China’s oil diplomacy: Hugo Chavez makes high profile visit to Beijing

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The state visit of Venezuelan President Hugo Chavez to Beijing in late August highlighted China’s expanding relations in Latin America, which are heightening tensions with the US.

For Chavez, closer ties with China are a counterweight against the open hostility of Washington. Venezuela is to expand oil exports to supply China’s rapidly growing energy needs in return for political backing and economic aid.

“China is one of the world’s largest consumers [of oil] and Venezuela is one of the biggest [oil] producers, so we complement each other completely,” Chavez declared on arrival in Beijing. He called for a “strategic alliance” with China to foster a “multi-polar” world and to challenge the “hegemony” of the United States.

Washington has sought to oust the Venezuelan leader several times since he came to power in 1999. In turn, Chavez has cultivated ties with other major powers, encouraging a number of Latin American countries to take the same step, thus undermining US control over its “backyard”.

Although they no doubt agreed with Chavez’s call for challenging US hegemony, the Beijing leaders made no public statement on his remarks in order to avoid straining relations with Washington. Nevertheless, China signed deals that affect US strategic and economic interests.

In Beijing’s Great Hall of the People, Chavez promised to increase oil exports to China from the current level of 155,000 barrels per day to 500,000 by 2009 and 1 million by 2012. In return, Chinese President Hu Jintao agreed to support Venezuela’s campaign for a two-year seat in the UN Security Council and to provide substantial economic aid, including a fibre-optic communication network and finance for a $1.2 billion project to build 20,000 houses.

Chinese state oil companies are cooperating with their Venezuelan counterparts on a project in the Orinoco River basin and offshore exploration. China has also sold oil tankers and drilling rigs to Venezuela and is preparing the launch of a satellite for Caracas in 2008.

On August 28, Venezuelan Energy Minister Rafael Ramirez announced that Chinese state-owned oil companies would invest around $5 billion in energy projects in Venezuela by 2012, lessening the country’s dependence on oil exports to the US. He said the investment would help increase production to 5.8 million barrels per day by 2012.

Venezuela’s existing oil output is 3.3 million barrels per day—the fifth largest in the world. It is the fourth largest oil supplier to the US after Canada, Mexico and Saudi Arabia. China’s emergence in recent years as the world’s second largest consumer of oil puts it in direct competition with the US for global energy resources.

The US-based thinktank Stratfor pointed out on August 25 that Venezuela-China oil cooperation posed huge unresolved problems. First, Venezuela’s distance from China meant high shipping costs and left shipments “vulnerable to US interdiction anywhere along the way”. Secondly, Venezuela’s oil is heavy and sour, and thus unsuitable for most Chinese refineries without major technical upgrades.

Stratfor concluded that Beijing’s orientation to Venezuela was driven by long-term strategic considerations. “Chinese leaders are well aware that, as the years grind on, heavier and sourer oil will become more prevalent in the global crude stream... Despite years of creeping degradation, Venezuela still commands the technology to process such materials, and China knows full well that it will need precisely those skills—particularly if China is to ultimately develop reserves of heavy oil just off the mainland’s shore.”

It is evident to Beijing that the US invasions of Iraq and Afghanistan, as well as threats against Iran, are aimed at controlling the huge strategic oil and gas reserves in the Middle East and Central Asia. As a result, China along

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with the European powers, Japan and India are being driven to look elsewhere for energy sources.

China currently imports 2.3 million barrels of crude oil a day, mainly from Angola, Saudi Arabia, Iran and Russia. Venezuela's commitment to boost exports to China gives Beijing another option. Significantly, Angola surpassed Saudi Arabia in February as China's top oil supplier. Beijing's approach to Venezuela is similar to other countries in Latin America, Africa, Central Asia and the Middle East: to offer aid and infrastructure projects in exchange for oil, minerals and other raw materials.

A *Los Angeles Times* article on August 29 pointed out China has huge energy interests in Latin America. China is planning to invest $8 billion to build a railway in Argentina and acquire a stake in oil and gas firm Pluspetrol. China has signed energy and transport agreements worth $10 billion with Brazil, covering projects that include a gas pipeline, power plants and a trans-Amazon road linking Sao Paulo to Lima. In Bolivia, Beijing plans to invest $1.5 billion in the state-run oil and gas company YPF Boliviano. In Ecuador, China has purchased $1.4 billion in assets from a Canadian oil company operating two major oil pipelines.

Close relations with Venezuela will intensify US-China tensions throughout Latin America. A series of "left" nationalist leaders such as Evo Morales in Bolivia or Chavez in Venezuela have emerged in the region in response to a deepening social crisis at home and an ability to manoeuvre with Washington's Asian and European rivals to obtain a degree of economic and political autonomy from the US.

These relations are reflected in Chavez's anti-American rhetoric. After securing China's support for his UN Security Council bid, Chavez told reporters in Beijing: "The US government has employed every means to block my country from joining the Security Council. The American imperialists are trying to stop us."

China's foreign policy is not "anti-imperialist", but rather represents the efforts of the emerging Chinese capitalist class to protect their national interests. To strengthen its own hand in the UN Security Council, Beijing is backing Venezuela against Washington's favoured candidate, Guatemala, for the rotating Latin American seat. Washington has openly declared that Venezuela would be a "non-consensus-building" member in the Security Council, likening it to the "rogue regimes" of Iran and Cuba.

As for Chavez, his left posturing is aimed at obscuring the anti-working class content of his policies at home, while at the same time complementing his search for alliances in the Middle East, Asia and Europe. While in China, he proclaimed himself an admirer of Mao Zedong, declaring: "One of the greatest events of the 20th century was the Chinese revolution."

Jocelyn Henriquez, a former Venezuelan ambassador to Beijing, told the *Financial Times* on August 24 that Chavez was observing the world's fast growing economy for the clues about economic development in his own country. "Chavez is always talking of his own Great Leap Forward, so he would be better off examining how China is developing its own economy," she said.

Chavez has no interest in Mao's peasant radicalism or his so-called Great Leap Forward in the 1950s, which was an economic catastrophe. He does, however, have a lot in common with Mao's heirs, who have openly embraced the capitalist market and transformed China into the world's largest sweatshop.

Chavez's so-called "socialism" bears remarkable similarities to that of Beijing's "communist" leaders, who are guided by the notorious slogan, "to get rich is glorious". A *Financial Times* article on August 16, entitled "Bankers get rich from Chavez's revolution", declared: "[T]he 'revolutionary' distribution of oil money has spawned wealthy individuals who are increasingly making Caracas a magnet for Swiss and other international bankers. And it is not just private bankers who are banking on the revolution."

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