the ruling dynasty through its actions and the prosperity of the country. It allowed for rightful rebellions against the tyrannical, unjust or incompetent rulers. In turn, this had a deep impact on Chinese history, since certain level of accountability was instituted, internal uprisings were easier to justify and the transition of ruling dynasties was less uncommon than in other places (Szczepanski, 2018). This could even be considered a primitive form of "pragmatism", since although certain degree of ideology was upheld (no one challenged the idea of the

¹⁴ Mandate of Heaven, or Tian Ming (天命), was a political and religious doctrine which justified the natural order and will of the universe, and determined whether a Chinese emperor was virtuous enough to rule (Szczepanski, 2018).

existence of the Emperor), the key definer of the Emperor's legitimacy was the prosperity of the country ("the greater good").

Another key historical moment for the existence of the Chinese Pragmatism can be found in the Century of Humiliations. This period of China's modern history (1839-1949) concluded with the CPC's rise to power. The Century of Humiliations is widely considered a turning point in Chinese history and: "*is thought by many Chinese today to provide historical lessons (and) indicate how strong Western powers tend to behave towards China*" (Kaufman, 2011, p. 41). The CPC considers that China needs to be strong and relevant in the world in order to prevent a new Century of Humiliations. As a consequence, it is a major strategic objective for the PRC to be perceived as "strong", as someone you "cannot mess with". Having this core objective, a pragmatic stance in its international relations provides China with the flexibility to achieve this "greater good".

It is also relevant to understand that many of China's current pragmatic strategies are the descendant of Mao's foreign policy. A good example can be seen in China's role in Africa. Despite the fact that the Africa-China relations really took off in the 1980s, it cannot be forgotten that that was not the beginning of China's interests in the region. Throughout the late 1950s, 1960s and 1970s China held diplomatic relations with several African countries and communist guerrilla forces. Most of these actions were ideologically-driven (since the objective was to promote and defend socialist revolutions), however, there are several examples of "Chinese pragmatism" in Africa during Mao's era. (1943-1976). Probably the most relevant one would be the TAZARA Railway.

This Railway links the port of Dar es Salaam (former capital of Tanzania) with Kapiri (in Zambia's Central Province). It was built between 1970 and 1975 by the Railway Engineering Corps of the People's Liberation Army (a branch of the PRC's Army) with a total cost of US \$406 million, which at the time was the largest single foreign-aid project undertaken by China (The New York Times Archives, 1971).

The PRC's main objective with this investment has changed with China's strategic priorities. During Mao's Era, TAZARA's main purpose was to rally Africa's support for a Chinese-led "Third option" during the Cold War. Mao's China wanted to position itself outside the American or Soviet sphere of interest and African countries were potential political allies. As a consequence, the TAZARA Railway received several interest-free loans during the 1970s and 1980s. However, once Mao passed away and Deng Xiaoping

started his reform and opening up of the country TAZARA lost most of its interest for China, at least during the late 1980s and early 1990s.

The situation changed again in the late 1990s and 2000s, as TAZARA Railway was seen with different eyes. It was (and still is) perceived as a direct link for Chinese manufactured goods to Zambia. As such, in 2010 the Chinese government injected \$39m to revitalize the Railway operations, and condoned former TAZARA's debts with China (Times of Zambia, 2010).

The TAZARA Railway represents a perfect example of China's historic stance in international relations: first, during Mao's Era it laid low, survived and tried to find some partners; second, at the beginning of the industrialization (1980s- 2000s) China focused on domestic issues and economic growth; and finally, since the early 2010s it has taken a more direct approach to "claim China's legitimate role in the world stage" (Zhao, 2016). All of these three main stages have been dominated by a cold calculation of benefits and costs and they have allowed China to transform itself from a relatively Small Power during the Century of Humiliations, to a Great Power, in less than sixty years. This has been achieved thanks to the flexibility in the election of its strategic objectives which was provided by its pragmatic stance.

As Henry Kissinger points out in its book "On China" the Sino-American relationship was a "fruitful working relationship", it was not a formal Alliance. This Chinese flexibility allows the Asian country to do what needs to be done without worrying about its Allies. This is because China's positions of non-alliance and non-interference make it need no formal Alliances. In turn, the current Chinese strategic objective is to create and promote trade partnerships. China is the largest trading nation in the world, and this has been the consequence of the CPC's core objective, to promote economic growth, as a mean to achieve internal stability (Zhou, 2016).

4.3.2 China's traditional philosophy

Another relevant factor to understand Chinese pragmatism can be found in China's traditional philosophy, the so called three teachings, or San Jiao (三教). These are: Taoism, Confucianism and Buddhism and they are the three main schools of thought in the Chinese tradition (Liu, 2014). Regarding pragmatism, the most relevant to understand are Taoism and Confucianism.

Taoism is a philosophy which promotes the idea that we should live in balance and harmony with the Tao (in pinyin Dao, 道) which means “way” or “path”, but refers to a more “metaphysical path”, a “flow of the universe”. According to Taoism, everyone should follow the Three Jewels of the Tao, which are compassion, moderation, and humility; as they help to prevent falling for extremes. Additionally, for Taoism it is also relevant to understand the ideas of “non-action” and “strength of softness”, since they are the basis for the principles of non-intervention and flexibility respectively. For Taoism, “virtue can only be found in balance, and balance is in constant transformation, therefore, we should be flexible and flow with the Dao to achieve balance”. If “balance” is substituted by “greater good” Taoism could be understood as the definition of Pragmatism.

Confucianism, unlike Taoism states that strict hierarchy and order must be instituted to prevent chaos and to promote social stability. Confucius (the founder of this school of thought) promoted a system of moral, social and political thought which is ruled by the principle of: “treat others as you would like to be treated”. It also upholds several concepts such as the idea of meritocracy (holding of power according to merit) or the core societal objective to aim for mutual benefit. Both concepts deeply influenced the Chinese Imperial System and its successors, especially the CPC.

To sum up the traditional Chinese philosophies, they promote the idea of finding an equilibrium in order to achieve social stability. In order to do so, there is a need to have a capable and righteous leader (chosen according to merit) who aims to achieve the greater benefit of the society (Contreras-Piña, 2016; Szczepanski, 2018; Zijiang, 2007). These ideas serve as the philosophical foundation behind the concept of Chinese Pragmatism.

4.3.3 The Communist Party of China.

Despite its history and traditional philosophies, the most relevant element to understand why China upholds a pragmatic stance in international relations is the Communist Party of China. If the Government Officers did not take actions according to pragmatic premises, then all its past history and philosophical concepts would not matter. However, the CPC’s role, both domestically and internationally has been deeply influenced by Pragmatism. The CPC’s core objective is to survive and remain in power, in order to do so, and due to the Dynastic Cycle and the Century of Humiliations, they know that they need to achieve two main objectives:

- 1) Achieve social stability, to avoid internal unrest.
- 2) Be strong enough, relative to foreign powers, to not be invaded.

These have become the CPC's core objectives. Therefore, the policies and actions instituted by the CPC aim to improve either of these two objectives. Since Deng's Era (1978-1989) these two core objectives have been achieved through economic reform and growth. The results are clear, over half a billion Chinese have been lifted out of extreme poverty, and China is the largest holder of American public debt with over 28% of the \$3.97 trillion in Treasury bills held by foreign countries (Amadeo, US Debt to China, How Much It Is, Reasons Why, and What If China Sells, 2019).

Nevertheless, other actions, such as the censorship of internet (The Great Fire Wall) and internal dissidents, together with huge propaganda campaigns to promote the figure of the President have also been instituted. The most recent news of internal control by the CPC to the Chinese people is the creation of a ranking system, named "Social credit system". Expected to be fully operational by 2020, it links citizens through an ID number with their credit records. This would allow companies, and the government to control in a holistic way all available credit information of every citizen in China. Additionally, it could be used to control political dissidents, since those blacklisted in the Social Credit System are not qualified to buy plane tickets, acquire property, take a loan... (Kobie, 2019). These are clear examples of CPC's pragmatic actions.

5. Objectives and Questions

The primary objective of this research paper is to answer whether the current Venezuela-China relationship is based on the Chinese stance of political pragmatism or in something else. The author's hypothesis is that that is indeed the case, and the Sino-Venezuelan relationship can be explain with Pragmatism. To that avail, a broad analysis the Sino-Venezuelan bilateral relationship after Chávez's death in 2013 will be done. Especial emphasis will be put in the economic, political, military, social and personal relations between the two countries. The objective is to explain whether the current relationship is a continuation of Chinese pragmatism, or something else.

The research will conclude by providing an answer to the question: Are current China-Venezuela relations based on pragmatism? The starting hypothesis will be that the answer

to that question is yes. However, other perspectives will be taken into consideration. For example, whether the relationship could be based on personal friendship between the leaders of the two countries; or if the relationship is based on more irrational premises, such as trying to keep alive a political ally in the region, even if it is an economic burden.

6. Methodology and clarifications

The methodology used in this paper is a comparative method, which will consist of a case study. This study analyses the current Sino-Venezuelan relationship and tries to apply the theory of Chinese pragmatism in international relations. To that avail the modern Sino-Venezuelan relationship until 2013 has already been explained in the State of the Art. Additionally, the factors that justify China's pragmatism have also been set up in the Theoretical Framework. Therefore, the Analysis and discussion will consist of a bibliographic revision of mainly News Articles and Academic papers in order to understand what has occurred, and is still occurring, in the Sino-Venezuelan relationship after Chávez. Once the reality has been clarified the answer to the question: Is the Sino-Venezuelan relationship based on pragmatism? Will be answered in the conclusions.

However, it is relevant to understand that any analysis conducted on any ongoing situation will be prone to have certain "blind spots". This is especially likely to happen due to the recent events that have shaken Venezuela, including the Proclamation of Juan Guaidó as Interim President in January 2019.

It is also relevant to point out that all Chinese names (unless otherwise specified) have been transcribed according to the pinyin system. Additionally, the Chinese characters found in this paper are all simplified characters.

7. Analysis and discussion

The current Sino-Venezuelan relationship after Chávez death in 2013, has rapidly transformed, from a promised success for both countries, to a deteriorating mess, where each country tries to salvage what they can. The reasons for this debacle can be traced back to the Chinese strategic objectives in Venezuela.

These objectives can be classified into two main categories, economic interest and political gains. For starters, regarding economic interest, Venezuela holds the largest known reserves of oil in the world and China, despite being the fifth largest producer in the world (with a daily production of 4.78 million barrels) it is the second largest consumer (with a consumption of over 12.79 million barrels per day) (US Energy Information Administration, 2018).

Concerning political objectives, Venezuela throughout most of its history has been politically dominated by the US; therefore, when Chávez's "Twenty-First-Century Socialism" took over in 1999, it was perceived as a potential political ally for former socialist countries, like Russia or China (Corrales, 2010).

For China, Venezuela was the perfect gateway for expanding its investments, and influence, in Latin America due to its economic potential and the political proximity. As a consequence, the Sino-Venezuelan bilateral relationship thrived (See Graph 1). Between 2000 and 2014 the total Annual bilateral trade jumped from less than \$260 million to over \$15.86 billion. During this time, Venezuela eagerly accepted Chinese loans and investments, as it was seen as a very attractive path to development. For Venezuela, China was the getaway car from "American Imperialism".

Additionally, Trump's attitude to Latin American countries has "antagonized and distanced" himself (and the USA) from its traditional Western Allies. This has allowed China to rise in political, economic and technological relevance in America's Backyard. In this regard, Venezuela poses an opportunity for China to assert its growing role in the region (Horton, 2019). China's role and support to Chávez regime is being taken into consideration by Latin America, and the question whether it is being perceived as positive or negative, is yet to be answered. Furthermore, China's behaviour can also be understood as a way to align itself with other "Anti-American" countries, like Iran, Syria, Russia, Turkey, Cuba, Bolivia... Yet why did Venezuela invite Chinese investors in the first place?

7.1 Venezuela's dependency on the United States.

Venezuela has traditionally been deeply under American influence. Venezuela officially entered World War II on the side of the Allies in February 1945, but Caracas unofficially supported them during most of the War. Due to its strategic importance (Venezuela was the largest oil exporter in the world) it had been one of the main beneficiaries of the American Lend-Lease programs (Leonard & Bratzel, 2007). This had a great impact on the economy of the country; which was one of the strongest in Latin America from the 1950s to the early 1980s. In 1950 Venezuela was the fourth wealthiest nation per capita, driven mostly by oil revenue (Alexander, 1963).

However, this economic, military and political dependency on the US had a negative impact on the political stability of the country. After a ten-year-long military dictatorship (1948-1958) another Coup d'état led a transitional government which concluded on the December 1958 elections. This election excluded the Communist Party of Venezuela (Partido Comunista de Venezuela, PCV), who began a guerrilla campaign. The Communist guerrillas, together with dissatisfied members of the military and political opponents (especially left-wing) would pose a constant threat to the Venezuelan Government throughout the late 1980s and 1990s. This unrest was brewed mainly as a consequence of two factors, an internal factor, the "Betancourt Doctrine"¹⁵, and an external one, the drop in oil prices in the late 1980s. These two factors feed-backed each other and caused unrest and dissatisfaction, especially in the left-wing sectors, who saw the liberalization of the country by Presidents Pérez (1989-1993) and Caldera (1994-1999) as extremely negative for the working and middle classes (Amadeo, Oil Price History With Highs and Lows since 1974, 2019; Marín, 2019).

The situation reached its limit in 1992 when Lieutenant-colonel Hugo Chávez Frías and his Revolutionary Bolivarian Movement-200 (Movimiento Bolivariano Revolucionario-200, MBR-200) attempted twice to seize power. These failed coups emphasised the political weakness of the traditional parties in Venezuela, and propelled Chávez to the political forefront of Venezuela.

¹⁵ The "Betancourt Doctrine" established the rupture of diplomatic ties with undemocratic and dictatorial regimes. In practice this was the first step for a de facto van of any left-wing and communist legal opposition (Marín, 2019).

When Chávez was first elected in 1999, he proclaimed the “República Bolivariana de Venezuela” (RBV) or the Bolivarian Republic of Venezuela, as a mean to assert its newfound political independence from the US. However, there is a huge difference between what Chávez wished and Venezuela’s reality. In 1999, over 59% of Venezuela’s total exports were sent to the United States. Chávez, afraid of allegedly “American interventionism” in Venezuela, especially after the failed coup d’état of 2002, tried to cut down Venezuela’s economic dependency on the US inviting Chinese investment. Despite the efforts undertaken by Chávez and Maduro, in 2017, the US was still the largest destination for Venezuela’s exports, totalling over 42% ; while China, was in second place with a mere 23% of total exports (OEC, 2017)

The reasons for this recurrent economic dependency on the US, despite the Venezuelan Government intentions, are several. First of all, the US is one of the few countries with refineries capable of handling Venezuela’s “heavy oil”, which forms the bulk of Venezuela’s oil exports (over 80% is crude oil, most of which is “heavy oil” and “heavy-oil” derivatives). Secondly, PDVSA’s stake in CITGO, and American- based refiner, transporter and marketer of oil-related products, is vital for Venezuela’s economy. CITGO is responsible for importing Naphtha¹⁶ into Venezuela and it was (until Trump’s sanctions in 2019) one of the last remaining financing sources for the Bolivarian Government.

The third reason for Venezuela’s economic dependency on the US is the Bolivar-US Dollar exchange rate. The inflation in Venezuela has been a constant issue for the country. Traditionally, the big influx of petrodollars has made the Venezuelan Bolivar (VES), popularly designated as Bs (Bolívar Soberano), suffer from a steady inflation of around 10 to 20 percent annually. Under these circumstances, there has been a traditionally big demand for US Dollars as a safe-haven currency. This makes it extremely profitable for companies (and smugglers) to earn in dollars, since there is a huge domestic demand for this currency.

However, the galloping inflation suffered in the recent decades (see Graphs 4 and 5), which reached a 1,700,000% in 2018, together with the government actions to control the exchange rate, hammered the economy (BAE Negocios, 2018). The creation of a fixed

¹⁶ Naphtha is a liquid hydrocarbon mixture used to dilute the Venezuelan “heavy crude oil”. Without the addition of this type of “light oil” the Venezuelan crude oil cannot be transported through a pipeline. This makes Venezuela extremely dependent on America.

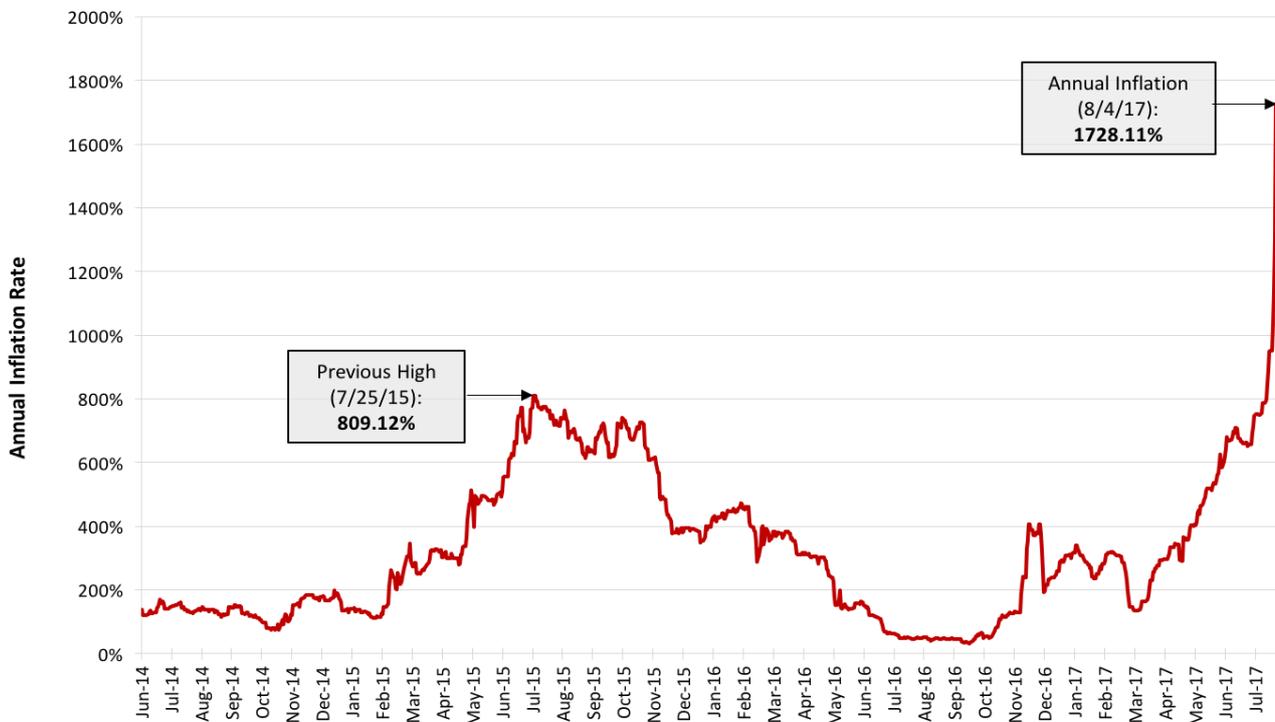
exchange rate¹⁷ and his successor, the floating exchange rate is a political and social tool, as only the loyal to the regime are entitled to access it. Therefore, the demand for US dollars skyrocketed.

Graph 5 Venezuela's inflation, consumer prices (annual %) between 2009 and 2016



Source (The World Bank, 2019)

Graph 4: Venezuela's Annual Inflation Rate implied by the black market (2014-2017)



Source (Hanke, Venezuela's Annual Inflation rate reached 1728%, 2017)

¹⁷ The fixed exchange rate was instituted in 2003, and lasted until January 2018. This off-market exchange rate was of Bs10 for \$1 (BAE Negocios, 2018).

To sum up, Venezuela’s economic dependency on the US was, and still is, unilateral. The United States relies much less on Venezuela than vice versa. Caracas depends on American Naphtha to dilute its “heavy oil”; the US is its largest trade partner and Venezuelans have a huge demand for US dollars. On the contrary, less than 10% of US oil comes the South American country (Roberts, 2017). This, together with the proclamation of Juan Guaidó as Interim President of Venezuela in early 2019 have been the main reasons for Trump’s sanctions to the Venezuelan Government, as Venezuela lacks any real capability to return fire in a meaningful way.

7.2 China, the perfect relationship?

In addition to proclaim the Bolivarian Republic of Venezuela, when Chávez was elected, he sought to find a suitable economic partner to reduce Venezuela’s dependency on the US. His chosen one was the People’s Republic of China. The original reasons for this relationship were several. First of which was Chávez admiration for Mao, who he saw as a clear example of a dramatic transformation from a poor Socialist country, ravaged by Western Imperialism, into a great nation. For Chávez, China was an example to follow, a different path for economic development, an alternative from the “American Imperialism” (Chávez, 2011). The second reason, and probably the most important for China, was oil. China has a huge demand for oil, and Venezuela has the largest known reserves. Therefore, at its core, the Sino-Venezuelan relationship is oil-dependency.

While Chávez was the president (1999-2013), the China-Venezuela relationship seemed perfect. Bilateral trade was growing, and China’s imports of Venezuelan oil rapidly increased (see Table 1). China provided loans to Venezuela in exchange from oil.

Table 1: Venezuela's daily export of barrels of oil to China since 2007 onwards (in thousands)

Year	2007	2008	2010	2011	2012	2013	2016	2017	2018
Barrels per day	100	107	200	250	300	485	400	435	381.3

Source: Compilation based on information supplied by (Pira, 2013; Reuters, 2014; Reuters, 2018; Jacobs, 2014)

Everything seemed great for the bilateral relation in 2013, when Hugo Chávez passed away. Most Oil-Backed loans were lent between 2007 and 2014, while the prices were

quite high, and they totalled at least \$50 billion (Collins, 2019) The bilateral trade reached an all-time record in 2014 and oil prices were quite high. However, a quick succession of events caused a dramatic change in the relationship.

First of all, Nicolás Maduro, Chávez successor, did not have Chávez’s “feeling” with China. The relationship, although still strong, has worsened substantially if compared to Chávez’s presidency. Maduro does not have Chávez’s charisma, and these, together with other factors, have made the Chinese lose affinity with the Venezuelans. First of these factors is the rapid deterioration of the Venezuelan economy, especially since 2013 (the year Maduro took over). The continuous loss of purchasing power, due to the rampant inflation (see Graphs 4 and 5), together with a negative GDP Annual growth since 2014 (see Graph 6) have crippled Venezuela. The consequences of this reality have been a dramatic increase in corruption, violence and public unrest.

Graph 6: Venezuela’s GDP Annual Growth Rate (2009-2016)



Source: (Trading Economics, 2019)

Secondly, the oil prices, which total over 90% of Venezuela’s exports, plummeted in the second half of 2014, and have remained significantly low ever since (OEC, 2017; Amadeo, Oil Price History With Highs and Lows since 1974, 2019). This, together with the lack of reinvestment in the industry (in order to finance the social policies implemented by Chávez) and the politisation¹⁸ of PDVSA, created huge inefficiencies and disrepair in the

¹⁸ It is well-known that since Chávez arrival to power in 1999, the regime has been influencing PDVSA by appointing political clients and allies into responsibility posts within the organisation. The consequences of these actions have been a decrease in efficiency, and increase in corruption and a general lack of

Venezuelan oil industry. The combination of these factors has driven up the extraction costs of oil and it has also deeply reduced its production capabilities. This has had devastating effects on Venezuela's main export -and the paramount reason for China's investment in the country- (Moleiro, 2018).

Venezuela's inability to produce and export oil to China has left Caracas with a big problem in hand. In addition to having an economy in shambles and over 3.4 million citizens in the run, Venezuela owes Chinese investors between \$20 to \$25 billion of outstanding loans-for-oil (Collins, 2019). This has deeply affected the bilateral relationship, which has deteriorated as a consequence of Venezuela's inability to fulfil the contracts. This has made Chinese companies lose patience and some have gone as far as to bring commercial issues to court. In December 2017 the American branch of Sinopec (a Chinese oil and gas enterprise) sued PDVSA for failing to make a full payment (Rucinski, 2017).

This serves as a perfect example of an asymmetric relationship, although China is owed over \$20 billion it seems unable to make Venezuela honour its part of the deal. But this is only the tip of the iceberg. Sinopec's lawsuit is a sign of a deeper issue, the extreme loss of trust between Chinese and Venezuelan companies. According to Sinopec, PDVSA created a subsidiary (Bariven) "as a sham to perpetrate fraud against Sinopec" (Rucinski, 2017). China, as a consequence of: "chronic payment delays, troubles with joint venture projects, and crime faced by Chinese firms operating in Venezuela", decided in 2015 to cut down its investment projects in the country (Rucinski, 2017).

7.3 An answer to the crisis?

Despite China's wishes to not have Venezuela as a debtor, the reality is clear. This leaves China in a tough spot with a big question to answer: Do I assume the loss of over \$20 billion and let Maduro's regime collapse? Or do I invest even more to try to salvage it? The solution to this question will be a defining factor in Maduro's chances of remaining in power.

China's answer to this question in September 2018 took form in an additional \$5 billion loan and 28 new projects to try to revitalize Venezuela's productive sectors (where China

technical know-how (since the administrators are chosen according to political standards, rather than capabilities).

has already invested heavily), namely, oil, mining, technology and security¹⁹. At the same time, in the first three months of 2019 China has increased by 193% its oil imports from Venezuela, they have increased from 82,400 barrels per day (bpd) to 246,800 bpd. These have been China's last attempts to bailout Venezuela (Castro, 2018)

At its core, Venezuela's problems could be reduced to two main issues, cash and political support. Nevertheless, since the military and the ruling elite will (mostly²⁰) support the status quo as long as they are better off, the problem could be narrowed down to just cash. Maduro's regime is based on an intricate network of connections, based on nepotism and cronyism and in order to remain in power he needs to keep the Venezuelan *Nomenklatura* happy (Rendon & Baumunk, 2018).

Therefore, if Maduro had access to enough cash he could keep in power and meet his obligations with the Chinese. That is why, in December 2017 Maduro announced the Petro: "The first cryptocurrency ever backed by a State". According to Maduro this new virtual currency will be backed by Venezuela's natural resources reserves, mainly Petroleum, Gold, gas and diamonds (Petro, 2019). The Petro was seen as the perfect solution for Venezuela's lack of foreign reserves, since it would allow the government to raise \$6 billion (Al Jazeera News, 2018).

However, Maduro has faced a stark reality. Petro is controlled by the Venezuelan Government, who could increase the number of tokens if need be. Additionally, Maduro claims the Petro is backed by the oil reserves (a total of 5,342 million barrels) and he intended to fix the exchange rate 1 Petro = 3,600Bs.

The reality is very different, and a number of factors have transformed Maduro's "brilliant idea" into a marginal cryptocurrency. The first issue was the lack of certainty caused by, the fact that the Opposition and the Venezuelan National Assembly declared Petro to be illegal, together with the government's ability to increase the number of tokens if need be. The second issue came with the technical capabilities of the Petro. Since its launch in

¹⁹ In addition to the already mentioned oil sector, China has supported Venezuela by providing it with technology. China developed Venezuela's three satellites (Venesat-1, VRSS-1 and VRSS-2) and gave the technical support for the "Carnet de la Patria" ("Fatherland Card"), a national biometric id system, which allow its holders to continue acquiring perks and subsidized food and gas, in exchange for providing the Venezuelan Government with its own "social credit score system" (Vidal, 2018)

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

March 2018, the PetroApp has been plagued with technical issues, delays and many experts claim that “it just does not work” (Reuters, 2018). The third, and probably the most relevant factor would be the lack of transparency. It is impossible to know how much a Petro is worth. At its launch in March 2018, Maduro proposed a fixed exchange of 1 Petro for Bs 3,600; but the last available information in the government webpage states that 1 Petro is worth Bs 196,000 (PetroMoneda, 2019).

On one hand, According to Maduro, during its pre-sale in March 2018, Petro raised \$735 million, which came from the 38.4% of the Petros sold at a 60% discount (Reuters, 2018; Al Jazeera News, 2018). On the other hand, according to cryptocurrency experts the Petro was a huge commercial blunder and its effects were negligible. At any rate, the Petro will not be Maduro’s life-saver.

To take matters to worse a new huge problem has risen for the Sino-Venezuelan relationship, the name is Juan Guaidó.

7.4 Guaidó’s question.

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

This opens a new issue for the Sino-Venezuelan relationship, because Donald Trump responded to Guaidó’s proclamation by imposing sanctions to the Venezuelan owned CITGO. This subsidiary of PDVSA was responsible for importing vital elements for diluting Venezuela’s “heavy oil” and it was one of the main sources of US dollars the Bolivarian Government had. Trump also froze PDVSA’s bank accounts in the US and gave its management to Guaidó. According to National Security Adviser John Bolton, over \$7 billion in Venezuelan assets have been frozen and transferred to Guaidó, and the US will block Venezuelan exports into the country during 2019, with an estimated value of \$11 billion (Bloomberg, 2019). In April 2019 Trump announced further sanctions to

block Venezuelan Oil shipments to Cuba. The objective is to prevent the 20,000 to 50,000 bpd sent from Venezuela to Cuba in exchange for intelligence and counterintelligence services. The objective is to further isolate both countries (Karni & Casey, 2019)

The effect of Trump's sanction and the ascension of Juan Guaidó will definitely play a significant role in the future Sino-Venezuelan relationship, especially since they open the door for a regime change. Juan Guaidó has tried in several occasions to reassure Beijing, that: "all deals signed following the rule of law will be honoured". The Interim President aims to gain Chinese support for a change of regimen by targeting China's own economic interests (Lu & Jiménez-Morales, 2019). The effect of this approaches are yet to be seen.

8. Conclusions and recommendations

Is the Sino-Venezuelan relationship based on Pragmatism? The answer to this question, like almost everything in the social sciences, is “It depends”. Throughout this paper three main periods in the bilateral relations have been identified, and the answer changes according to the period. The three periods are: First, the period before Chávez (1974-1999), second, the Chávez Era (1999- 2013), and third, Maduro’s Era (2013-onwards).

During the first period, the relationship was almost non-existent, it was a period of limited interaction, both politically and economically. Therefore, it can be argued that at this point the query raised does not apply. By contrast, the second and third periods have been characterized by a growing number of interactions. These relations have been extremely focused around the main element, oil, but secondary questions like political support and technological transfers have also been prevalent.

Especially during the second period (Chávez Era) it seems clear that the relationship was based on a win-win premise. China acquired a steady supply of oil while Venezuela received big loans and economic support for its “21st century socialism”. At the time, the bilateral relationship was clearly based on two key elements, one was economic and the other one was political, and both were in line with Chinese interests. Therefore, it can be argued that during Chávez Era, the Sino-Venezuelan relationship was based on Pragmatism.

The third period is a much more complex one. Since 2014 the decline in oil prices, together with multiple other factors already described in the Analysis have put Venezuela in a very precarious situation. Currently, China finds itself with an outstanding debt of over \$20 billion and a regime incapable of providing basic services to its population. This has forced over 3.4 million Venezuelans to flee the country. Additionally, the US sanctions are likely to further cripple the already devastated Venezuelan economy, which in turn makes it less likely that Venezuela would be able to recover economically and pay back its debts. At this point in order to answer the question if the current bilateral relationship is based on Pragmatism either of two assumptions must be considered:

- a) China’s strategic objective in Venezuela is to recover its investment (either in cash or oil).

b) China's strategic objective in Venezuela is to "be a pain in the United States ass" and support a friendly regime in Caracas.

If a) is assumed correct then the current Bilateral relationship is not based on Pragmatism. Since China's policy (support Maduro's regime) prevents it from achieving its "greater good" (recover the investment).

If b) is assumed true, then China considers that, even if it is an economic burden, Maduro's Venezuela would be a lesser evil than any other alternative, and China would be willing to continue its support. If this is the case Venezuela could become something similar to North Korea. That would not be a perfect solution, but China could consider it the best among the alternatives. Assuming b), China's policy and strategic objective will be aligned. However, that will still not be a pragmatic decision because the decision would be based on an ideological premise, rather than in what would be "best" for the country's national interest.

The only way that the current bilateral relationship could "return" to be based on Pragmatism, will be if China supports a regime change in Venezuela and allows Guaidó to become the President. There are several issues with the current bilateral relationship which may support a change of President.

First and most important, over \$20 billion outstanding loans. Secondly, the current situation in Venezuela (violence, social and political unrest, hyperinflation, mass migration...) is more similar to a failed state than to a prosperous trade partner; this has negatively impacted China's influence in the country and many Chinese businessmen have also fled the country. Thirdly, if Guaidó is able to gain power without China's support that could be devastating for its national interests in the country. Fourthly, if China supports a regime change it could position itself in a preferential situation for the reconstruction of the country.

Having this in mind, it seems but logical, and "Pragmatic", to expect a regime change in Venezuela in the near future, with (at least) the tacit Chinese support. Although, as everything in the social sciences, the answer to this question is not black and white.

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10. Annex I: Deweyan Pragmatism in China.

Within the concept of “pragmatist”, different authors have given their own particular definition. The most notable authors in this field could be considered to be Peirce, James, Dewey, Addams, Mead and Rorty. However, probably the most relevant of the Pragmatist authors for China would be Dewey.

John Dewey (1859-1952) was an American philosopher who lived in China between 1919 and 1921. He was deeply impacted by the May Fourth Movement²¹ and had a very prolific period during his stay in China. In the Asian country he gave almost 200 lectures and published multiple articles and papers (Tan, 2011). His teachings in China influenced many upholders of the New Culture Movement (NCM), and it is known that Dewey’s Pragmatic methodology shaped Mao Zedong (Tan, 2011; Zijiang, 2007).

During his university years, Mao attended several of Dewey’s lectures, both in Beijing and in Changsha (the capital of Mao’s home province of Hunan). Mao was even responsible in organising and producing the official record of the Hunan presentation (Niu, 1995).

The Deweyan understanding that social theories must change to suit the situations in which the people live, had a big influence in Mao and many other Chinese academics during the 1920s. Although, Mao’s ideology would later deviate towards Marxism, Dewey’s ideas would greatly influence Maoism, as well as later iterations of Chinese ideology and policy making.

A clear example of Dewey’s influence in China can be seen in the concept of “Chinese characteristics”. This idea was coined by Deng Xiaoping to refer to the need of China to adapt to the American liberal economic model. In order to do so, Deng understood that to be able to implement Capitalism in China, he had to adapt it to China’s circumstances and idiosyncrasies.

²¹Protest that took place in Beijing on 4 May 1919, against the Chinese government’s response to the Treaty of Versailles, which allowed Japan to keep former German territories in Shandong. This movement meant an intellectual turning point in China and was the spark that ignited the fire of the New Culture Movement (NCM). The NCM aimed to achieve a radical cultural and educational transformation from China’s traditional culture (Tan, 2011).