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China's Oil and Gas Footprint in Latin America and Africa

Patricia I. Vasquez

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1. Introduction

1 For the past two decades, China has been a guardian angel for hydrocarbon producing countries in Latin America and Africa. Chinese development banks loaned billions of dollars to oil-producing countries at a time when other sources of financing were hard to access. China's national oil companies (NOCs) invested heavily in both regions even when other investors kept a distance due to low oil prices, or to high host-country risk premiums, or as a consequence of the 2008 global financial crisis. A seeming win–win relationship started to develop. Latin America and Africa had what China needed—oil and gas reserves—while Beijing, with huge cash surpluses, offered financing and investments to cash-strapped oil-producing countries in both regions.

2 However, some aspects of this relationship set alarm bells ringing. There is concern among the international community about the lack of transparency and general accountability that seems to characterise a large number of China's oil lending and investment deals in Latin America and Africa. This becomes particularly problematic when the host country has a history of endemic corruption that can easily accommodate secrecy and weak accountability.

3 This essay explores some of the benefits and challenges of China's hydrocarbons-related foreign direct investments (FDIs) and its lending to Latin America and African countries since 2000. This exploration highlights two main issues: 1) that the mechanisms for holding China's lenders and investors accountable are usually too soft or not present in Latin America and Africa; and 2) that the responsibility for ensuring that investments and loans follow sound governance guidelines is often lacking in both host countries and Chinese companies and lending institutions.

4 Analysing these issues is not easy because, with a few exceptions, neither China nor host countries publish official data about Chinese FDIs and lending in a systematic manner. The information that exists is mainly announcements made by public officials or stories in the press that are not always accurate. The analyses in this paper are based on some of the most credible databases that currently exist.[1] However, given the difficulty of accessing credible official information, the figures in this report should only be taken as showing tendencies, rather than as absolute data.

2. China's Fast-Growing Economy and Its Need for Oil and Gas Security

5 China's gross domestic product (GDP) grew at a remarkable 9.5 per cent per year on average during the opening decade of the twenty-first century, and while growth contracted somewhat from 2012 on, it was still at 6.5 per cent in 2018 (World Bank (The), 2019). Sustaining such impressive growth rates meant increasing demand for energy and by 2011 China had become the world's largest energy consumer (EIA, 2015).

6 While China's oil consumption surged, its production lagged behind. Similarly, natural gas production remained below consumption during this time (see Figures 1).

Figure 1.1. China: Oil production vs. consumption and natural gas production vs. consumption.

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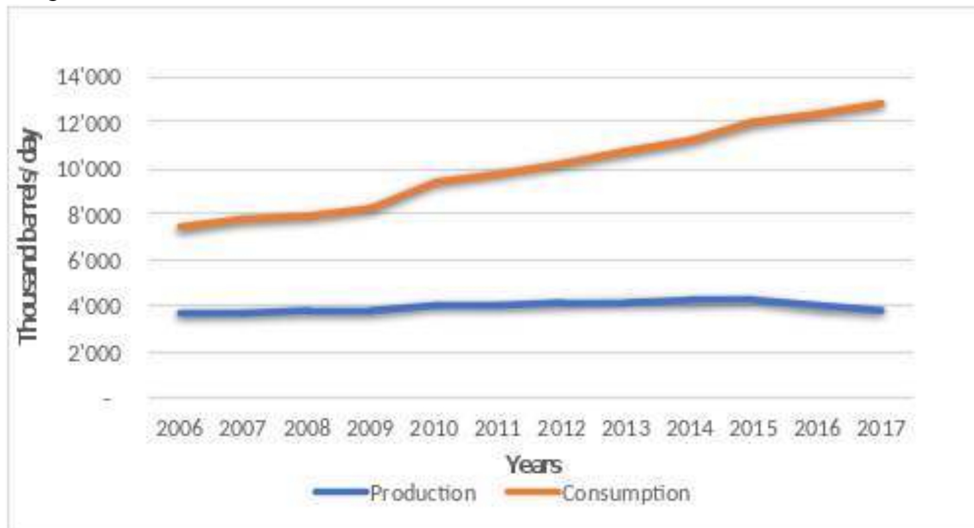

Source: The author, with data from the BP Statistical Review of World Energy (BP, 2018).

Figure 1.2. China: Oil production vs. consumption and natural gas production vs. consumption.

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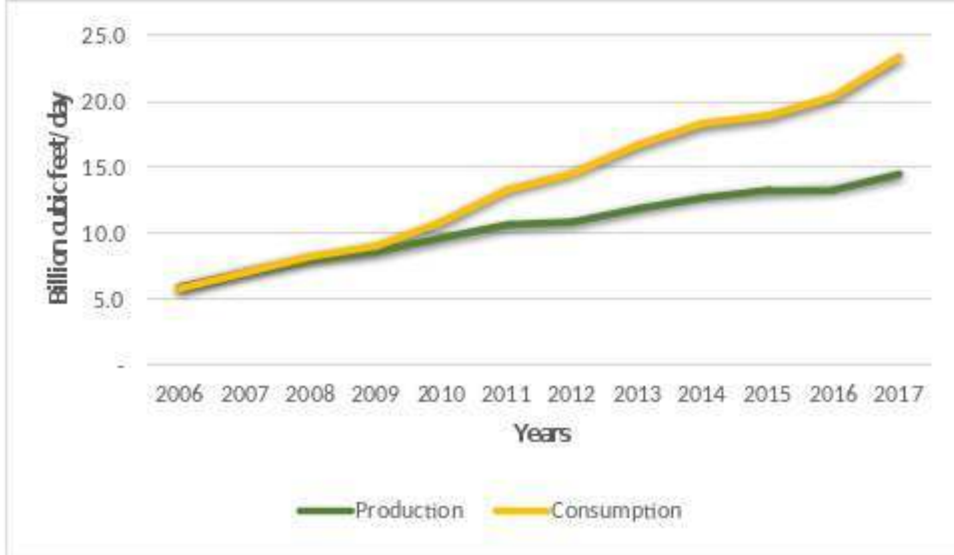
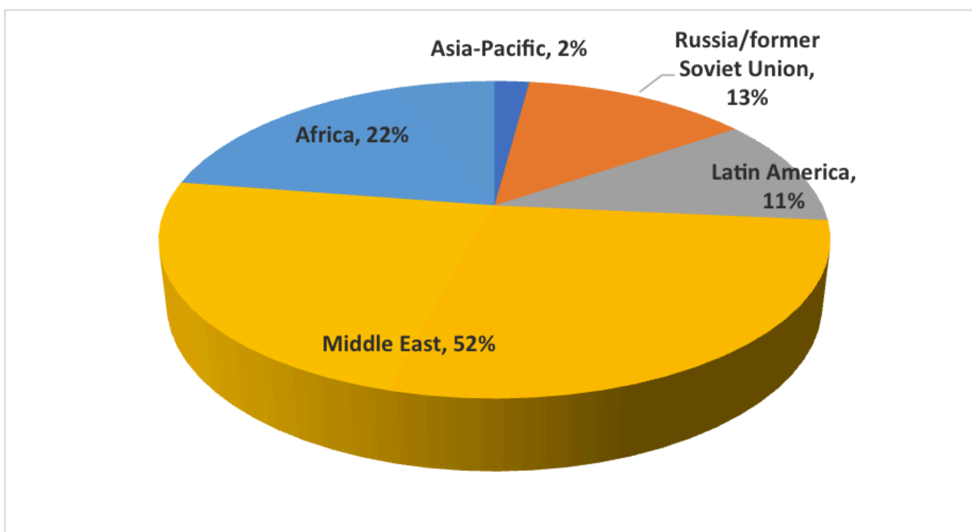


Source: The author, with data from the BP Statistical Review of World Energy (BP, 2018).

7 In order to make up for the gap between production and consumption, China started to increasingly rely on imports, surpassing the US in 2014 as the world's largest oil importer (United States Energy Information Administration, 2014). That year, Chinese oil imports reached 6.2 million barrels per day (b/d) while domestic production was lower, at 4.8 million b/d. The Middle East was China's largest source of imported crude (52 per cent of the total) in 2014, followed by Africa (22 per cent) and Russia and the former states of the Soviet Union (13 per cent), with Latin America (11 per cent) in fourth place (United States Energy Information Administration, 2015) (see Figure 2). Saudi Arabia and Angola were China's largest sources of imported oil in 2014, together representing 29 per cent of the total.

Figure 2. China: Oil imports by region in 2014.



Source: Compiled by the author with data from the US EIA (Energy Information Administration, 2015).

8 China's demand for energy remained steady, and oil imports surged in the period 2000-17 (Figure 3), a trend that is expected to continue at least until 2035, when—forecasts state—China could import around 15.6 million b/d of oil, up from 9.2 million b/d in 2016 (IEA, 2014). After that, China's demand for oil will most likely slow down, mainly as a result of the country's transition from gasoline and diesel fuelled vehicles to electric and natural gas transportation systems in order to tackle pollution. China has some of the world's most demanding fuel efficiency and emissions regulations.

Figure 3. China: Oil imports 2000-17.

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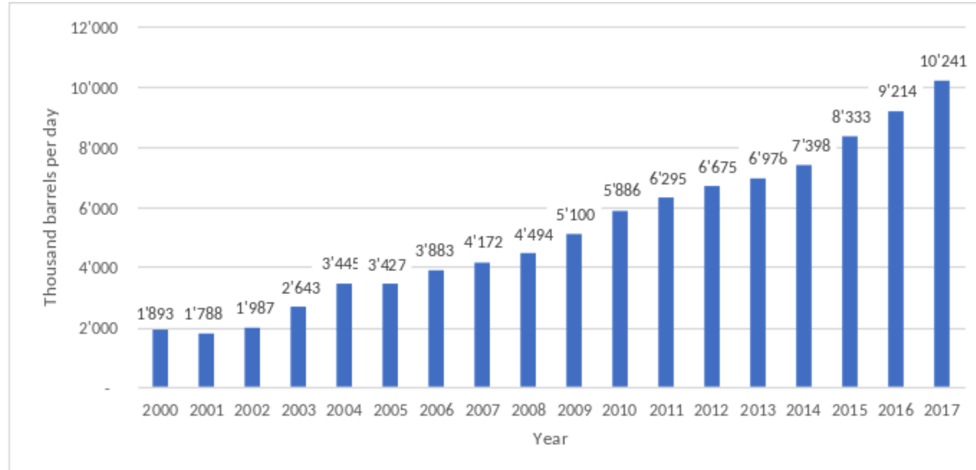


Source: Compiled by the author with data from the BP Review of World Energy 2018 (BP, 2018).

9 With regard to natural gas, China produced 13 billion cubic feet/day in 2016, equivalent to 64 per cent of domestic demand (EIA, 2017a, 2017b). The remaining demand was met via pipeline imports from Central Asia and Myanmar (representing roughly around 52 per cent of total imports to China) and also in the form of liquefied natural gas (LNG) from various providers (IEA, 2014). Russia is expected to start providing natural gas to China once the ongoing construction of a pipeline from eastern Siberia is complete in the coming years.

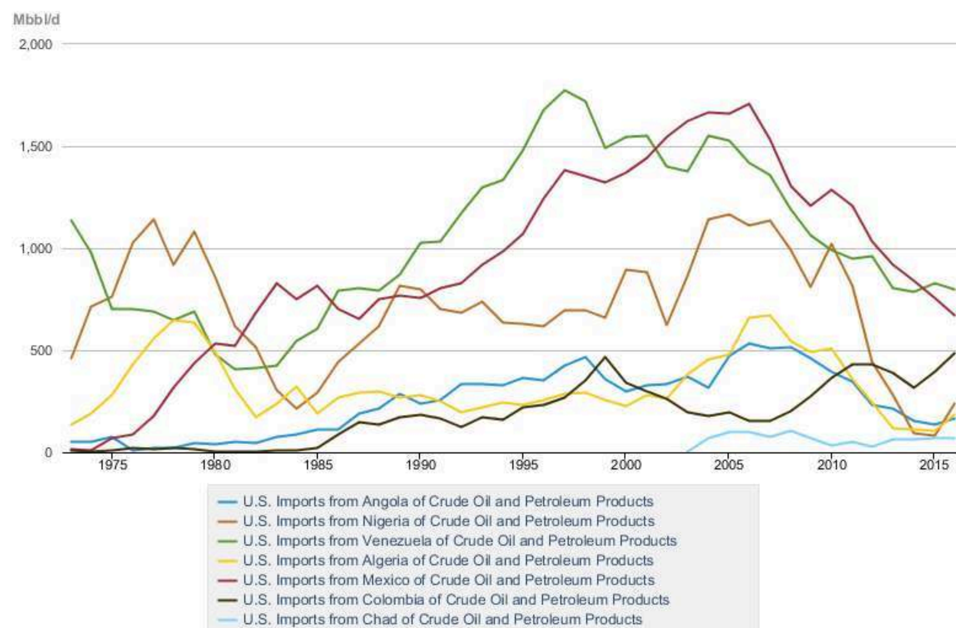
10 By the start of the first decade of the twenty-first century, China had launched the policy of 'Going Out', consisting in encouraging state-owned companies from different economic sectors to bid on contracts and form joint ventures abroad (Brautigam, 2009). The Going Out strategy was the consolidation of an approach that had been brewing for decades in China. In the case of hydrocarbons, Chinese authorities realised that the domestic gap between consumption and production was unsustainable in the long run, and therefore the search for new sources of oil and gas around the world became a central priority. Following the launch of Going Out, Chinese state-owned oil companies set out on an aggressive campaign to acquire oil and gas acreage overseas. For Africa and Latin America, China's new strategy resulted in the consolidation and expansion of Chinese oil and gas companies' operations that had started on an exploratory basis in the mid-1990s (Xu, 2017).

11 Major shifts in global oil and gas markets in recent years opened up an opportunity for China's Going Out strategy. In the US, the discovery of large shale resources in the last decade have moved that country closer than ever to becoming self-sufficient. The US will

likely become a net exporter by around 2026 (EIA, 2017a). Traditional imports from Latin America and Africa have already been negatively affected by reduced demand from the US. For the moment, Venezuela, Mexico and Colombia continue to be among the top five petroleum suppliers to the US, while Nigeria, Angola, Chad and Algeria remain among the top 15. However, with the exception of Colombia, whose oil exports to the US remained somewhat steady in the period 2000-15, trade with the other countries listed has been largely falling during that time frame (Figure 4). In the case of Venezuela, export disruptions in recent years have not only been a function of reduced US imports but also a result of severe domestic political and economic difficulties in the South American country.

Figure 4. US imports of oil per country of origin.

U.S. Imports by Country of Origin



Source: EIA, 2019a

12 China has gradually positioned itself to offer an alternative market for these countries' exports. Reinforcing China's overseas oil expansion in recent years, the 2007-08 global economic slowdown and low international oil prices forced oil companies around the world to engage in major cost-cutting, achieved by selling assets at bargain prices and by freezing new overseas investments. Suddenly, promising oil and gas areas in Latin America and Africa became available at competitive prices, and China aggressively took advantage of these opportunities (Arriagada et al., 2014; Dollar, 2016).

13 In order to achieve its objectives, China engaged with producing countries through a multi-pronged approach, using investments, lending, the opening up of new trade lines, and political agreements to expand its oil and gas frontiers. A common mechanism is for Chinese state-owned oil companies to form partnerships with the state oil companies of host countries, sometimes in exchange for loans from China's state-owned banks. These

complex engagements are often supported by strong diplomacy and they are characterised by a high degree of opaqueness.

3. China *Goes Out* to Latin America[2] and Africa

14 Latin America and Africa have large pools of oil and gas reserves that remain undeveloped. The latest figures show Africa holding 128 billion barrels of proved oil reserves and Latin America 302.809 billion barrels, of which some 90 per cent are in Venezuela[3] (Organization of Petroleum Exporting Countries, 2018). By comparison, China's proven oil reserves are considerably lower, at 24.6 billion barrels in 2014 (EIA, 2015). The potential for a win–win relationship is there and China has wasted no time.

15 Chinese companies and banks began to pour large amounts of much needed capital into selected countries in Latin America and Africa, in exchange for their oil. China's financial presence in producing countries showed primarily in two ways: 1) as foreign direct investments (FDIs)—in the form of mergers and acquisitions, joint ventures and greenfield projects—and 2) by granting loans and lines of credit to the governments of oil-producing countries in exchange for future payments in oil. China also set up bilateral and regional development funds, and Chinese commercial banks granted a few small credit lines to some countries like Brazil and Ecuador. China's bilateral and regional development funds amounted to some USD 37.4 billion in Latin America.[4], and USD 22 billion in Africa (Gallagher et al, 2016).

16 This section will focus on China's oil and gas-related FDIs and loans granted by its state-owned banks. FDIs in oil and gas have been dominated by China's three state-owned oil companies (NOCs): China National Petroleum Corporation (CNPC), Sinopec, and China National Offshore Oil Corporation (CNOOC), with the support of Chinese oil service and engineering businesses.[5] Lending has been mainly channelled through two Chinese state-owned banks—China Development Bank (CDB) and the Export–Import Bank of China (China EximBank)—and to a much lesser extent by a handful of commercial lending institutions.

3.1 An Overview of Chinese oil and gas FDIs in Latin America and Africa[6]

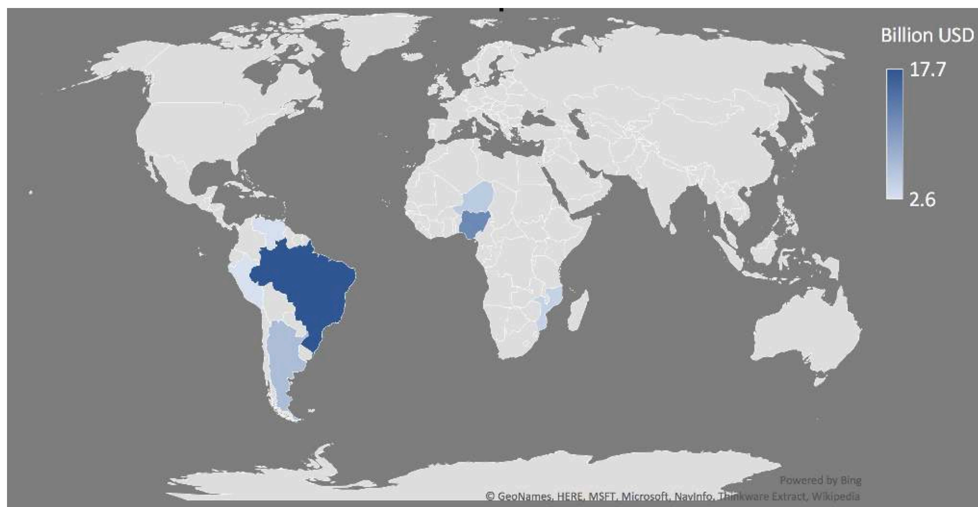
17 China's NOCs invested heavily in both regions for approximately a seven-year period beginning around the middle of the first decade of the new millennium by acquiring oil and gas assets or entering into joint ventures to develop specific areas, and also by financing downstream projects. By 2014, China's overseas oil and gas investment rhythm had cooled off, in part due to a drop in the price of oil. Another key factor contributing to the slowdown was a vigorous anti-corruption campaign in China that put NOCs at the centre of a storm and made them fear that large investments overseas might attract the attention of Chinese anti-corruption authorities (Downs et al., 2017).

18 China's FDI in the oil and gas sectors of Africa and Latin America remained roughly at comparable levels during the first two decades of the twenty-first century. According to the Heritage Foundation China Investment Tracker, which tracks China's FDI projects with a value greater than USD 100 million, Beijing put up some USD 86 billion in FDIs in Africa's energy sector in the period 2005-17, of which roughly USD 31 billion went into oil

and gas projects (The Heritage Foundation, 2017). By comparison, China's FDIs in the energy sector of Latin America was some USD 92.2 billion during the same period, of which around USD 30 billion went into oil and gas ((The) Heritage Foundation, 2017).

19 In Latin America, Brazil was the preferred Chinese oil and gas investment destination with roughly USD 17.7 billion of investment in the period 2010-13. In second place came Argentina with USD 6.5 billion, followed by Venezuela with USD 2.85 billion and Peru with USD 2.6 billion. Colombia, Ecuador and Bolivia also benefited from Chinese hydrocarbons investments but to a lesser degree (Vasquez, 2018). In Africa, the three largest Chinese oil and gas FDIs in the period 2006-13 went to Nigeria, with some USD 12.1 billion, followed by Niger with almost USD 5 billion and Mozambique with USD 4.21 billion (Figure 5).

Figure 5 Chinese FDIs in Latin America and Africa (2006-13).



Source: Compiled by the author from various sources.[7]

20 A closer look at China's largest oil and gas investments during the first two decades of the new millennium shows that in Latin America a large number of them were in the form of mergers and acquisitions (M&A), while in Africa they also involved several greenfield projects. Chinese NOCs formed joint ventures with some of the most experienced Western majors and state-owned oil companies on both continents, probably in order to gain technical and managerial know-how, an inherent intention of the Going Out policy (Jiang and Sinton, 2014). That was the case in Brazil, where Sinopec's partnership with Petrobras was intended to help the Chinese company gain know-how in deep-water drilling, although it showed little success at first (Husar and Best, 2013; Alves, 2013).

21 Acquiring new hydrocarbon blocks and reserves overseas is part of China's concerted effort to diversify its sources of oil imports in order to offset its large dependence on supplies from the politically volatile Middle East (Daojiong, 2006). Table 1 shows some of China's main oil and gas investments in Latin America.

Table 1. Selected Chinese oil/gas investments in Latin America (2010–13).

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Year	Country	USD	Company	Investment
2010	Brazil	7.1B	Sinopec	Acquisition: 40% of Repsol-YPF.
	Brazil	N/A	Sinopec	Acquisition: 25% in blocks BM-PAMA-3 & BM-PAMA-8. Petrobras 75%.
	Brazil	3B	Sinochem	Acquisition: 40% of Peregrino block. Statoil 60%.
	Argentina	2.47B	Sinopec	Acquisition: Occidental Petroleum.
	Argentina	3.1B	CNOOC	Acquisition: 50% of Bridas.
	Colombia	280M	Sinopec	Acquisition: Huepecol.
	Venezuela	900M	CNPC	Joint Venture: CNPC (40%)-PDVSA (60%).
2011	Brazil	5.2B	Sinopec	Acquisition: 30% of Galp Energia.
	Argentina	800M	CNOOC-Bridas	Acquisition: Campana refinery and retail from Exxon Mobil.
2013	Peru	2.6B	CNPC	Acquisition: Petrobras Energia Peru.
	Brazil	1.4B	CNPC/CNOOC	Acquisition: 10% (each) in Libra field.
	Venezuela	1.4B	Sinopec-PDVSA	Acquisition: Junin 1 block

Source: Compiled by the author from Vasquez (2018).

22 In Africa, Nigeria was by far the largest oil investment destination for Chinese oil companies during the first decade of the new millennium, mainly due to Sinopec's acquisition in 2009 of Geneva-based Addax Petroleum for USD 7.2 billion. The purchase gave Sinopec instant oil equity in Nigeria, Gabon and Cameroon, plus exploration rights in Iraq. Buying out existing producers to obtain overseas assets may have spared Chinese NOCs typically arduous—and often politically charged—negotiations. Such may have been the case with the Addax acquisition (Vines et al., 2009). The purchase was tainted from the start by allegations of corruption (Miller and Schoenberg, 2017).

23 Niger is an interesting case because it was China's oil company CNPC that turned the landlocked country into an oil producer. In 2008 CNPC acquired exploration rights to the Agadem block, which proved to hold an estimated 500 million barrels of oil reserves. Agadem had been relinquished by Esso–Petronas in 2006 when the price of oil fell (Coleman, 2015). CNPC also built and holds a 60 per cent share in a refinery, in partnership with the government of Niger (40 per cent).

24 In Angola, Africa's second largest oil producer, China's Sinopec obtained some of the world's most promising offshore areas during the new millennium's first decade, in partnership with state-owned Sonangol. Angola plays an increasingly important role for China, as its second largest oil supplier after Saudi Arabia (Taraskova, 2017) (Table 2). But Sinopec's reserve count in Angola has been mired in controversy. The company reported holding total estimated reserves in the order of 5.2 billion barrels in the country (Alves, 2013), which is roughly half of Angola's estimated probable commercially recoverable reserves of some 10.7 billion barrels (Corkin, 2017). After much dispute over Sinopec's apparent exaggeration of its reserve count, in a context of falling oil prices, poor investment results, and mismanagement, the Chinese company withdrew from some of its acreage in the country (Downs et al., 2017). Like in Nigeria, the Sino-Angolan relationship has not been smooth, and characterises some of the challenges of the Sino-Latin American and Sino-African relationship with regard to oil that will be addressed in more detail in the last two sections of this paper.

Table 2 Selected Chinese oil/gas FDIs in Africa (2006-13).

Image 1002E62C000083BF00001F7374BD4E95E41460DF.emf

Year	Country	USD	Company	Investment
2006	Angola	740M	Sinopec	Joint Venture: Block 15. Offshore. Sinopec (16.32%)- Eni 36.84%-Sonangol P&P (36.84%).
	Angola	1.1B	Sinopec	Joint Venture: Block 17. Offshore. Sinopec (27.50%-Total (operator: 30%)-Sonangol P&P (20%)-Somoil (10%)-Falcon Oil (5%)-Agrep (5%)-Partex (2.5%).
	Angola	N/A	Sinopec	Joint Venture: Block 18. Offshore. BP (operato:50%)-Sonangol Sinopec (50%).
	Nigeria	2.4B	CNOOC	Joint Venture: OML block. Offshore. Total (operator: 24%)-CNOOC (45%)-NNPC and SAPETRO (15%)-Petrobras (16%).
2008	Niger	4.9B	CNPC	Joint Venture: Agadem block. CNPC- In partnership with government.
2009	Nigeria	7.2B	Sinopec	Acquisition: Addax.
2011	Cameroon	540M	Sinopec	Acquisition: Pecten Cameroon. Societe Nationale des Hyudrocarbures (20%) - Sinopec (80%).
2012	Nigeria	2.5B	Sinopec	Joint Venture: Block OML 138. Sinopec (20%)-Exxon (30%)-Chevron (30%)-Nexen (20%).
	Uganda	2.9B	CNOOC	Joint Venture: Blocks 1-1A/2- and Kingfisher. CNOOC (33%)-Tullow Oil (33%)-Total (33%).
2013	Mozambique	4.21B	CNPC	Joint Venture: Rovuma Basin. CNPC -Eni-Exon formed Mozambique Rovuma venture (70%)-Empresa Nacional de Hidrocarbonetos (10%)-Galp (10%)- Kogas(10%).
	Angola	1.52B	Sinopec	Joint Venture: Block 31. Offshore. Sinopec (10%)-Bp (operator: 26.67%)-Sonangol P&P (20%)-Sonangol EP (25%)-Statoil (13.33%)-SSI (5%).

Source: Compiled by the author with data from various sources.[8]

25 For African and Latin American producing countries, Chinese oil and gas investments were a silver bullet for a few years from 2010 on, at a time when lower oil prices and the global financial crisis resulted in other companies selling their assets. Chinese NOCs formed partnerships with some of the world's best-known majors, particularly in Africa. Among these were Exxon Mobil, Chevron, Total, BP, and Eni. By 2016-17, Chinese investment shifted away from oil and gas and into other areas—namely the power sector in Latin America and metals in Africa (Ray and Gallagher, 2017; (The) Heritage Foundation, 2017).

3.2 A Look at Chinese loans to Africa and Latin America's oil/gas producers

26 Chinese banks provide multimillion-dollar loans to African and Latin American countries, which are typically paid back from the proceeds from future exports of commodities: oil, copper, cocoa beans, coffee, or rubber, for example. In Latin America, total estimated loans by Chinese banks amounted to USD 141.2 billion in the period 2007-16, of which roughly USD 98 billion—or 70 per cent—was earmarked for the oil and gas sector (Gallagher and Myers, 2016). Of the five largest loan recipients for 2007-16, four are oil-producing countries and one—Bolivia—is a major natural gas producer. Venezuela was by far the largest borrower, with USD 62.2 billion for 2007-16. By 2017, Chinese loans to Venezuela and Ecuador had dried up. That year, China's only oil-related loan went to Brazil's state-owned oil company Petrobras, for USD 5 billion in exchange for 10,000 b/d of oil for a period of 10 years (Ray and Gallagher, 2017).

27 Chinese loans to Africa were estimated at USD 86.3 billion in the period 2000-14, almost 60 per cent lower to the amount of loans granted to Latin America (Brautigam and Hwang, 2016). Also in contrast from the situation in Latin America, the bulk of China's loans and lines of credit in Africa were not mainly allocated to oil-rich countries, with only a small amount (10 per cent) earmarked to the oil and mining sectors of borrowing countries. Most of the lending to Africa was allocated to transport, power and telecoms projects (Brautigam and Hwang, 2016). Of the five largest African recipients of Chinese loans in the period 2000-14, only two are oil producers: Angola and Sudan—and they secured their loans with oil. The others used other commodities or came up with more creative ways of paying back the loans: Ethiopia used sesame seeds as collateral, and the DRC used copper. Kenya was more creative still and secured a loan for building a railway against future revenues from rail traffic (Brautigam and Hwang, 2016).

Table 3. Top Latin American recipients of Chinese loans, 2007-16.

Country	Billion USD
Venezuela	62.20
Brazil[9]	36.80
Ecuador	17.40
Argentina	15.30
Bolivia	3.50

Source: The author, with data from Gallagher and Myers (2016).

TABLE 4. TOP AFRICAN RECIPIENTS OF CHINESE LOANS, 2000-14.

Country	Billion USD
Angola	21.20
Ethiopia	12.30
Sudan	5.60
Kenya	5.20
DRC	4.90

Source: The author, with data from Brautigam and Hwang (2016).

28 For countries with low credit ratings that were not able to provide strong repayment guarantees, using future resources as guarantees helped to lower risks and improve payment security, which in turn allowed projects in general to be financed with loans with better interest rates (Gallagher et al., 2016). As part of the loan mechanism, the proceeds from the commodities' export were deposited in an escrow account in a Chinese bank, which drew from it to repay the loan (Brautigam and Gallagher, 2014).

29 China gave loans to 43 African countries in the period 2003-11, while in Latin America this activity was concentrated in only 14 countries (Brautigam and Gallagher, 2014). However, none of China's individual loans to the top five African recipients compares in magnitude to those received by Latin American countries. Venezuela—an oil-producing country par excellence—was allocated almost half of total Chinese loans to the region, which accounts for the fact that the bulk of Chinese loans to Latin America went to oil producing countries. Venezuela received the largest individual Chinese loan ever—USD 20.3 billion in 2010. By comparison, the largest individual loan to Africa's top recipient of Chinese lending, Angola, was for much less: USD 3.6 billion in 2011 (Atkins et al., 2017).

30 When comparing individual Chinese lending in both regions, Venezuela and Brazil received by far the largest amount in total loans in the period 2000-16, followed by Angola in a distant third place (Figure 6).

Figure 6 Largest African and Latin American recipients of Chinese loans (2000-16).

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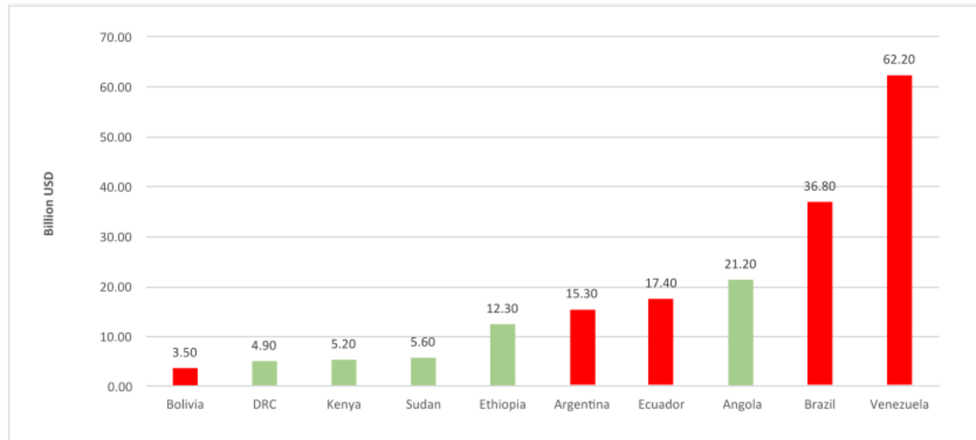


Source: Compiled by the author with data from Brautigam and Hwang (2016) and Gallagher and Myers (2016).

31 Lending to Venezuela dropped considerably in the period 2014-17, suggesting concern on the part of Chinese banks about the troubled country's ability to pay given its dire economic and political situation. Annual data published by the Inter-American Dialogue and Boston University estimate that Venezuela received no financing from China in 2017 and only one loan, for USD 8 billion, in 2018, way below the loan allocations of previous years (Myers and Gallagher, 2018). Chinese banks had for some time been demanding from Venezuela that certain spending provisions be met as a condition for granting new loans (Yanran, 2017). Analysts warn that with oil prices down, countries that depend on oil exports for their revenues—such as Venezuela or Angola—may find it increasingly difficult to repay their loans to China (Gallagher et al., 2016). Besides, long-term loan contracts may limit future room for manoeuvre with regard to public spending and policy reform (Hogenboom, 2017).

32 In the case of Brazil, Chinese loans went to state-owned oil company Petrobras, under the loan-for-oil mechanism. Petrobras borrowed some USD 36 billion from Chinese banks in the period 2009-16 (Vasquez, 2018). Back then, Petrobras was going through a turbulent period. The company's shares had plummeted, and it lost its investment grade rating when an investigation put Petrobras at the centre of the largest corruption scandal in the history of Latin America. In a context of low oil prices and debts in the order of USD 24 billion, Petrobras turned to China for financial help (Vasquez, 2018). In 2015 and 2016 alone, Petrobras received loans of USD 10 billion and USD 15 billion, respectively, mainly from China's CDB. For part of the 2016 loans, the company agreed to ship 100,000 b/d of oil to China for a ten-year period (Petrobras, 2016).[10] In 2017, the largest Chinese loan to Latin America—USD 5 billion—also went to Petrobras, in exchange for oil shipments (Myers and Gallagher, 2018).

33 The next section will explore how Latin America and Africa's oil-producing countries benefited from China's oil and gas investments and lending.

4. China's Appetite for Oil: What's in It for Latin America and Africa

34 China's presence in Latin America's and Africa's hydrocarbons sectors is not new - it predates the new millennium. In Latin America, Chinese oil companies took advantage of prevailing economic and political opportunities at three moments in history: during the oil industry privatisations of the 1990s, during the 2003-2007 nationalisation of the industry by left-wing governments and during the international financial crisis of 2008-11 (Hongbo, 2012a, 2012b). CNPC first entered Peru in 1993 through exploration licenses for the Talara and Piura regions (CNPC, 2017c). In 1997, the company expanded to Venezuela, where it obtained development rights to two marginal oil fields—Intercampo and Caracoles (Hongbo, 2012a, 2012b).

35 Starting in 2005, China made larger, more strategically thought-out investments and gradually increased its oil interests in Latin America. That year, Sinopec acquired Canada's Encana assets in Ecuador for USD 1.45 billion and created Andes Petroleum. The acquisition of Encana's former stakes in Ecuador included a stake in the privately run pipeline Oleoducto de Crudos Pesados (OCP), which takes crude from Amazon fields to export terminals on the Pacific Ocean. Sinopec's purchase of Encana inaugurated the trend of hydrocarbons-related Chinese investments and loans that characterised the first decade of the new millennium, in coordination with China's Going Out policy.

36 In Africa, CNPC came to Sudan in 1995 and it was the Chinese oil company that turned the country into an oil producer, marking China's entry into the continent's oil sector and establishing Sudan's status as an oil producer (Brautigam, 2009, 71-74). CNPC filled the vacuum left by the withdrawal of US company Chevron, ahead of an escalating civil war. By 2009, CNPC owned stakes in five developments in Sudan, and China imported some 50 per cent of that country's total oil production (Economy and Levi, 2014). Reassured by its Sudan success, CNPC continued to expand in Africa and by 2003 it had a presence in eight more countries.[11] Other Chinese NOCs followed suit: Sinopec entered seven African countries[12] and CNOOC five[13] (Kong, 2011).

37 The wave of Chinese hydrocarbons investments and loans of the new millennium's first decade was advantageous for Latin American and African countries for at least three reasons. First, during the global financial crisis when loans by private international banks shrank and international oil companies (IOCs) reduced their investment portfolios, Chinese state-owned banks and companies rose to the challenge. Chinese banks exceeded the monies loaned by traditional lending organisations in those years (Gallagher and Irwin, 2017) and Chinese NOCs took up assets that IOCs were forced to leave behind due to lower oil prices and the economic meltdown. Moreover, in countries whose poor credit ratings restricted access to conventional international financing—like Venezuela and Ecuador, or Argentina under the last Kirchner Administration—Chinese loans came to the rescue. Notably, being able to secure external funding from Chinese banks helped Ecuador to improve its credit standing with international ratings organisations (Moody's, 2012). And in Angola, a USD 2 billion loan from China's EximBank in 2004 opened the door to lines of credit from a group of Western banks (Brautigam, 2009, 273-276).

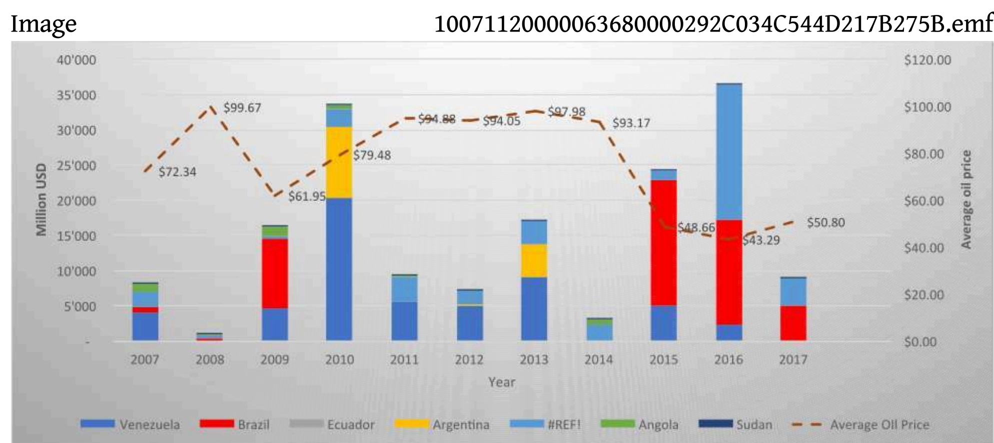
38 Second, Africa in particular, and to a lesser degree Latin America, benefited from Chinese loans in areas —such as infrastructure—that had been sidelined by traditional donors,

while at the same time increasing trade volumes with China (Hongbo, 2017, 212-230). Arguably, China may enjoy more credibility than multilateral development banks in Africa and Latin America because of its own recent remarkable transformation from a developing country into a leading world economy (Brautigam, 2009, 10-12). Third, countries whose revenues depend mainly on exports of oil were greatly affected when the price of oil fell at the end of 2008 and until it rebounded two years later. Unable to access conventional credit lines in international markets due to high domestic economic and political volatility, they resorted to China, which became a lender of last resort (Chimenti and Creutzfeldt, 2016).

39 Oil-producing countries whose main revenue source is oil exports borrowed particularly heavily from China during periods of low oil prices (Figure 7).

Figure 7. Chinese loans to Africa/Latin America and average oil price (2007-17) (Billion USD).

Image 100711200000636800000292C034C544D217B275B.emf



Source: Compiled by the author with data from Gallagher and Myers (2016); Atkins et al., (2017).

40 Chinese banks and oil companies were not afraid to go into countries where international lenders and Western majors feared to tread due to political and economic instability. That reality opened up much speculation about China's intentions in Latin America and Africa. A myriad of research projects, commentaries, news stories, and opinions on the geopolitical or other potential effects of the unfolding China–Latin America and China–Africa oil relationship multiplied as fast as China's overseas lending and investments. Some voices have warned of catastrophic outcomes (Hausman, 2015; *Reuters*, 2018; Collier, 2007), and see China's oil diplomacy as an orchestrated policy on the part of the Chinese state to get its hands on hydrocarbon resources (Taylor, 2006; Kong and Gallagher, 2017). Others have played down those negative assumptions and see them as exaggerated or based on erroneous data (Brautigam, 2009, 273-307; Economy and Levi, 2014, 1-10; Gonzalez Vicente, 2013). The reality is that official data on China's FDIs and loans is so scattered, imprecise, incomplete and difficult to access that reaching conclusions with any degree of certainty would be difficult at this stage.

41 There may be some logic to opinions posited on evidence suggesting that through the granting of oil loans, Beijing creates preliminary commercial and diplomatic relationships with host countries, which down the line facilitate the arrival of Chinese investors and shield them from political risks in host countries (Shapiro et al., 2018; Li et al., 2013). More research would help to fully determine the effects of this strategy and to

assess the extent of its uniqueness in light of comparable diplomatic overtures made by Western governments prior to the arrival of investors from their own countries.

42 The next section will explore challenging aspects of the China–Latin America–Africa oil relationship. Namely, the lack of transparency, and the absence of efficient accountability mechanisms that typically characterises Chinese oil deals on both continents. Transparency and accountability go hand in hand: the lack of the former jeopardises the latter, creating a context for corruption, which is another problematic aspect of China’s hydrocarbons advances in Latin America and Africa.

5. Host Country Vulnerabilities and China’s Oil Overtures

43 It is by now largely accepted that transparency is a necessary condition for reducing corruption in the oil and gas sectors because it helps to make the behaviour of stakeholders accountable to others (Vasquez, 2016). In contrast, low levels of information reduce accountability and provide incentives for corruption and rent seeking. This becomes all the more problematic when corruption is already endemic in the host countries receiving loans or FDIs.

44 There has been much speculation about China’s real intentions in doing business with governments that disregard good governance (Porzecanski, 2015). Focusing solely on China’s intentions when analysing the outcome of loans and investments in Latin America’s and Africa’s oil sectors gives an incomplete picture. It is also important to assess the extent to which host countries are able to take advantage of the potential economic opportunities that a relationship with China opens up for them, while at the same time dodging its possible negative impacts. Of particular interest in this analysis are loans made by Chinese state-owned banks.

45 As mentioned earlier, most Chinese loans to Latin America in recent years were aimed at the hydrocarbons sector, at least on paper. In practice however, it is difficult to track down how the loans were actually disbursed due to lack of transparency, which is the first worrisome characteristic of China’s deals in both Africa and Latin America. Both lenders and recipients rarely publish information about specific financing agreements or about how funds will be allocated, which makes it difficult to hold authorities accountable in borrowing countries. For example, a 2011 USD 1.5 billion loan from China’s CDB was originally allocated for paying Venezuela oil company Petroleos de Venezuela’s (PDVSA) share in a joint project with Brazil’s Petrobras for the construction of the Abreu Lima refinery in Brazil’s Pernambuco State. But PDVSA failed to commit its financial obligations and pulled out of the refinery project altogether (*Reuters*, 2013). How the funds were ultimately spent is not clear. Similarly, a large part of a USD 1 billion CDB loan to Ecuador in 2010 was categorised as ‘discretionary‘, enabling the government to allocate it freely. Again, it is unclear how the sum represented by the loan was spent. In Ecuador, CNPC agreed in 2012 to provide USD 3 billion to the government for the construction of the Pacífico Refinery in exchange for a 30 per cent stake in the project, yet the refinery was never built and no one has accounted for the funds (Valencia, 2013).

46 Typically, loans and oil investments are negotiated behind closed doors between a handful of high-ranking individuals from China and the host country. China’s state-owned banks do not publish data regarding overseas loans and investments in a

systematic way, and when they do the information is usually not disaggregated (Sanderson and Forsythe, 2013). Likewise, Chinese government statistics on FDI flows are scarce (Grimm, 2011) and Chinese oil companies’ websites give only anecdotal evidence of their investments overseas. Researchers use media reports, announcements made by governments and politicians or other general approximations in order to make estimations, and this often results in incomplete or even erroneous analyses (Brautigam, 2011, 203-222; Brautigam and Hwang, 2016; Hwang, 2017).

47 The lack of transparency is equally strong in host countries. Based on the nine transparency criteria listed in Table 5, Venezuela is the least transparent of the Latin American or African hydrocarbons-producing countries that received oil-related Chinese investments and loans, followed closely by Angola. Three countries in Africa (Mozambique, Niger and Nigeria) and only one in Latin America (Peru) are signatories of the Extractive Industries Transparency Initiative (EITI), which promotes voluntary transparency with regard to extractive industry payments and receipts.

Table 5. Oil sector transparency criteria.

	1. Licensing Authority	2. SOE required to disclose annual report?	3. Has Gov. disclosed blocks allocated since 2015?	4. Gov. required to disclosure all signed contracts?	5.Gov. required to disclose payment by companies?	5.a. Latest company tax payment data disclosed	6.EITI Affiliation	6.a. Most recent EITI report	7. Online portal with oil/gas timely information?
Angola	Sonangol	N	Y	N	N	2015-2016	N		N
South Sudan	Ministry	Y	N	Y	N	2015-2016	N		N
Mozambique	Institute of National Petroleum.	Y	Y	Y	Y	2015-2016	Y	2012--2013--2014	N
Niger	Ministry	Y	Y	Y	Y	2015-2016	Y	2012--2013--2014	Y
Nigeria	Ministry	N	N	N	Y	2015-2016	Y	2012--2013--2014	Y
Brazil	Agencia Nacional de Petroleo (CNP)	Y	Y	N	Y	N (Gov. not required to disclose company tax payments)	N		Y
Venezuela	Ministry	N	N	N	N	2015-2016	N		N
Argentina	Ministry	Y	N	N	N	N (Gov. not required to disclose company tax payments)	N		Y
Ecuador	Agencia de Regulación y Control Hidrocarburifero,	Y	Y	Y	N	2015-2016	N		N
Peru	Perupetro	N	Y	Y	Y	2015-2016	Y	2012--2013--2014	Y

Source: The author, with data from Natural Resource Governance Initiative (2018).

48 Lack of transparency opens up opportunities for corruption in the oil industry. Very often, the role of oil-related institutions in host countries is unclear, and decisions are taken by a few in the government and/or the state-owned oil company. In Angola, the functions of state-owned oil company Sonangol are blurred, due to its double function of giving out licenses and developing resources. This unclear division of roles facilitates institutional manoeuvring and obscure deal-making, and makes it difficult to monitor the performance of the company, although an ongoing restructuring of Sonangol may soon improve this situation. By contrast, in Brazil, Mozambique, Peru and Ecuador, institutional roles are more clearly defined because these countries have dedicated government units in charge of giving out concessions. When the allocation of oil blocks is not made public, or the host state-owned company involved in the deal with its Chinese counterparts is not required to publish annual operations and financial reports that attest for its actions, decision-making on oil matters becomes difficult to monitor.

49 Notably, Table 5 shows that Brazil and Argentina are even less transparent than Angola or Venezuela when it comes to disclosing tax payments by oil companies because in these countries the government is not legally required to publish them. Most interestingly, of the 10 African and Latin American countries listed in Table 5 that received oil-related loans or FDIs from China, only half —South Sudan, Mozambique, Niger, Peru, and Ecuador —are legally required to disclose oil contracts, a key step towards transparency in the oil industry. This emphasises the point that regardless of the behaviour of Chinese investors, transparency ultimately remains the responsibility of the receiving country. Where host-country governments are not required to be transparent, it becomes difficult to make them accountable.

50 This takes us to the second challenging aspect of the Sino-Latin American-African oil relationship related to weak transparency: the lack of accountability of the deals. The lack of transparency that also characterises China's loan deals in Latin America and Africa fits well into the equally secretive manner in which governments of recipient countries often run their oil industries. By some accounts, China's arrival further intensified a pre-existing non-transparent and non-accountable oil management style (Hickey and Izarra, 2016). Perhaps the most obvious example in Latin America is Venezuela, where the oil industry is the main generator of government revenues, in the form of PDVSA: in the past two decades PDVSA has become a de facto social and development ministry, spending more on social programmes than on oil development (Monaldi, 2018). PDVSA's operations and transactions have been surrounded by a cloud of obscurity in recent years: the company failed to publish its 2017 operational report and has not released financial results for 2018 (Ulmer and Parraga, 2018). This lack of publicly available information makes it difficult to hold PDVSA accountable for its expenditures. In such a context, details of China's oil-related loan deals and how their funds are being spent remain an enigma.

51 Similar to Venezuela, Angola, depends almost exclusively on oil exports to access foreign currency. Management of all issues related to the key oil sector has traditionally been concentrated in Sonangol. The company wields a lot of political and economic power among members of Angola's power elite hierarchy (Corkin, 2017). The head of Sonangol is presumed to be among the select few that hold political and economic power in Angola, as part of a system-of-patronage network that has oil at its centre (Corkin, 2016, 123-160). Sonangol's sway in Angola's political economy and its uncontested weight in the country's decision-making have turned the company into a quasi-state within a state and one that is solely accountable to the president of the country.

52 As mentioned earlier, besides being an upstream operator, Sonangol organises bidding rounds and signs contracts with international oil companies. For an international operator to succeed in Angola, it traditionally had to be on good terms with Sonangol. It has been suggested that Sinopec's odds of acquiring oil access in Angola have been inextricably linked to its relationship with Sonangol. The secretive nature of China's oil deals and Sonangol's lack of accountability make it difficult to assess the truthfulness of this suggestion. But a closer look at the past relationship between the two companies suggests that Sinopec was able to acquire oil acreage when enjoying a good rapport with Sonangol, while it failed to do so when the two companies were at odds (Alves, 2013). From this, we could infer that China's oil investments in Angola were at the mercy of Sonangol's unaccounted-for micromanagement of the country's oil industry. Looking forward, Sonangol's deeds may become more transparent, following a government

decision in 2018 to streamline the oil company (Almeida and Mendes, 2018). As part of the restructuring, the newly created National Agency of Petroleum and Gas will take over from Sonangol the role of granting oil licenses and of managing production sharing agreements.

53 A third challenge of the Sino-Latin American-African oil relationship is pre-existing corruption in host countries, as corruption thrives in a context of weak transparency. Political alliances and elite dynamics can take over and become decisive in shaping the type and extent of foreign—Chinese in this case—lending and investing. In those situations, the country's decision-making processes regarding the oil industry belong to just a handful of individuals, and tend to foster corruption.

54 In Ecuador, the Panama Papers revealed kickbacks to local officials during the first loan-for-oil negotiation between state-owned Petroecuador and CNPC's subsidiary PetroChina in 2009 (El Universo, 2016). Sinopec was also under investigation in the US in 2017, following allegations that it had bribed Nigerian government officials using banks in the US, and in California specifically (Miller and Schoenberg, 2017). One of the most controversial corruption allegations involving Chinese NOCs was made in Ecuador in 2014, when news broke that former President Rafael Correa had secretly committed to allowing Chinese NOCs to drill in the oil-rich Yasuni National Park, while simultaneously seeking international donations in return for keeping oil in the ground in the unique biodiversity-rich Amazonian park (Hill, 2014). PetroChina and Andes Petroleum received licenses for operating in Yasuni, with financial support from China's Development Bank (CDB) (Villavicencio, 2013).

55 Corruption is common in the governments of several Latin American and African countries that have received oil investments and loans from China. The 2017 Transparency International Corruption Perceptions Index, which ranks perceived levels of public sector corruption, placed Venezuela 169th out of 180 countries. This was the lowest ranking of all the countries analysed in the present paper, followed by a slightly higher ranked Mozambique in 153rd place, Nigeria (148), and Ecuador (117). In 85th and 96 th place, respectively, Argentina and Brazil were the best performers among China's investment and loan destinations, although they still remained low in the overall transparency ranking table (Transparency International, 2018).

56 As to China, *its* corruption ranking in the 2017 Transparency International Corruption Perceptions Index was only a tad better—77 of 180 countries—than the rankings of the countries it deals with in Latin America and Africa. But it is encouraging that Chinese President Xi has since 2015 engaged in an unprecedented clampdown on corruption at home, a crackdown that targeted and deeply affected the country's state-owned oil companies and by extension also their overseas operations. The former President of Sinopec was sent to prison for 16 years in China in 2017 for embezzlement and for exaggerating reserves and discoveries in Angola in the period 2008-15 (Reuters, 2018; Downs et al., 2017).

57 China's domestic measures against corruption are a step in the right direction. However, they cannot fully address the extent of the problem in oil-producing countries that China engages with in Latin America and Africa. For one thing, China has only limited ability to monitor and enforce overseas compliance by its companies (Hogenboom, 2017; Economy and Levi, 2014, 100-116). Most importantly, Chinese banks that finance international projects are required to adhere to host country and international laws, which becomes

tricky when corruption is widespread and general governance weak in the receiving nation.

58 There is evidence that when host countries adopt and enforce regulations and high standards, compliance by Chinese companies and banks is better. On the other hand, where host governance is weaker, China typically fails to move the bar upwards (Economy and Levi, 2014, 191-193). Additionally, President Xi's lobbying for and subsequent obtention last year from lawmakers of the elimination of presidential term limits that effectively cleared the way for his indefinite stay in power open up questions about his real commitment to sound governance at home and overseas (Buckley and Bradsher, 2018).

59 Evidence also shows that the presence of a strong and engaged civil society in receiving countries may help to expose corrupt activities in the oil industry, and to some extent contributes to making up for an overall weak governance. Take for example the contrasting reactions in Angola and Brazil, respectively, to a similar condition set by China's EximBank for granting an infrastructure loan in 2004: The condition was that 70 per cent of labour, construction materials, and equipment were to be contracted in China. The bank's requirement encountered little resistance in Angola, where labour unions and regulations for protecting local industry are relatively soft. By contrast, it was strongly opposed in Brazil, where unions are very active, and local content stipulations are strict. In the end, the Brazil project ended up with much less Chinese labour content conditionality than the one in Angola (Alves, 2013).

60 Some international initiatives may also help to combat corruption and to compensate for poor governance in host countries. For example, the Hong Kong Stock Exchange—where Chinese oil operators are listed—made governance reporting mandatory for its companies starting in 2017 (Yeung, 2017). It has also been suggested that countries—like Ghana— that adopt market-friendly policies that welcome Western oil companies adopt higher safeguards than those whose oil industry is run by the government, as is the case of Ecuador (Aidoo et al., 2017).

61 Beijing has repeatedly engaged with oil-producing countries with weak governance records—records that manifest themselves in different ways: poor corruption control, a disregard for the rule of law, limited voice and accountability, weak transparency, and high political instability. Most of the Latin American and African countries that China does oil business with match some or all of these characteristics and rank low in the best-known indexes that measure governance indicators in general. Venezuela showed the lowest rankings among all six indexes measured by the World Bank 2017 Worldwide Governance Indicator (World Bank Group (The), 2019).[14] In a similar manner, both Venezuela and Angola showed particularly low rankings—74 and 70, respectively, out of 89 countries—in the 2017 Natural Resource Governance Index, which measures policies and practices that authorities employ to govern the oil sector (Natural Resource Governance Institute, 2018). The two countries scored particularly poorly in the Voice and Accountability component of the index: 28 for Angola and 32 for Venezuela, where 100 is the best and 0 the worst. At the relatively high end of the composite index ranking we find Brazil and Argentina—6/89 and 22/89, respectively—followed by Ecuador with 19/55 and Mozambique with 24/55.

62 In spite of its close relationship with oil-producing nations with a weak governance history, to date there does not seem to be conclusive evidence showing that China deliberately chooses to do oil business with countries with weak institutions (Gallagher

and Irwin, 2017). It would be more accurate to state that Chinese investors and the country's banks seem to be indifferent to the governance performance or economic situation of recipient countries. This is in contrast with Western investors, who are more risk averse and are much more sensitive to reputation and image risks (Dollar, 2017).

63 The discussion above shows that it ultimately remains the responsibility of host countries to combat corruption and to embrace high governance standards in general. External contributions to governance from investors or lenders or from the adoption of international standards can be helpful, but these efforts will always fail to fully address the root causes of the governance failures, a task that can only be tackled with any hope of success by the governments of host countries, and their societies as a whole. Until that happens, Chinese oil companies —like their Western peers— will continue to make foreign investment decisions that best suit their business interests, regardless of the governance performance of host countries. That is because Chinese oil companies, like all others, are mainly profit-driven (Chen et al., 2016). By the time of their aggressive entry into Latin America and Africa during the Going Out period, the best acreage in non-risky areas had long been taken by Western companies. It has been suggested that due to a scarcity of promising hydrocarbons areas around the world, Chinese companies had no choice but to invest in countries previously avoided by Western investors due to their political or geological risk (Kong, 2011).

64 That purely commercial approach could explain China's initial entry in Sudan following the 1980s departure of a large number of international oil companies amidst an escalating civil war and subsequent US sanctions. Or Venezuela, where—as mentioned earlier—China's state-owned oil companies acquired promising oil areas and its banks gave huge loans in exchange for oil acreage. From a solely business perspective, it would be hard to condemn Chinese NOCs for acquiring inexpensive promising areas in oil-rich countries such as Venezuela, despite these countries' political and economic difficulties. Those companies chose to weather the storm with the expectation of better times to come.

65 When it comes to China's loans, they are said to have helped prop up un-democratic governments, such as the current authoritarian administration in Venezuela (Gonzalez, 2016). Rising debts to China, like that of Venezuela, have raised concerns about borrowing countries' ability to meet their obligations (Brautigam and Hwang, 2016). The loans are neither altruistic nor concessionary, and recipient countries are expected to pay them back.

66 China's oil and gas investments in Latin America and Africa will continue to be strong in coming years, although they will likely be more targeted to cutting-edge oil and gas areas such as Argentina's shale reserves, Mozambique's liquefied natural gas (LNG), or Mexico's ultra-deep offshore drilling (Gonzalez, 2016). However, loan-for-oil deals may become fewer or more selective, as China's cutback in lending to Venezuela in recent years seems to suggest.

67 China has much to offer to oil-rich Latin American and African countries in need of investments. While host countries see the opportunities, only some —-namely Angola with its restructuring of Sonangol— realise the urgency of strengthening their governance in order to take full advantage of the bilateral relationship. As a starting point, host oil-producing countries would be wise to adhere to international safeguards such as the EITI, which demands that all companies operating in a member country comply with its transparency requirements. While still perfectible, the EITI can be an effective starting tool for contributing to transparency in countries with governance

weaknesses as those described above. A good example of this is Peru, a signatory to the EITI, where China's CNPC was required to publish its payments to the government, a practice the Chinese company does not typically engage in spontaneously in countries where it operates (Rustad et al., 2017).

6. Conclusion

68 China's state-owned oil companies acquired large oil and gas acreage in Africa and Latin America in the first decade of the new millennium and Chinese state-owned banks granted multimillion-dollar loans that were backed by the proceeds of future sales of oil. For China, the acquisition of new hydrocarbons assets and reserves overseas is part of an effort to diversify its supply sources. For Latin America and Africa, Chinese oil and gas investments were a welcome influx of oxygen with which to offset disinvestment by international oil companies during periods of low oil prices and when the 2008 global financial crisis hit. Additionally, Chinese loans were a lifesaver for countries that could not access international credit lines or for those that needed funding for infrastructure projects.

69 On the surface, the Sino-Latin American and Sino-African hydrocarbons relationship looks like a win–win; there are, however, several challenges that if not addressed could become detrimental for both China and client countries. The most pressing challenge is the lack of transparency that surrounds Chinese hydrocarbons investments and loans. Both China and the host countries typically are reluctant to open up about their negotiations and deals. In turn, the lack of information makes it difficult to monitor these deals and to make the authorities accountable. In a context of secretive deals among few people, there is room for corruption and rent seeking among the handful of government officials who make decisions with regard to oil. This is particularly true in countries where corruption is easy to come by.

70 Much has been written about China's geopolitical and other objectives in going into oil-producing countries where governance is poor and where others fear to tread due to high economic or political risk. More research would be needed to test the veracity of these claims. The reality is that China seems to be indifferent to the governance record of countries in which its oil companies invest or to which its banks lend. When enforcement is weak in the host country, China's indifference to good governance adds fuel to fire. To be sure, in recent years China has been more careful in its undertakings with countries in difficulties and Beijing has also started to clamp down on corruption in its own state-owned oil companies. While these developments are welcome, the truth is that ultimately it remains the responsibility of the host country to adopt and enforce high standards to which foreign investors must be held.

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NOTES

1. The databases consulted include The Global China Initiative (GCI) from Boston University’s Global Development Policy Center, the SAIS China Africa Research Initiative (CARI) at the Johns Hopkins University School of Advanced International Studies, the China-Latin America Finance Database of the Inter-American Dialogue and the Heritage Foundation’s China Global Investment Tracker.
2. Data for Latin America borrows heavily from Vasquez (2018).
3. Venezuela holds the largest proved oil reserves in the world.
4. China–Latin America funds include the China–LAC Industrial Cooperation Fund, China–LAC Investment Fund (with the Inter-American Development Bank), China–Mexico Investment Fund, and Celac–China Investment Fund (Gallagher et al., 2016).
5. Chinese oil service and engineering companies with operations in Latin America include BGP, Shandong Kerui Petroleum Equipment, Hilong Oil Service & Engineering, Shengli Oilfield Highland Petroleum Equipment Co., Jereh, Great Wall Drilling, and Changqing Petroleum Exploration Bureau (CPEB).

6. The figures used for the analysis in this section are approximate given the difficulty of accessing credible data on China's FDI. They should be interpreted as showing tendencies rather than as absolute data.

7. Sources include Heritage Foundation (The) (2017); Vasquez (2018); Tullow Oil (2012); Alves (2013); Sinopec (2017a, 2017b); and Ray and Gallagher (2017).

8. Sources include Heritage Foundation (The) (2017); Tullow Oil (2012); Pfeiffer (2013); Alves (2013); and Sinopec (2011).

9. A loan granted to Brazil in 2004 for building the Gasene natural gas infrastructure network was not backed with oil (Alves, 2013).

10. The oil would go to two crude trading companies—China National United Oil Corporation and China Zhenhua Oil Co. Ltd—and the petrochemical company Chemchina Petrochemical Co. Ltd.

11. The eight countries were Chad, Algeria, Mauritania, Niger, Nigeria, Libya, Tunisia, and Equatorial Guinea.

12. The seven countries were Angola, Algeria, Congo-Brazzaville, Côte d'Ivoire, Gabon, Mali, and Nigeria.

13. The five countries were Nigeria, Kenya, Equatorial Guinea, Morocco, and Uganda.

14. The World Bank Governance Indicators measure perceptions of confidence in six indicators: rule of law, voice and accountability, political stability and the absence of violence, government effectiveness, regulatory quality, and control of corruption. http://info.worldbank.org/governance/wgi/#home.

ABSTRACTS

Latin America and Africa's large hydrocarbons reserves and China's growing demand for oil have the potential of being a win–win. China's state-owned oil companies have already acquired prime acreage and Chinese state banks also lent billions to oil-producing countries in Latin America and Africa during the opening decades of the twenty-first century in exchange for oil. China's repeated oil deals with countries with a track record of poor governance performance has been much criticised and sometimes showcased as validation of Beijing's larger geopolitical expansion interests. This paper argues that there is still not enough evidence to assert the truthfulness of that claim. By contrast, there are ample examples of governance problems in the oil producing countries China engages with in Latin America and Africa. The author analyses in particular poor performance shown by three governance indicators — transparency, accountability, and corruption— in the oil sector relationship between China, Latin America and Africa. She argues that it is ultimately the responsibility of host countries to take up the long-due task of tackling those weaknesses in order to take full advantage of a potentially promising oil relationship with China.

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