UNIVERSITY OF PIRAEUS
Department of International & European Studies
MSc in Energy: Strategy, Law and Economics

China

Foreign Policy via Energy
Energy via Foreign Policy

冷静观察

Lengjing guancha (making cool observations)

稳住阵脚

shuozhu zhendi (securing its position)

沉着应付

chenzhuo yingfu (calmly coping with issues)

韬光养晦

taoguang yanghui (concealing its capacities and biding its time)

善于守拙

shanyu shuozhuo (good at maintaining a low profile)

决不当头

juebu dangtou (never claiming leadership)

有所作为

yousuo zuowei (making a difference)

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China: Foreign Policy via Energy or Energy via Foreign Policy?

by

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Thesis supervised by *Associate Professor Spyridon Roukanas*.

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Declaration

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Signed: Lambros A. Giannios

The following individuals certify that they have read and recommend to the Faculty of Graduate and Postdoctoral Studies for acceptance, the thesis entitled

China: Foreign Policy via Energy or Energy via Foreign Policy?

submitted by	**Lambros A. Giannios** in partial fulfillment of the requirements
for the degree of	**Master of Science**
in	**Energy: Strategy, Law and Economics**

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1. Abstract

With the country's energy needs having increased rapidly due to the unprecedented economic growth, it's apparent that the energy security concerns have become important in influencing the thinking, formation and implementation of China's foreign policy.

While this perceived energy insecurity has become an increasingly influencing factor in China's international behavior, it cannot be argued that the country's energy needs is the most important dimension in Beijing's foreign policy calculations.

By employing every available tool at its disposal at the political level and by mobilizing the country's economic might and capacity at the financial and industrial levels, China pursues not only the establishment and advance of its political and economic ties with the resources-rich developing countries for energy security reasons, but also a growing presence in such countries. These movements should be seen in a multi-dimensional context, where the country's worldwide-expanding economic and political interests compete and interact with domestic political and social adjustments and balances.

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2. Preface

Some time ago, when I finally came up with the subject of my Thesis and began to work on the "Master Thesis proposal outline" which I had to submit, for discussion and approval, to my supervising Professor, Mr. Spyros Roukanas, I couldn't imagine the magnitude of the subject matter, its extensiveness and the complexity of the interplays among the actors and the Institutions, which take place within the Chinese State in its efforts to pursue and achieve what is perceived as "the rise of China in the World stage".

"It sounds very interesting", commented Mr. Roukanas; "I like the way you propose to approach the subject. Go for it." he concluded after a thorough discussion about the objectives, the scope and the proposed structure of the Thesis.

I have to admit that, at the time, I hadn't any extensive or deep knowledge about the inner Chinese matters, apart from the ones that regularly circulate in the press: a huge country in terms of both area and population, with a booming economy, ruled by the Chinese Communist Party for the last 70 years. And, here, lays the intriguing part: I had to deal with a subject that required a deep research and extensive study of the existing literature, in order to get close to a sufficient understanding of China's History, Politics and Economy, its worldview, policy design and ambitions, as well as the driving forces, the mechanics and the interplays among the State and the various actors, the combined efforts of whom "make things happen".

But, there was something else that made me commit myself to a worthy result; the fact that I had to present my work to a Committee comprised of distinguished Academics: Mr. Spyros Roukanas (Associate Professor, International Political Economy, Department of International and European Studies, University of Piraeus), who accepted to act as the Supervisor of my Thesis, Mr. Aggelos Kotios (Professor, International and European Economics & Development, Rector, University of Piraeus) and Mr. Athanasios Platias (Professor, Strategic Studies, Chair, Department of International and European Studies, University of Piraeus).

Although I keep having some tiny concerns that, perhaps, the result could be slightly better, I'm confident that my efforts brought a worthy result; yet, this is something that will be judged by the Examining Committee.

As a final word, I'd like to express my deepest gratitude and respect to the teachers and instructors of the Graduate Program, excellent persons and Academics for whom I feel lucky and happy meeting them, who “make things happen”.

This work is dedicated to the Memory of my Mother and my Father

3. Introduction

Trying to delineate China's rise as a Global Power in the International Economic and Political scene, is all but an easy task. Indeed, one cannot understand the path which led China to its present status, without digging deep into a plethora of factors and without considering a number of complex interplays among various components which range from Historical events (Empire China) τo collective memories (civil war and foreign invasions, known as the "Century of Humiliation") and from Philosophical traditions (Confucianism) to Political turmoil (establishment of Communism as the dominant Political Power).

Yet, this path to the rise, which eventually led China to have been transformed into a system of *State Capitalism* (or *Communism with Chinese characteristics*), was not a "walk in the woods"; instead, it often went through violent clashes (Civil War, rise of the Communism, the "Great Proletarian Cultural Revolution", the Tiananmen Square Uprising) and rivalries among the members of the Communist Party's elite (governmental disorder caused by the "Gang of Four" under the leadership of Mao Zedong's widow).

Even the economic reforms, which were introduced by Deng Xiaoping and led to the unprecedented growth of China's economy with apparent benefits for both the State and a continuously growing part of the population, were challenged by and caused the political unrest of several conservative Party officials who blamed Deng for his reformist economic policies.

Undoubtedly, the study of the entire spectrum of the Historical, Political and Social events which shaped the path towards the rise of China as a Great Power and the examination of the interplays among the various factors and actors, spanning across a number of dimensions at multiple levels, is a task of great importance and interest; however, such a task is – for obvious reasons – far beyond the ambitions of a Master's Degree Thesis.

Yet, having in mind that economy and international relations are two of the critical fields which China exploited consistently in the course of its trajectory to rise and considering that these two fields encompass, at a great degree, all the characteristics of the Historical, Political and Societal background and are a result of the dynamics this background gave rise to, this Thesis will focus on two key elements of the aforementioned fields:

a. the struggle for energy resources, since without energy the Chinese economic engine is at risk with unpredictable consequences (mainly) for the regime, and
b. China's foreign policy, since foreign policy is the tool for pursuing, maintaining and advancing the interests of China and its status as a responsible and influencing global player.

By analyzing these two elements, this Thesis will try to answer the subject matter: *Foreign Policy via Energy or Energy via Foreign Policy?* Does China use its overseas investments in the energy sector in order to achieve, maintain and advance its foreign policy goals (influencing other countries, creating a favorable environment and advancing its interests in the international arena etc.) or does China exercise foreign policy in order to enhance (among others) its energy security and, thus, continue to seamlessly fuel its economic engine and enjoy uninterrupted high growth rates with all the associated positive implications (Great Power status, increase of the population's living standards etc.)?

Although this task is not easy at all, this Thesis mainly aspires to bring in the frame the main actors within the Chinese edifice, whose cooperation, interplays or even interests, shape the Chinese global behavior along both the energy security axis and the foreign policy one. Through an extensive review of the existing literature, the roles, actions and motives of the main actors who are involved in these two dimensions of the Chinese behavior are examined, in an attempt to explain the combined results that derive from their actions and how each actor is interacting with (or, is taking advantage of) the other ones' pursuits, movements and capabilities towards achieving its own goals. Further, and given that the movements of these main actors are often regarded as centrally orchestrated towards pursuing governmental ends, it's examined whether these actors' strategies are a result of central coordination or it's the converging interests of the actors that mainly drive their (perceived as coordinated) strategies, which result in individual and state benefits.

Starting from the assumption that China utilizes the doctrine of Neo-Mercantilism, as regards its economic behavior in relation to both the domestic environment (inbound foreign investments, trade, imports etc.) and the Chinese investments abroad (state-owned or state-controlled companies, financing of overseas investments through the so called "Policy Banks" etc.), the theoretical frameworks of Mercantilism and Neo-Mercantilism will be reviewed in Chapter 4, along with the theoretical frameworks of Realism and Liberalism, since Neo-Mercantilism, as an economic theory, shares a worldview similar to that of realism. Further, the notions of statecraft and diplomacy will be presented, in order to clarify (and distinguish among) the various tools that are at the disposal of (and are employed by) the policy makers in their efforts to achieve political and economic ends. A presentation of the energy security concept supplements the theoretical framework of this chapter.

In Chapter 5, an attempt to approach and describe the political and economic situation in China is made, along with the country's energy situation and the actions of the Chinese officials towards safeguarding China's energy security.

Chapter 6 hits the core of the question, since it presents the roles of the main actors which are at the forefront of China's global expansion: the so-called Policy Banks and the National Oil Companies.

Chapter 7 explores China's presence in Latin America and the Caribbean and particularly China's footprint in the energy sector of the region, either in the form of direct investments or through the financing of energy projects, and the results to the benefit of China that came out of its engagement with Latin America.

The conclusions are presented in Chapter 8.

It's worth mentioning that each one of the chapters presented in this Thesis consists, on its own, a subject for detailed examination and analysis under various prisms and perspectives. The approach adopted in this Thesis, despite the space and time constraints, is more to present each dimension's main aspects and so delineate the context within which the Chinese foreign policy interacts with the corresponding energy security concerns and the associated policies. Possibly, a more extended and in-depth analysis of the political and economic interplays which drive China's rise as a global power, will be the subject of another work.

4. Theoretical Framework

4.1. Introduction

Trying to put China's behavior, both domestic and international, into perspective, one comes along different or even conflicting patterns, since Beijing's policies manifest characteristics that fall into no single theoretical framework either from the International Relations view or from the International Political Economy's one.

Indeed, China's international behavior presents elements of Realism as well as ones of Liberalism; for example, we see a China that uses its economic might in order to forge alliances with countries in the developing world with the aim of advancing its influence and promote its international status, while at the same time we see a China that increasingly integrates in the international system and institutions and commits itself in cooperation and interdependence. On the other hand, we see α China that gradually embraces the rules of the market-oriented economy, while at the same time the state's omnipresence is bold in every layer of the country's economic activity.

Therefore, given the inability to fit China's behavior into one theoretical framework, the main characteristics of Realism, Liberalism and Mercantilism will be presented below, since it seems that elements of all these frameworks can be traced in China's policies.

Furthermore, the concepts of statecraft, diplomacy and energy security will be discussed, since a state's stance towards its international peers as well as the pursue of its national interests is mirrored in its behavior and is manifested through the various tools that it has at its disposal for shaping its foreign relations. Among the various factors that are crucial to a state's development is the safeguard and enhancement of its energy security, a field of special consideration.

4.2. International Relations Perspective

Trying to interpret China's rise, both economic and political, on the global stage from an IR perspective, proves to be a difficult task because not one single IR theory seems to sufficiently explain the country's path to economic growth and its foreign policy. The economic development is one of China's core interests and a strategic goal of Beijing's foreign policy objectives, with the linkage between foreign policy and economic interests to be clearly manifested in major foreign policy initiatives such as the Belt and Road Initiative and the Asian Infrastructure Development Bank (AIIB); China needs to work towards maintaining a stable global environment, a condition that will allow it to pursue its continued economic growth.

The fact that not one single IR theory is suitable for explaining China's behavior may be identified in President Xi Jinping's words; although he believes that

"*The argument that strong countries are bound to seek hegemony does not apply to China. This is not in the DNA of the country given our long historical and cultural background. We all need to work together to avoid the Thucydides trap - destructive tensions between an emerging power and established powers, or between established powers themselves*",

at the same time, he expresses his commitment that China is ready to become more active in global affairs and work with others to shape the new rules of the game:

"*We will shoulder more international obligations and play a more proactive role in international affairs as well as the reform of the international system*" (Berggruen & Gardels, 2014).

Instead, a combined use of the two dominant IR theories, Realism and Liberalism, seems to better approach and explain the context within which China has moved towards "the most remarkable economic transformation in human history" (Jacques, 2009), which has led to a significant "rise of China" phenomenon with, among other achievements, more than 500 million people having been lifted out of poverty (United Nations Development Programme, 2013).

Although the analysis of the IR theoretical framework that supports the above-mentioned view is beyond the objectives of this Thesis, some indicative key points of this perspective will be presented, along with the basic characteristics of Realism and Liberalism, the major theoretical schools of thought.

Those who favor a Realist perspective when interpreting China's rise, look mainly at two distinct dimensions: military expansionism and historical analogy. Economic growth facilitates the military expansionism and, since great powers struggle for dominance in an anarchic international system, the building of strong and technologically advanced military forces is a clear suggestion of a China pursuing hegemonic ambitions. The historical analogy, on the other hand, dictates that a rising power with great ambitions will inevitably challenge the established great powers and this competition for dominance will result in military disputes; a situation known as "the Thucydides trap".

It seems that Xi Jinping's declaration of a "China dream" resulting in the "great rejuvenation of the Chinese nation", Colonel Zhao Jingfang's argument that "a tremendous power shift is underway in the world's politics and economy today which is manifested prominently in China's rise and the relative U.S. decline" (Cole, 2016), as well as the suggestion that China "needs to have a military rise to contest American hegemony", made by the retired People's Liberation Army Colonel Liu Mingfu, sufficiently support the Realism interpretation (Callahan, 2013).

Looking from the first viewpoint (the military expansion), undoubtedly China's unprecedented economic growth has been coupled with the "world's largest military build-up" (The Economist, 2012) via a huge expansion of military spending and technological advancement. This development fits in the Realists perspective of a China that wants to change the international system and obtain global hegemony (Yee & Storey, 2005). This, seen in tandem with the US response to China's military expansion, often referred to as "pivot" or "balance" towards the Asia-Pacific region, is another important empirical illustration of the Realist interpretation of China's rise.

Regarding the historical analogy, modern China (which dates back to the 3rd century BC) has enjoyed an extremely long history and has built one of the most remarkable cultures ever appeared on earth. For much of that period, the Chinese statecraft was explicitly based on Confucian ideas which, apart from being very advanced for their time, continue to influence, at a greater or lesser degree, the contemporary Communist Chinese mindset. Apart from the collective memory of a brilliant past, China's increased use of its economic might towards building strong partnerships with developing countries and its increasing influence on such countries through economic ties, is a clear manifestation of China's ambitions towards establishing itself as a hegemonic power; as John Mearsheimer, a realist scholar, puts it "*China cannot rise peacefully. Instead, as its capabilities increase, China will become an aggressive state determined to achieve regional hegemony*" (Kirshner 2010).

Looking through the Liberalism lens, some scholars and analysts underline the fact that China successfully interacts with the international institutions and participates in international organizations, something that is evident of China's engagement in the global economic, political and even security interdependence and is in line with its rhetoric about "shared winnings", "peaceful coexistence" and "international cooperation".

China's opening up to international cooperation and institutions since the early 1990s, is indicative of the deep changes that China introduced in its foreign policy. Some examples of China's engagement in international regimes and institutions include the sign of the *Nuclear Non-Proliferation Treaty* in 1992, its contribution in formulating the terms of the *Chemical Weapons Convention*, which it signed in January 1993, its admission to the *General Agreement on Tariffs and Trade* in the mid-1980s, its membership with the *World Trade Organization* in 2001 as well as its participation to other pro-western institutions such as the *International Monetary Fund* (IMF), the *World Bank Group* and the *United Nations*. China also engages in other regional and sub-regional cooperation institutions such as the *Asia-Pacific Economic Cooperation* (member since 1991) and the *Association of Southeast Asian Nations* (the *ASEAN–China Free Trade Area Agreement* was signed in 2002) (Pradt, 2016).

Thus, from the Liberals' perspective, China's commitment to free-market economics and to the rules and norms of the established international system (as manifested by China's participation to almost all major international organizations), brings forward a reality where China is actively engaging in cooperation, economic integration and interdependence and, consequently, the possibility of a power struggle in the international system is minimal, with chances of conflict or military disputes with other established powers being negligible.

In the following paragraphs, the main classical principles of Realism and Liberalism will be summarized, not distinguishing among the several variants of each school of thought.

4.2.1 Realism

Having its roots back to antiquity, Realism claims carrying a centuries long intellectual tradition in International Relations and not only has Realism historically held a central position in the study of the discipline, but it's also the dominant International Relations' theoretical approach, stressing the lack of any higher, overreaching authority in the international system (anarchy) and the continuous competition for power between states (O'Brien & Williams, 2016).

The most illustrative way to summarize the principles of Realism, which claims to view the world "as it is" and not "as it ought to be", is to present them using Hans Morgenthau's words from his seminal book "Politics Among Nations" (Donnelly, 2000):

i. “Political realism believes that politics, like society in general, is governed by objective laws that have their roots in human nature”,
ii. “The main signpost that helps political realism to find its way through the landscape of international politics is the concept of interest defined in terms of power”,
iii. “Power and interest are variable in content across space and time”,
iv. “Realism maintains that universal moral principles cannot be applied to the actions of states”,
v. “Political realism refuses to identify the moral aspirations of a particular nation with the moral laws that govern the universe”,
vi. “The difference, then, between political realism and other schools of thought is real and it is profound . . . Intellectually, the political realist maintains the autonomy of the political sphere”.

Elements of the Realism’s core principles can be traced in Thucydides’ “History of the Peloponnesian War”, where an excerpt from a speech attributed to the Athenians in the Melian dialogue, is illustrative of his view of the international relations from Realism’s perspective. Thucydides claims that states rely on their relative power and in fact they have no real choice except to operate according to the principles and practices of power politics, in which security and survival are the primary values with war being the final judge: “*right (justice), as the world goes, is only in question between equals in power, while the strong do what they can and the weak suffer what they must*” (Thucydides, 431 BC).

Additionally, Machiavelli sees power (the lion) and deception (the fox) as the two essential means for the conduct of foreign policy, while national freedom is the supreme political value. Machiavelli considers that the main responsibility of the leader is to always seek the advantages and defend the interests of the state, thus ensuring its survival, something that requires strength and cunning or – if necessary – ruthlessness in the pursuit of the state’s self-interests. According to Machiavelli, a ruler must be both a lion (powerful) and a fox (not bound by individual morality), so to build a strong state and thus avoid being a standing invitation for others to prey upon it (Jackson & Sørensen, 2013); in his thought “any action that can be regarded as important for the survival of the State, carries with it a built-in justification” (Elman, 2007).

Thucydides, Machiavelli, Hobbes and all classical Realists share the belief that the acquisition and possession of power, as well as the deployment and uses of power, are fundamental preoccupations of the political activity. In this context, international politics is – above all else – power politics, an arena of rivalry, conflict and war between states, with the same basic problems being repeated over and over again: defending the national interests and ensuring the survival of the state and the security of its people (Jackson & Sørensen, 2013).

Considering the fact that the states are the principal actors in an anarchical world lacking a central legitimate governance and assuming that states are essentially rational actors, Realism, as a school of thought, explains international relations in terms of (and focuses on) power and the balance of power among states. Power is important in achieving the objectives or satisfying the interests of states and the exercise of power by states against each other is often called *Realpolitik*, or *Power Politics* (Goldstein & Pevehouse, 2017).

This perpetual struggle for power and influence among states that are acting in a rational and unitary manner in pursuit of objectives grounded on their separate and often divergent interests, creates a dynamic that encourages competition for power and security. This competition is a zero-sum game, with states employing any available means towards pursuing relative gains and ensuring their survival and it's this struggle for power and security that can ultimately lead to violence; thus, as history shows, war and conflict in international relations are the norm. Due to their view of international relations from such an uncompromising perspective, Realists are often characterized as pessimists or conservatives; the perpetual struggle for power and influence, which is mainly the result of the fundamentally selfish and flawed human nature, in conjunction with the fact that the international system is anarchic, makes the proposals for peace simply passing by (Viotti & Kauppi, 2013).

4.2.2 Liberalism

Liberalism, sometimes termed liberal-institutionalism, is associated with classical analysts like John Locke, Hugo Grotius and Immanuel Kant. Kant proposed that "republican constitutions", commercial exchanges embodied in a "cosmopolitan law", as well as a system of international law among republics governed domestically by the rule of law, would provide the basis for sustained peace (Russett, 2013).

Liberalism assumes that collective benefits is only possible to be obtained through the greater and wider application of human reasoning, with increased interaction and informational exchange among self-interested individuals and actors also being important factors. According to the Liberal theory, benefits for all may be obtained through the forging of effective institutional arrangements.

Key assumptions in Kant's framework include the belief in the rational qualities of individuals, the faith in the feasibility of progress in social life and the conviction that humans, despite their self-interest, are able to cooperate and construct a more peaceful and harmonious society (Russett, 2013).

Kant sees democratic government, economic interdependence and international law and organizations as means to overcome the security dilemma of the international system and he contended that these three elements of his pacific federation would strengthen over time to produce a more peaceful world. Individuals desire to be free and prosperous, so expansion of democracy and trade will lead naturally to a wider application of international law and organizations and will facilitate these processes (Russett, 2013).

In contrast to Realist assumptions, Liberalist ones are optimistic in that they assume human nature is fundamentally good and that conflict can be avoided. Although Realism and Liberalism both concur on the existence of an anarchic international system, Liberalists advocate that the inherent as well as the associated risks of such a structure, can be mitigated. For Liberalists, sovereign states are not the only central actors in world politics; individuals, interest groups, as well as the various intergovernmental and non-governmental organizations, all have an influence on states.

Furthermore, while Realism virtually denies the possibility of cooperation, this notion underpins Liberalism; the justification of this proposition is straightforward: since the consequences of using military power often outweigh the benefits, it's to the states' benefit to pursue (and engage in) cooperation which, consequently, can lead to a win–win situation with absolute gains for all.

The main propositions of the dominant International Relations Theories, Realism and Liberalism, as regards the determining factors and the axes along which each one of these theoretical frameworks builds its worldview, are presented in Table 1.

Table 1: Main propositions of Realism and Liberalism

Main Propositions of Realism	*Main Propositions of Liberalism*
Sovereign states are most important actors	Transnational and sub-state actors are increasingly important
States pursue their interests defined as power	Power is no longer primarily military in nature; economics is important
States maximize power to protect themselves in an anarchic world; conflict is inevitable	Interdependence means states' interests are intertwined and cooperation is likely
There is great continuity in global politics across time	The post–World War II world is very different

Source: (Kaarbo & Ray, 2011)

4.3. International Political Economy Perspective

Mercantilism, often termed as "economic nationalism", has at the center of its analysis the protection of the national unit. Mercantilists stress the importance of the states' interests in understanding activity on the international arena and believe that there is only a limited amount of wealth in the world, hence each state must secure its interests by blocking the economic interests of other states. This approach resembles the characteristics of a zero-sum game, where one state's gain is another state's loss.

Mercantilism, as a doctrine of political economy, can be traced back to the emergence and expansion of the nation-state in Europe in the 15th century and as such governed the actions of many states, until the Liberal revolution in Britain in the mid-19th century evolved (O'Brien & Williams, 2016).

However, the principles of (Neo-)Mercantilism are still influencing the policies of many states which pursue the preservation of their national security and seek to advance their position in the international system by manipulating trade and foreign economic policies. Even states that pledge fealty to Liberal economic principles, regularly diverge at a greater or lesser degree from market mechanisms and practices, in the interest of preserving national security. Apparently, no state renounces Neo-Mercantilist strategies and no state admits the adoption of such policies; what differentiates states is the degree and regularity with which they use them and the extent to which Neo-Mercantilism is embodied in their ideology (Ziegler & Menon, 2014).

The main characteristics and principles of Mercantilism and Neo-Mercantilism are presented in the following sections.

4.3.1 Mercantilism

As an economic theory and a political ideology, Mercantilism, in its original manifestation has its roots back in the 16th century and it was a common practice in Europe until the 18th century. It promoted governmental regulation of a nation's economy for the purpose of augmenting state power at the expense of rival national powers. The term "Mercantilism" was not used at the time, however, but it was given by Adam Smith in his 1776 work "Wealth of Nations" (Encyclopaedia Britannica).

Mercantilism (which literally means stockpiling gold and silver through trade surpluses) ultimately puts the economic policy, activity and trade in the service of the state, with the purpose of influencing international power and elevating the state's relative standing in the international system. By creating trade surpluses, states enhance their power and eventually use this wealth to build and buy military capabilities, thus are able to better position themselves on the international checkerboard.

Its' worth mentioning that Gilpin characterizes the Mercantilist policies and practices of the 18th century and those of the interwar period of the 1930s as *malevolent Mercantilism*, because such strategies caused economic clashes among and between the nations with the purpose to triumph over other states and distinguishes this form of Mercantilism from the *benign Mercantilism* which entails a degree of protectionism that safeguards the values and interests of a society, thus it enables a society to retain domestic autonomy and possess valued industries in a world characterized by the internationalization of production, global integration of financial markets, and the diminution of national control. Benign Mercantilism is defensive; malevolent is the conduct of interstate warfare by economic means (Gilpin & Gilpin, 1987).

Mercantilism shares fundamental principles with Realism: each state must protect its own interests at the expense of others and increase its relative power over other rival states. Mercantilism's emphasis in the use of trade and economic policies as a means to increase state's power relative to that of other states, mirrors Realism's emphasis on relative power and is an example of the dominance principle.

For Mercantilists, the importance of economic transactions lies in their implications for the military. Since wealth can be directly translated into military power, a state which generates wealth through trade surpluses increases its relative power, protects its own interests and enhances its position in the international arena.

4.3.2 Neo-Mercantilism

Mercantilism dominated Europe as an economic and political doctrine between the 16th and 18th centuries, where each nation was straggling to increase its own power by putting trade and its economic policies at the service of the state: trade policies that produce a trade surplus for the state, must be favored over others, because trade surplus generates wealth that can be used to increase state power.

In the course of the years ahead, Mercantilism has been modified and adapted through the passing of time. Neo-Mercantilism, a new form of *economic nationalism* was successfully adopted by some Asian nations, such as Meiji Japan during 1868-1912, the three Asian newly industrialized economies (South Korea, Taiwan and Singapore) during the 1960s, as well as by contemporary China in the era of globalization (Yu, 2017).

Similarly to Mercantilism, Neo-Mercantilism shares common principles with Neo-Realism: in an anarchic international system, states compete to maximize their relative power in order to preserve their sovereignty and security and, further, to pursue their individual goals.

Although Neo-Mercantilism does not reject the market nor Liberalism's stress on the importance of the firms' productive capacity, it's skeptical of the appropriate relationship between states and markets and of Liberalism's assumption that individual consumers or firms who are primarily driven by their self-interests, will necessarily maximize the wealth of nations. It assumes that state guidance, even state ownership of firms (in whole or part), is essential to ensure that the behavior of individuals and firms is compatible with and advances the national interest, defined as the country's relative standing. State control over the economy is, thus, an appropriate and essential strategy for achieving the supreme end of maximizing a country's power in relation to its competitors as well as for reducing the vulnerabilities that the integration into the global economy entails.

By trying to shape the national and international markets' mechanics and aiming at influencing markets to suit national objectives, Neo-Mercantilism seeks to protect state interests, particularly the political and military standing of a country, and to increase national power. Moreover, at theoretical level, Neo-Mercantilism seeks to explain how states craft their economic policies in order to maximize wealth, as part of their effort to advance their position in the international system.

To this end, Neo-Mercantilist states seek to control the largest and most strategic sectors of the economy, through state-owned or state-controlled firms or ones that in effect act as agents of the state and are supported by it in various ways. States try to ensure that the business interests of major companies converge with the official policies and by this convergence the state augments its power, while companies realize high growth rates, enjoy monopoly (or oligopoly) rights and other privileges from the state.

Neo-Mercantilism also assumes that foreign investments, both inbound and outbound, and other financial flows should be under the state's control in order to limit vulnerability to external economic constraints, since the economic actors may act in ways contrary to the interests of the state, while pursuing the satisfaction of their self-interests.

Being wary of unregulated markets and interdependence, Neo-Mercantilism is prone to the zero-sum logic, since these factors (markets and interdependence) are working to the natural advantage of the wealthy and powerful states, hence may diminish national prosperity and security of the rising powers.

It's worth noting that while contemporary Neo-Mercantilism differs significantly from its classical predecessor, an important characteristic remains at the core of the Neo-Mercantilist thought: states' efforts to maximize national wealth by securing and using vital raw materials. Gold and silver, the strategic commodities for the early modern nation-state, have been substituted by oil and natural gas in the contemporary era; yet, irrespective of the types of natural resources that are regarded as strategic commodities, the possession of (and self-sufficiency in) natural resources confers a major advantage to states (Ziegler & Menon, 2014).

4.4. Statecraft and Diplomacy

With the objective of pursuing their interests in the international arena, states employ any available tool at their disposal, mainly towards exerting influence over other international actors and, thus, to achieve their goals. The ultimate influencing instrument is the projection of power, in various forms, yet, there are two basic concerns about power; first, power is not self-existent and, second, a state must be in a position to convert power into effective influence.

The available tools in the hands of the policy-makers are the crucial factors in the decision-making process and are dependent upon a state's resources and capabilities in transforming these resources into instruments of foreign policy.

As far as China is concerned, its rise as a global economic and political player shows that it's in a position to successfully transform the abundance of resources it possesses into effective and efficient tools, towards pursuing its national interests.

In an attempt to clarify the relationship between the available resources and the foreign policy design and implementation, the basic concepts of statecraft, foreign policy and energy statecraft, a powerful foreign policy instrument, are presented.

4.4.1 Statecraft and Foreign Policy

Striving to protect its own interests and attain desired objectives in the international arena, states – or, more precisely, statesmen and governments – are taking actions in order to change in their favor the external environment or the policies and actions of other states and, thus, to achieve the desired objectives. The entire set of actions and policies taken by governments in their attempts to influence other actors in the international system, or as Baldwin puts it "*to get others to do what they would otherwise not do*", delineates what is broadly termed s*tatecraft*. Hence, statecraft is the consideration of the instruments used by policy makers in their attempts to exercise power (Baldwin, 1985).

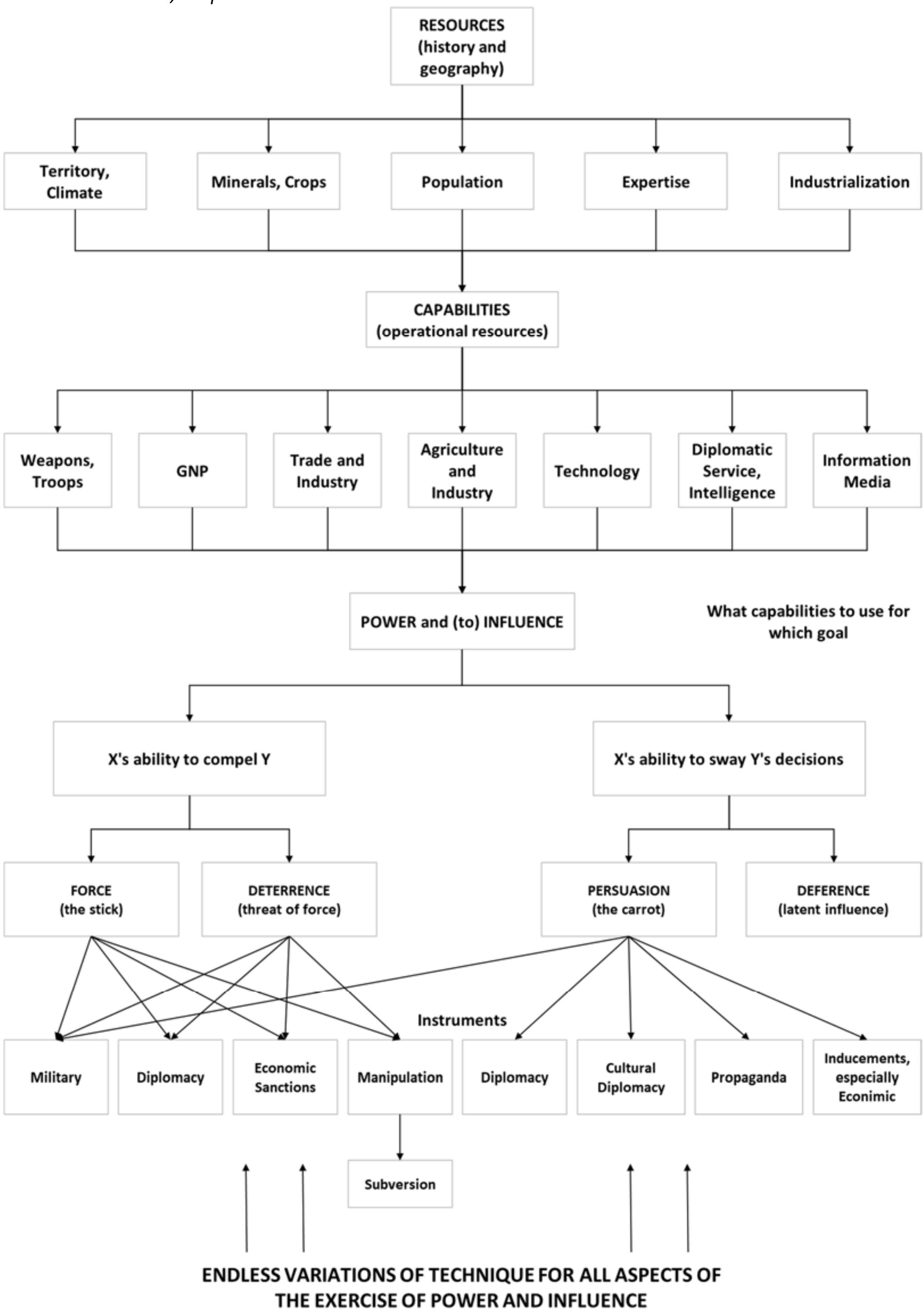
Statecraft, as the higher art of conducting state affairs, encompasses the whole foreign policy making process and is dependent upon the crucial relation between ends (foreign policy aims) and the available means (foreign policy instruments or tools): the successful foreign policy implementation towards the pursuit of certain aims is contingent upon the selection of the appropriate means. However, the relationship between ends and means is not simple, in the sense that it's not always necessary the setting of foreign policy objectives to precede the choice of the appropriate means. Instead, it often happens that the available means determine what foreign policy objectives are possible to pursue (Brighi & Hill, 2012). This suggests that, in order to understand a state's foreign policy as well as its formation and implementation, the available means must be carefully assessed, having in mind that the tools available to statesmen are possibly affecting both the nature and the goals of the exercised foreign policy.

Thus, when approaching the choosing of the best among the available means for the implementation of a state's foreign policy, careful consideration must be given to two fundamental principles: first, the available tools are dependent upon the state's underlying capabilities, with capabilities being a function of the resources availability;

second, it's often the available instruments that tend to dictate the formulation and implementation of the foreign policy and not the other way around (Brighi & Hill, 2012).

As shown in Figure 1, the available instruments for exercising power, derive from a lengthy process which is dependent upon the resources a state possesses and the capabilities of that state in transforming the available resources into instruments of power and influence.

Figure 1: Resources, capabilities and instruments



Source: (Hill, 2003)

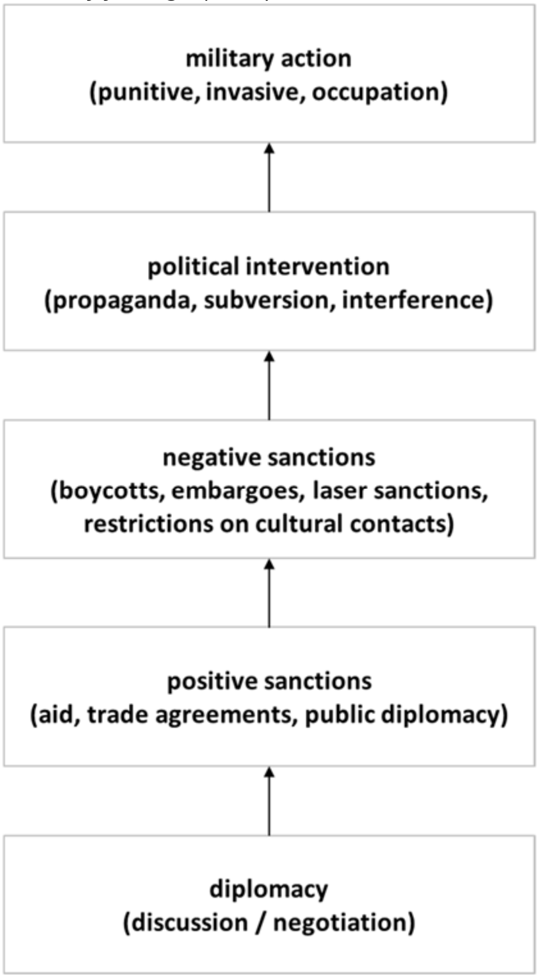
Resources are considered to be the basic forces of foreign policy, the building blocks that derive from a country's climate, position, geography, population size, education, tradition and development. These basic elements, which do not remain unchangeable over time, albeit they tend to change very slowly, determine a state's advantages and disadvantages. Resources are critical factors in determining a state's formation of its foreign policy, but there is no direct and simple correspondence between the possession of resources and the ability to exert influence out of these, mainly due to failure to translate these resources into appropriate means; conversely, states with no significant resources' endowment have achieved security and economic prosperity. It's, thus, evident that the possession of resources per se is not the determining factor of an effective foreign policy implementation, not so long as the state has not the capabilities for transforming such resources into operational instruments at the disposal of the policy makers.

Undoubtedly, resources have to be managed effectively, but what is really essential and makes possible the exercise of an effective foreign policy is a state's capabilities, which in turn determine, at a great degree, the range of possible instruments at the disposal of the policy makers.

Capabilities are resources turned into operational form, but not yet translated into specific instruments (e.g., propaganda or the use of military force) and are seen as not providing immediate effects; instead, their importance lies on their effectiveness over the mid- or long-term. Resources such as diplomacy, strength of the state's economy, industrial and technological capacity and development, even the quality of the armed forces and particularly education and culture, are all powerful instruments in the hands of the policy-makers for exercising an influential foreign policy. These elements of "soft power" give a state better chances in implementing an effective foreign policy, but they should be seen more as a long-term investment than as providing an immediate pay-off.

Instruments of foreign policy are the forms of pressure and influence available to the policy makers; diplomacy, economy, culture, armed forces, intelligence, science and technology, propaganda, natural resources, are all instruments of foreign policy and represent an escalation in the seriousness of the confrontation and the deployment of the resources, in relation to the desired impact on third parties and the associated degree of risk in use (Brighi & Hill, 2012), as shown in Figure 2.

Figure 2: The ascending scale of foreign policy instruments



Source: (Brighi & Hill, 2012)

Through the use of the appropriate instruments, this ascending scale of pressure and influence ranges from *soft* to *hard* power (Nye, 2004) and forms what is perceived as projection of power (Table 2).

Table 2: Hard and Soft Power

	Hard			Soft	
Spectrum of Behaviors	Command ←←—*	coercion —*	inducement —*	agenda setting —*	attraction —→→ Co-opt
Most Likely Resources		force sanctions	payments bribes	institutions	values culture policies

Source: (Nye, 2004)

4.4.2 Energy as a form of Economic Statecraft

Although as a rule, a state's economic policy uses various instruments towards the pursue of economic ends, such policy instruments may be used in pursuing political ends in foreign policy, as well, that is to achieve or induce desirable changes in the target state's behavior. The use of economic means as instruments of politics by policy makers in order to achieve foreign policy ends, is defined as *economic statecraft* and is clearly distinct from economic diplomacy, foreign economic policy and other similar concepts which use economic means to achieve economic ends (Baldwin, 1985).

Although it is usually perceived as (or associated with) economic coercion or negative sanctions ("sticks"), economic statecraft may, as well, take the form of positive sanctions ("carrots"). Thus, manifestation of economic statecraft may take the form of economic benefits, economic aid, increase of outbound foreign investments and incentives for the encouragement of inbound foreign investments, even bribery (positive sanctions) or the form of embargoes, boycotts, restrictions on business, increase of tariffs etc. (negative sanctions).

Having as a starting point the fact that energy resources fall under the definition of economic resources, it's apparent that energy may be used as an instrument of foreign policy and thus may be considered as a form of economic statecraft. Moreover, due to the nature of energy as a strategic good, its use as an instrument of foreign policy presents several advantages. Indeed, the use of energy as an instrument of politics has more utility compared to other tools that may be employed for the purposes of economic statecraft (Baldwin, 1985) and even higher utility in cases where the energy resources (or infrastructure, e.g. pipelines, as well as science and technology, e.g. equipment for the development and use of energy resources) are owned or controlled by the state through state owned enterprises.

4.4.3 Energy Statecraft and Energy Diplomacy

Energy is both a factor that influences a state's foreign policy objectives and a potential tool of foreign policy. During periods of tight international energy market conditions, energy tends to become a more prominent factor and tool in states' foreign policies and a higher priority on their policy agenda. At these times, energy needs affect the foreign policies of both energy importers and energy exporters (Shaffer, 2011).

It's often that the concept of *energy diplomacy* is interchangeably used to that of *energy statecraft*, although the two terms differ significantly. In the absence of a consensus regarding the definition of energy diplomacy, it would be appropriate to see it as a state's strategic and instrumental use of foreign policy for energy security purposes, that is to secure access to energy resources and supplies abroad and to promote cooperation in the energy sector at states' level. It's common that energy diplomacy refers to the way states give their (state owned or state controlled) energy companies a competitive advantage in their hunting for energy resources or other energy business by using the state's power; however, although such practices are primarily employed by consumer countries in their attempts to strengthen their energy supply situation, it's often that producer countries are using diplomatic instruments, as well, for enhancing their access to markets or reserves.

It's argued, however, that using powerful tools such as energy diplomacy for securing supplies or access to energy resources, is a disturbing factor for the energy markets because it puts aside the economic fundamentals of the markets' mechanics, prevents the effective allocation of investments and decreases transparency. This is mainly due to the fact that, since states or state actors intervene in the markets for national security purposes, the primary drivers underlying business decisions are not the maximization of business opportunities or the cost-benefit principle, rather such practices follow a political logic (Goldthau, 2010).

In contrast to energy diplomacy, which is mainly a tool in the hands of energy importing countries for energy security purposes, energy statecraft is mainly employed as a foreign policy tool by energy exporting states, since only such countries are in a position to use their energy resources as a foreign policy means. To put it in the foreign policy context, by exploiting a target state's energy needs, a producing country is using its energy resources as an instrument of foreign policy in order to achieve political ends: policies for increasing or decreasing the access to resources, related property rights or pipelines, as well as policies to restrict or attract inbound investments or measures to encourage outbound ones and manipulations of prices, are all tools of energy statecraft that enhance a state's ability to achieve its desired political aims.

4.5. Energy Security

Being an important component of a state's grand strategy, the endeavor to maintain adequate and uninterrupted supplies of energy resources (as well as other strategic commodities) lies among the top priorities of a state and is widely defined as *energy security*.

This dimension of statecraft includes, apart from the natural resources per se, the management, control and allocation of both energy resources and the associated technology and supply chains which facilitate their utilization.

Although energy security has been conceptualized in different ways by several authors (Sovacool (2011), presents an extensive list of 45 definitions of energy security) and the multitude of definitions serves some strategic values by enabling people to advance very different notions of energy security, so that they can justify actions and policies on energy security grounds (Sovacool, 2011), a good starting point is to define it as the reliable supply at affordable prices, in the case of consuming nations, and as reliable demand at sustainable prices in the case of producing nations (Goldthau, 2010). For simplicity purposes, however, this Thesis will adopt the *4A's framework* conceptualization of energy security, given by the Asia Pacific Energy Research Centre.

Traces of the energy security concerns as a policy problem, can be found back in the early 20th century, on the eve of World War I, when Churchill, then First Lord of the Admiralty, decided to base Britain's "naval supremacy upon oil" by converting the British Navy to oil for its power source, in place of coal, which was the traditional fuel, despite the fact that the Navy would rather have to depend on distant and insecure oil supplies from Iran (known as Persia at the time) instead of relying on safe, secure Welsh coal. "*To commit the Navy irrevocably to oil was indeed to take arms against a sea of troubles*" said Churchill (Yergin, 1991) and, in order to confront with this *sea of troubles*, he established a committee to study pricing, availability and security of supply, among other issues raised by converting from coal to oil.

"*You have got to find the oil; to show how it can be stored cheaply; how it can be purchased regularly & cheaply in peace, and with absolute certainty in war*" Churchill wrote in a letter addressed to Admiral Jacky Fisher when he invited him to be the head of this committee (Yergin, 1991).

The similarities of these early concerns, availability and affordability, to the modern concept of energy security are apparent. Indeed, Churchill had as his priority to secure supplies at affordable prices, which mirrors exactly IEA's (*International Energy Agency*) definition of energy security: *ensuring the uninterrupted availability of energy sources at an affordable price* (IEA).

However, a more comprehensive definition (although it resembles more a classifications scheme) of energy security can be found at a 2007 APERC's (*Asia Pacific Energy Research Centre*) report regarding energy security in Asia, where the 4A's framework was used: *availability, affordability, accessibility* and *acceptability* (alternatively termed *sustainability*) (APERC, 2007).

According to APERC's conceptualization of the energy security framework, *availability* of energy resources is directly linked to energy security because it provides consumers with the ability to secure the use of the energy they need. Energy availability presupposes the existence of efficient energy markets which operate according to the mutual interests of the buyers, the intermediaries and the sellers and are not influenced by political or other similar purposes.

The second dimension, *affordability*, brings in the foreground the economic factor. Energy prices not only have to be reasonable in absolute terms, so that consumers can afford the use of energy goods, they have to be as stable as possible, since high prices volatility reflects market conditions and, thus, affect future expectations which in turn influence future investment and consumption decisions.

Besides the availability of energy resources at affordable prices, *accessibility* to energy resources is of equal importance. The ability to access these resources is one of the major challenges towards securing energy supply and satisfies the future growing demand. Economic, political or technological factors are all key determinants to meet future demand growth (APERC, 2007).

Acceptability is the fourth dimension of the energy security framework and has to do with the rising environmental concerns. Previous approaches of the energy security concept didn't take into account environmental concerns related to the energy industry. Nowadays, it's essential that states and actors consider carefully the environmental footprint of the entire energy circuit, from exploration and production to transportation and use, often referred to in the literature as *up- mid-* and *downstream* stages. This is especially crucial, if we also consider that the energy needs will grow rapidly in the coming years and having in mind that the infrastructure has a multi-years operating capability; thus, decisions taken today regarding the production, conversion, storage and use of energy, will continue to have environmental implications over the coming decades.

The first two A's (availability and affordability) can be identified in the classical approach of energy security, while the other two (accessibility and acceptability) appeared in the APERC report as additional factors which influence the security of energy supplies (APERC, 2007). These four factors which conceptualize energy security and form the main dimensions along which the APERC report on energy security in Asia is structured, fall into three categories, that is the *physical* (the availability and accessibility of supply sources), the *economic* (the affordability of resource acquisition and energy infrastructure development) and the *environmental* sustainability one (the sustainable development and use of energy resources that "*meets the needs of the present without compromising the ability of future generations to meet their own needs*") (APERC, 2007).

Apart from the factors previously discussed, another crucial dimension related to the concept of energy security comes into play and this dimension derives directly from the worldview that the various IR schools of thought represent. Table 3 introduces this important dimension into the discussion regarding energy security: *energy security for whom?*

Table 3: Energy Security for whom?

Frame agents	*Dominant world views*	*Prioritized component of energy security*	*Energy security for whom?*	*Underlying values and goals*
Market liberalists	Technological optimism, free market libertarianism	Economic affordability	Economy	Welfare, freedom
Neo-Mercantilists	Defense of national security	Geopolitical availability	State	Political independence and territorial integrity
Environmentalists	Environmental preservationism, Conscientious consumption	Environmental sustainability	Earth	Respect for nature
Social greens	Justice, Neo-Marxism	Social acceptability	Society	Equity, justice

Source: (Van de Graaf & Zelli, 2016)

Although the analysis of this dimension is beyond the scope of this Thesis, the answer to it, when it comes to China, seems to be obvious: China's elite crucially depends on the continued economic growth, in order to maintain social and political stability and to legitimize the rule of the Communist Party, with the reliable supply of energy being a precondition thereof. Trying to secure uninterrupted oil imports for feeding the production engine is, thus, a highly rational move (Goldthau, 2010).

4.6. Conclusions

Towards pursuing its national interests, and depending on its dominant worldview, a state employs a variety of tools in order to shape its international relations and, at times, to send the desired messages to other target-states. However, the manifestation of a state's worldview through its international behavior is depended on its capabilities to project power, to shape a favorable environment or to participate as an equal interlocutor on the regional and global stage, with the power being a function of the tools the state has at its disposal.

When it comes to China, it's evident from its growth trajectory of the last forty years that the Chinese leaders have successfully cultivated and developed a variety of resources and have managed to transform these resources into effective instruments of foreign policy, as will be discussed in the following parts of this Thesis.

5. The China Machine

5.1. Introduction

China is characterized as a bureaucratic-authoritarian state, ruled by one political Party, the Communist Party, which in effect is the sole legal Party and bears the ultimate authority over the political system. Although in principle highly centralized, in practice China operates as a substantially decentralized state (Kroeber, 2016).

Yet, the fact that the Communist Party is the ultimate authority, does not imply that its ruling power is given or that the rivalries among the Party's elites are inexistent. The example of Deng Xiaoping' actions, who is considered to be the architect of the economic reforms, is an indicative one of a carefully weighted policy, aiming at introducing and institutionalizing the economic reforms while at the same time trying to balance and even contend powerful rivals such as Chen Yun, an official who opposed Deng Xiaoping's policy and was enjoying strong support by the conservative elite (Kroeber, 2016).

Since the days of Deng Xiaoping, when he marginalized the communist ideology and committed his efforts towards pragmatic capitalist reforms, the Party's legitimacy has been based on two pillars: economic growth and nationalist ideology (Blackwill & Campbell, 2016).

The economic growth is fundamental for the regime's legitimacy and even its survival, since the ruling Party is dependent upon popular support to remain in power and that support is largely based on the people's confidence that tomorrow will be better than today due to the continued economic growth (Cole, 2016). A slowdown could pose a potential risk for the ruling elite, because in the event the economic growth fades, such a situation would cause the public unrest and would probably trigger unpleasant circumstances for the Communist Party. Nuance indications or anticipations of a discontinued economic well-being could also be exploited by rival or opposing elites in their attempts to undermine the ruling elite.

The Chinese nationalism, on the other hand, has long been a pillar of the state's legitimacy and has long been tied to foreign affairs, with the foundations of the Nationalist ideology having been laid for decades, while the Nationalist sentiment dominates the Chinese people's worldview. According to the government's Nationalist narrative, the Party's primary mission has not been to bring about a communist utopia but to put China on a track to becoming the world's largest economy and to heal the wounds from the "century of humiliation", a humiliating past that began with the Opium Wars and ended with the Party's assumption of power in 1949. This Nationalist sentiment was clearly stated by Xi Jinping immediately after he assumed power, who declared that his main objective was to bring about the "great rejuvenation of the Chinese nation." (Blackwill & Campbell, 2016).

Yet, it's often argued that the Chinese Nationalism functions as a compensation for the political harm that the regime could suffer due to a potential economic slowdown, hence to distract the public and to halt rivals who might use Nationalist criticism and rhetoric (Blackwill & Campbell, 2016).

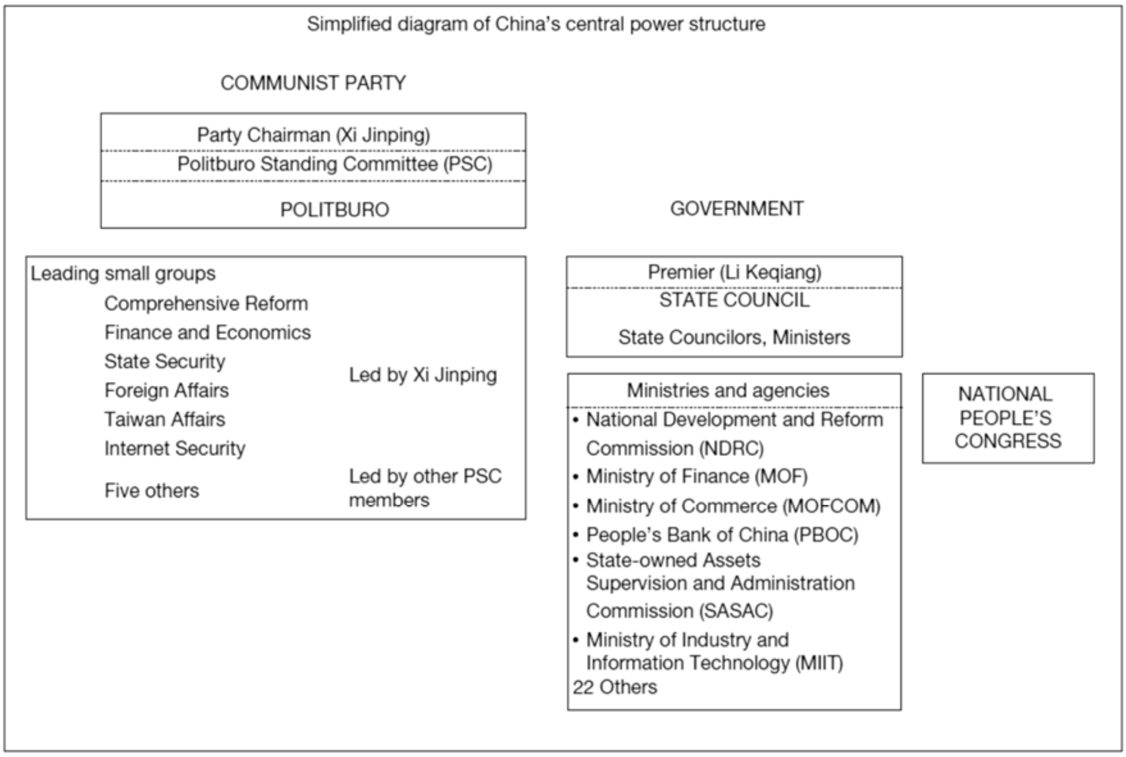
5.2. The Political Scene

Bearing the ultimate authority, the Communist Party sits at the top of the political system and not only it oversees and directs the governmental and military operations, it also selects the leaders and sets the terms for their leadership, as well as the rules and requirements for consensus among the members of the senior leadership group on major policy decisions (Kroeber, 2016).

This structure, embraced by leaders like Deng Xiaoping and Hu Jintao, diverged from the Maoist *cult and personality* system and adopted a consensus-driven one, where leadership and decision-making processes were embedded within a collective system of controls and balances, expanding across a variety of bureaucratic institutions and involving a substantial number of Party elites.

However, this collective and consensual leadership structure, which evolved since 1978, has been eventually marginalized and essentially has ended under Xi Jinping's leadership. Having realized the importance of the centralization of the decision-making power and the coordination among the various bureaucratic institutions (Wang, 2017), Xi Jinping proceeded to fundamental changes in the systems of Chinese governance (Figure 3) by limiting collective leadership and putting himself at the core of the decision-making mechanisms, through a series of reforms that affected all aspects of the Chinese society and governance (Blackwill & Campbell, 2016).

Figure 3: Organization Chart of Party and Government



Source: (Kroeber, 2016)

The restructuring of the decision-making system came through the establishment of several new *Central Leading Groups*, all chaired by Xi Jinping, but with enhanced and upgraded roles. Although the Central Leading Groups (or *Leading Small Groups*) have always been a characteristic of the Communist Party and were established on a permanent or a temporary basis in order to deal with different vital national affairs, such as the economy, politics, the law, Party affairs etc., (Wang, 2017), under Xi Jinping's leadership they are increasing in number and importance and their nature has become more operational than strategic or advisory related.

These groups not only formulate and implement, but also direct policies through the publication of policy papers which have far greater influence than those prepared by the dedicated agencies and ministries, while it often happens that the senior officials are unaware of the policies being developed both at the higher levels of the hierarchy and in other parts of the bureaucracy (Blackwill & Campbell, 2016).

The ascertainment that the coordination power of the Central Leading Groups substantially surpasses that of any ministries, and even that of the central government, in conjunction with the fact that the majority of the Central Leading Groups, especially the ones that are tasked with consequential matters, are chaired by Xi Jinping himself, demonstrates in the most apparent way the consolidation of the decision-making power in his hands (Table 4).

Table 4: Central Leading Groups under Xi Jinping

Leading Group	*Director*	*Deputy Directors*
Comprehensive Deepening Reform	Xi Jinping	Li Keqiang, Liu Yunshan and Zhang Gaoli
Finance and Economy	Xi Jinping	Li Keqiang
National Security Commission	Xi Jinping	Li Keqiang and Zhang Dejiang
Foreign Affairs	Xi Jinping	Li Yuanchao
Taiwan Affairs	Xi Jinping	Yu Zhengsheng
Internet Security and Informatisation	Xi Jinping	Li Keqiang and Liu Yunshan
Propaganda and Ideology	Liu Yunshan	Liu Yandong
Party-building	Liu Yunshan	Wang Qishan and Zhao Leji
Hong Kong and Macao	Zhang Dejiang	
Tibet Affairs	Yu Zhengsheng	
Xinjiang Affairs	Yu Zhengsheng	

Source: (Wang, 2017)

With respect to foreign policy, the decision-making processes and mechanisms were fragmented and spanned across several institutions and bureaucracies, with the Party, the People's Liberation Army and the State Council being the main pillars. While the Party and the state pillars work closely on the formulation of the foreign policy, its implementation was carried out not only by the Ministry of Foreign Affairs but also by the People's Liberation Army under the direction of the Ministry of Defense, so the necessity for the establishment of a Central Leading Group tasked with the coordination of all these bodies was apparent. The Central Leading Group for Foreign Affairs was established in 1958 but it was suspended from 1966 to 1976 during the Cultural Revolution, due to rivalries within the Ministry of Foreign Affairs; the group was re-established in 1981. (Wang, 2017).

Having served as the Secretary of the Central Leading Group for Foreign Affairs from 1981 to 1983, Xi Jinping obtained a thorough knowledge of the functions and procedures of the group and thus was in a position to identify the inefficiencies of the system, something that led him to reform the entire foreign policy decision-making system immediately after he assumed power. In a speech delivered in November 2014 at the Central Foreign Policy Work Conference, Xi Jinping stated that:

"We must enhance the central and unified leadership of the Party, reform and improve institutions and mechanisms concerning foreign affairs, step up their coordination among different sectors, government bodies, and localities, increase strategic input, ensure well-regulated foreign affairs management, and strengthen the ranks of officials managing foreign affairs, so as to provide strong support for opening new horizons in China's diplomacy".

By this statement he signaled the necessity for a series of reforms which eventually led China to the substantial development of its economic and military powers and gave it the capacity to launch international initiatives, with the most stunning ones being the *Asian Infrastructure Investment Bank (AIIB)*, the *BRICS Bank* and the *Belt and Road Initiative* (Wang, 2017).

Apart from heading the Central Leading Group for Foreign Affairs himself, Xi Jinping has also reduced the roles of the State Council, the Ministry of Foreign Affairs and the Military in important decisions (Blackwill & Campbell, 2016) by eliminating two of the group's seats and consequently reducing by two the members of the group. While previously each of the People's Liberation Army and the Ministry of Foreign Affairs held two seats respectively, now only the Ministry of Defense and the Minister of Foreign Affairs hold their seats in the group (Wang, 2017).

In relation to foreign policy affairs, Xi Jinping also established in 2013 the *National Security Commission* which not only covers foreign policy, but also domestic affairs by serving as a mechanism for solving the problems which appear in the coordination of the domestic and foreign policy decision-making.

The importance of the National Security Commission was highlighted by Xi Jinping in his speech delivered during the first meeting of the Commission in April 2014, where he stated that:

"*The aim of the establishment of the Council is to better handle new developments and new tasks in the realm of national security, and build a national security system which is centralized, integrated, highly efficient, and authoritative, so as to improve leadership over the work of national security*".

By using the term "centralized" in this excerpt of his speech, Xi Jinping clearly demonstrated his strong will, not only to coordinate but also to consolidate power over the other bodies and leading groups in the central government.

The consolidation of the decision-making power in the hands of Xi Jinping and a sufficient indication of the downgrade of the Ministry of Foreign Affairs' power in the foreign policy decision-making, was formally acknowledged and reaffirmed by the Party in its 6th plenary session of the 18th CCP Central Committee, when it called on all its members to "*closely unite around the CCP Central Committee with Comrade Xi Jinping as* *the core*", thus recognizing Xi Jinping as the "core", a term only used for Mao Zedong, Deng Xiaoping and Jiang Zemin before (Wang, 2017).

The centralization of power has given Xi Jinping greater freedom from the governmental mechanics, allowing him to avoid the potential influences that might be manifested by the political, bureaucratic and institutional opponents, not only in the foreign policy decision-making but in any aspect of the policy making and, thus, enabling him to realize his vision of establishing China as an influencing power at the regional and international levels.

In the domestic front, the Party has been showing over the past four decades its commitment and steady focus on its quest for the country's modernization. Initially put forward in the early 1980s by Deng Xiaoping in his "three-step development strategy", the Party's renewed and persistent focus on the modernization path is manifested in the "two centenary goals", a specific roadmap towards China's modernization by the middle of the 21st century.

These "two centenary goals" aim at turning China into a "*moderately prosperous society in all respects*" by 2021, the 100th anniversary of the Communist Party, and developing it into "*a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful by 2049*", the 100th anniversary of the People's Republic of China.

To signify its commitment to the Country's modernization and to the pathway that leads to the "two centenary goals", the Party has embodied them into the Constitution, while Xi Jinping has elevated the "two centenary goals" to the core of "the Chinese dream's" elements and has made clear that his ambition is to bring "the great rejuvenation of the Chinese nation" through an accelerated pursuit of modernization by the middle of the twenty-first century; as concluded by Xi Jinping at the 18th National Congress of the Communist Party in 2017, by achieving the "two centenary goals", "*the Chinese nation will become a proud and active member of the community of nations*" (Kong, 2019).

5.3. Pathway to Growth: how did China rise as a Global Economic Power

Although the path to the rise as a global economic power seems (and is) spectacular, it was not easy (and, at times, not welcomed by the elites) at all for China and its leaders to introduce, establish and engage in the necessary reforms which eventually led China to hold a prominent position in the world economic stage.

Indeed, the numbers are showing that the Chinese economic engine achieved to reach and maintain remarkable (and unprecedented) growth during the last 4 decades, ever since the *Reform and Opening* period begun under the leadership of Deng Xiaoping, followed by the G*oing Global* strategy of Jiang Zemin and manifested – nowadays – with Xi Jinping's *Belt and Road Initiative*.

Yet, the road to growth was all but welcomed by a part of the political establishment, with officials from the Party elite seeing the opening to the outside world and the overseas direct investments as sources of corruption, capital flight and, more importantly, as a detrimental influence of capitalism (Economy & Levi, 2014).

Characteristic of the climate and the tensions among the supporters of the reforms and the conservatives' camp, is Deng Xiaoping's statement "*whoever is opposed to reform must leave office*", made in 1992 during a trip to the special economic zone of Shenzhen in southern China (Kroeber, 2016). The international expansion of the state-owned enterprises came to confirm these concerns, with their overseas investments often serving -since the early days - as a vehicle for corruption by providing opportunities for persons holding official positions, as well as others, to exploit overseas operations and investments as a means of transferring state property into their names and to their own benefit (Economy & Levi, 2014).

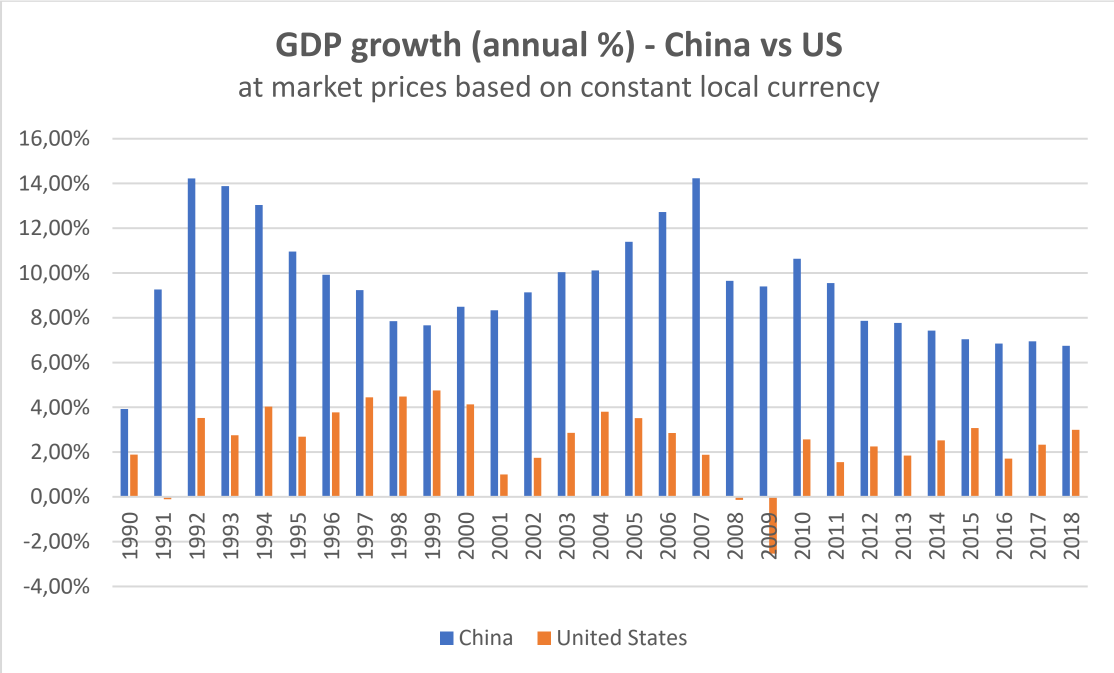
According to Wang Zhile, Senior Research Fellow of the Chinese Academy of International Trade and Economic Cooperation, "s*ome companies have violated the national laws and set up overseas branches without prior permission, hence the rise of "couples companies", "single person companies" etc. Some companies engage in financial irregularities in their overseas projects, and the problems of "double accounts books" are rampant, creating problems for the security of State Assets, for keeping their value intact and appreciation. Some corrupt elements have used overseas investment as a means to transfer State property into their own names and so have drained the state's assets*" (Yu & Li, 2009).

The extended corruption by Party officials and other actors, which had spread concerns and had been widely recognized as a source of popular discontent, led Xi Jinping to launch, from the early days after he assumed power, an intensive, ongoing anticorruption campaign which reportedly resulted into more than 100.000 officials having been punished by the end of 2014 (Cole, 2016).

Yet, corruption was but one of these early days' issues; a significant part of the Chinese investments abroad was all but successful, as well, as pointed out by Wang Zhile: "*Because of the fact that SOE reform has not been completed, their ownership is not clear, and both the mechanism of incentives and control for SOEs are far from complete, overseas investment often ends up losing control. Some of the investing companies are not even aware of their own strengths and weaknesses; they are blind to the investment environment of the host countries, and fail to understand the traps prepared for them by crooks*" (Yu & Li, 2009).

All these phenomena, however, did not prevent China from hitting remarkable growth rates (Graph 1) in its economic standing and achieving to surpass the US in 2017 (Graph 2) in terms of Purchase Power Parity GDP (GDP converted to international dollars using purchasing power parity rates).

Graph 1: China vs US, annual GDP growth



Source: (World Bank, 2021a)

Graph 2: China vs US, GDP in PPP

Source: (World Bank, 2021b)

This rapid and lasting transformation of the Chinese economy may be attributed to the gradual replacement of the centrally planned economy by an economic system determined in large by market mechanisms and private enterprises, to the opening up of the Chinese economy to the global economy through the expansion of trade and increased foreign direct investments, as well as to the government investments into infrastructure projects and constructions. It has to be noted, however, that these achievements would not be possible without the mobilization of hundreds of millions of workers from the rural economy and their engagement in the construction, services and industrial sectors which produced higher income for the work force, as well as greater productivity compared to the agricultural sector (Huotari, 2017).

Although the primary goal of making China a wealthy and strong country remains almost intact since the second half of the 19th century, the strategies and policies towards this goal have undergone considerable changes (Gransow, 2015). The quest for modernization, dating back to the *May Fourth Movement* in 1919, ignited feelings of nationalism and patriotism among the Chinese people and inspired their imagination for a strong, prosperous and modern China, but it remained an unfulfilled desire for almost the entire 20th century. Even Mao Zedong's declared commitment to the "four modernizations" in agriculture, industry, national defense and science and technology, produced poor results, since the country was swirling around the "continuous revolution" domestically and troubled with conflicts abroad (Kong, 2019).

The comprehensive modernization process that Deng Xiaoping introduced with his reform and opening up program, led to a series of structural transformations and eventually changed the Chinese economy on multiple levels. As a result, the Chinese economy moved from an agrarian to an industrialized, urbanized and service-oriented one and from a centrally planned to a market-oriented economy, while the policies of national autarchy were substituted by the openness to the world.

These interrelated transformations were implemented at different times and at different paces throughout the reform period, spanning from the early 1980s to the first decade of the 21st century. The entire period of the reforms process may be divided into three distinct stages, with each one having its own specific development agenda. The first stage, the one of the 1980s, was characterized by initiatives aiming at the economic liberalization, the second one, that of the 1990s, was characterized by economic growth through targeted investments in infrastructure and attraction of foreign direct investments into special economic zones, while the third stage included strategies which supported the continued economic growth, such as the pursue of sustainable development with Chinese characteristics, the outward investments and the establishment of a harmonious society both inside and outside China (Gransow, 2015).

China managed to introduce and implement the appropriate economic reforms by mobilizing several instruments and institutions which served to promote growth, such as state-led investments, export orientation, flexible regulatory framework etc. and achieved to move forward for decades, without negative economic or -more importantly- political implications which could potentially disturb or, even worst, destabilize the Communist Party's rule.

The keys to this uninterrupted and smooth economic transition and development can be found in China's approach for gradual introduction of the necessary reforms during several initial phases, which could be easily reversed if proved unsuccessful or undesired, and in the multi-year government programs through which the basic course of economic policy as well as the main focus of investment activities were determined.

The flexibility and adaptability of China's economic policies may be explained by the fact that its economy, although socialist, was organized along decentralized axes, even before the reform and opening up policies were introduced; this environment allowed China to initiate reforms and transform its economy from a socialist to a market oriented one by providing incentives and adopting long-term planning. This approach, the step-by-step implementation of the necessary reforms, the multi-year planning and the incentives for the expansion and creation of new markets, enabled China to overcome obstacles and avoid any adverse implications for the political order.

Figure 4: China's economic growth and reform coalitions

1977-1988	Introduction of market mechanisms and opening up to the world economy	**"Reform without losers":** "dual-track" reforms; new structures develop alongside old structures; growing out of planned economy structures.
1989-1991	↓	Setback for the market-oriented reforms due to the domestic political crisis.
1992-2001	Economic liberalization ("socialist market economy" [SMEc])	**"Reform with losers," but with a strong coalition of winners** in the functionary and the new entrepreneurial classes; further development of market-economy characteristics; restructuring of large state-owned enterprises; partial privatization of smaller state-owned enterprises; strong position for large-scale foreign investors.
2002-2012	↓	Reforms in line with conditions set by the World Trade Organization (WTO); "going-global" strategy; **active social policy aimed at social stability;** active innovation policy; boom in state investments in the aftermath of the global economic crisis.
2013	Adjustment of the growth model and restructuring	Program aimed at economic restructuring; "new growth model" based on domestic consumption, innovation, deregulation, and growth of the private sector; acceptance of lower growth rates; **disciplining of interest groups operating within the state** (functionary classes, the state sector); **limitations on the influence of foreign investors;** fostering of the private sector.

Source: (Huotari, 2017)

Chinese leaders, apart from the regulatory reforms, the extensive opening up of the economy and the targeted industrial policies, achieved to successfully forge broad coalitions among and between the political elites and the population and thus gain support in promoting the reforms and the new market-oriented environment (Figure 4). As a result, a dynamic private sector emerged and allowed the Chinese economy to develop in many sectors, thus transforming from the world's "workbench" into a global competitor (Huotari, 2017).

China's pathway to growth clearly demonstrates two important dimensions of the framework within which it developed; the first one is the Chinese leaders' perception that a tightly controlled political system not only can coexist with a dynamic economy, but these two are complementary since the first one, a tightly controlled political structure, creates the stable framework within which the economic activity can be decentralized and, further, the economic growth allows the Party to fulfill its role of delivering higher living standards to the people, thus enhancing its legitimacy (Kroeber, 2016).

According to the Chinese Communist Party leaders, economic and social liberalization does not contradict to more political control, since in their view only a strong and powerful state-party can prevent conflicts abroad and proceed to the necessary reforms domestically while at the same time eliminates the potential adverse impact of the various actors' diverging (or conflicting) interests. In the Party leaders' minds, "lightening up and tightening up are two sides of the same coin" (Berggruen & Gardels, 2014).

Promoting the economic growth turned to be the single main reason for the existence of the Communist Party (which, as from the Deng Xiaoping's days, had abandoned the Communist and Maoist ideologies), with the top Party members believing that peoples' support to the Party is depended upon the country's economic growth, or in the words of Deng Xiaoping: "*development is the only hard truth*" (Copper, 2016a). As a result of the economic performance, the Party secures its power while at the same time most people are reluctant to push for changes in the political system, since they find that the risk of switching to a new and untried system is unacceptably high. Moreover, although there are times where the Chinese people might think that the Party is responsible for the corruption or for the alleged arbitrary abuse which is exercised by the authorities, only an insignificant minority would be willing to accept for their country "*the replication of the partisan paralysis, gridlock and general dysfunction they see today across the three historic holds of Western democracy — Athens, Rome and Washington*" (Berggruen & Gardels, 2014).

The second aspect is that China, since the early days of Mao Zedong, has used economic means in order to achieve political ends and gain influence, something that clearly demonstrates the fact that China exercised economic statecraft and employed Mercantilist policies and strategies, decades before it became an economic power. Going back to Mao Zedong's era, such policies are manifested by China's aid to Fidel Castro's regime in the early 1960s with the aim of establishing a presence in Cuba and further with the ambition to help Castro in spreading the Communist revolution in the region, while at the same time China achieved to gain diplomatic recognition from Cuba, the first Latin America country that granted diplomatic recognition to China (Copper, 2016b). Other bold examples can be found in the "infrastructure gifts" China granted to Latin American governments, which had recognized Taiwan, in order to change their position and acknowledge the "one China" policy (Gransow, 2015), as well as in a series of similar actions, either in the form of aid or investments, that China took in Asia, Africa, Europe, Middle East and elsewhere.

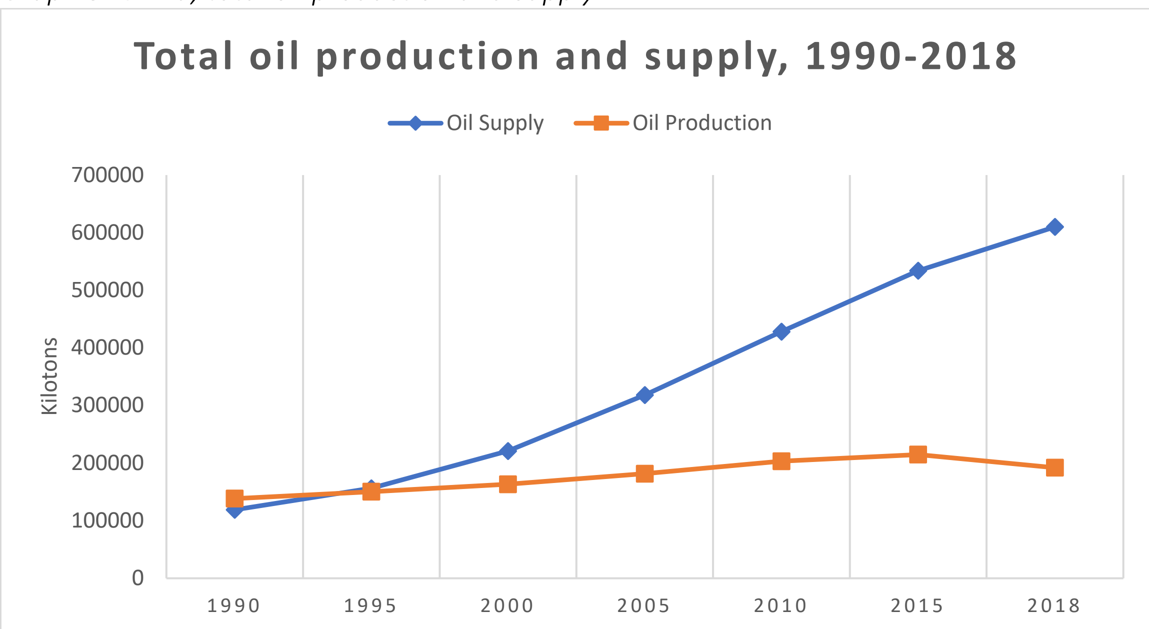
In the contemporary era, China's expansion in the global markets is perceived as an orchestrated attempt to seek power, to engage in economic statecraft with the aim of achieving political and strategic goals or even as a desire on China' part to promote state capitalism through its state-owned enterprises, sovereign wealth funds and other private enterprises. Such behavior clearly points to (Neo-)Mercantilist policies and practices, that is to pursue asymmetric gains and secure its national interests through state-directed efforts which are mainly manifested through the state-owned enterprises and the so-called "twin Chinese Policy Banks", the China Development Bank and the China Export and Import Bank.

5.4. Energy Needs and Energy Security

Deng Xiaoping's economic reforms and the subsequent high economic growth mode China entered into, resulted in a significant increase of the country's needs for energy, which suddenly found itself heavily dependent on imported resources.

Once a significant oil exporter, China rapidly turned into a net oil importer in 1993 (Graph 3) and became the larger net importer in 2013, with its importing needs to have risen to more than eight million barrels of oil per day in 2017 (Stanley, 2019). China's yearly energy consumption increased at an average of 7,5% for the period 1970-2006, while 68% of the world's new oil demand for the period 1995-2003 came from China. This growth pace in energy needs made China to account for 37% of the global increase in oil consumption in 2007 and for half of the world's increase in the overall energy demand, with the projections showing that China will become the world's largest energy consumer in the coming years.

Graph 3: China, total oil production and supply



Source: (IEA, 2020)

By 2008, China's needs for oil had climbed to 7 million barrels per day, half of which was coming from abroad, while it is estimated that by 2030 China's dependency on foreign oil will rise to 70% (Copper, 2016a). Projecting these trends and estimates into the future, along with the facts that China was holding, as of 2016, 1,5% of the world's oil reserves and its actual oil production represented the 4,3% of that year's global one (Högselius, 2019), some analysts estimated that by 2030 China's needs in imported oil will equal Saudi Arabia's total production, while the domestic oil reserves are sufficient for supplying China with oil for only 12 years (Copper, 2016a).

This pressuring situation became a decisive factor in the country's foreign policy calculations and a significant driver in China's investments policies abroad, especially in relation to resources rich countries, with the Chinese National Oil Companies having begun going global as early as the 1990s so to secure access to energy at the supply points and thus fill the gap between the slower energy production domestically and the increased energy demand.

In a 2003 White Paper regarding natural resources, China claimed that it would mainly depend on the exploitation of indigenous resources so to safeguard its development and modernization plan, but at the same time it recognized that the large gap between oil supply and demand would only be possible to be covered through an even wider opening-up to the outside world and set as an important government strategy the use of foreign markets (Blackwill & Harris, 2016).

The increasing importance of energy security in the Chinese government's planning towards modernizing and developing the country, as well as the government's stance for coping with the energy challenges, is clearly manifested in a Working Paper of 2012 regarding the energy policy, where energy is recognized as a major strategic issue for China while the international cooperation and coordination are identified as key determinants for mitigating the energy security risks (Yeoh, 2014).

Apart from the general guidelines for enhancing the country's energy security on the basis of international cooperation, set with the 2012 White Paper for its energy policy, China also used other international institutions, as well, in order to promote its vision for the creation of a global energy security governance. In the 2012 G20 summit, Wen Jiabao, China's Premier at the time, stated that:

"*Countries could consider establishing a global energy market governance mechanism composed of data on energy supply, consumption and transit countries within the G20 framework in line with the principle of mutual benefit. Fair, reasonable and binding international rules should be developed, and early-warning forecast systems, price coordination, financial supervision and emergency mechanisms should be built through consultation and dialogue to make the global energy market more secure, stable and sustainable.*"

In May of that same year, China also proceeded to the issuance of a joint declaration with EU, stating that:

"*Rule-based energy governance should be promoted at global level. To this end, both sides intend to strengthen exchange and coordination as regards global energy trends, energy strategies and policies through enhanced coordination with international fora such as the International Energy Agency (IEA), International Partnership on Energy Efficiency Cooperation (IPEEC), the G20 and the UN Sustainable Energy for All Initiative. Both sides intend to promote the incorporation of internationally recognized norms and* *standards given by legally binding international treaties that China and the EU have entered into their respective national legislations.*" (Duggan, 2014).

However, despite the expressed commitment of China's leadership towards a market-driven approach and an increased reliance on multilateral cooperation regarding the domestic and international energy issues, which will allow for "*a sweeping energy revolution in China, centered on five areas: demand, production, technology, institutional governance and global markets*" according to a statement made by President Xi Jinping in June 2014 (Ma, 2015), there is a widely agreed perception that China tries to secure long-term access to supplies through state-led coordinated international energy investments, that is to mitigate its energy security risks and lock-up energy supplies by mobilizing all available political and economic tools.

5.5. Conclusions

Through a series of transformations, the implementation of which – at times – was all but easy, China managed to emerge on the global stage as an economic and political power. These transformations not only cut through the entire political and economic spectrum domestically, but they also affected this very thinking of the higher authority, the Communist Party, as well as the mentality of the Chinese society.

The fruitful results of these transformations are mirrored in the unprecedented economic and political might that China has accumulated, indicative of which is the evolving and expanding Belt and Road Initiative, a multi-trillion dollars project inspired and initiated by President Xi Jinping, which counts 139 members (39 sub-Saharan countries, 34 European and Central Asian, 25 countries in East Asia and the Pacific, 18 in Latin America and The Caribbean, 17 in Middle East and North Africa and 6 in South Asia), which represent 40 percent of the global GDP and 63% of the global population (Sacks, 2021).

6. The Energy dimension in the Chinese Foreign Policy

6.1. Introduction

The examination and analysis of the entire nexus of China's foreign policy (from planning to decision-making and to actions thereof), as manifested by China's moves on the international arena, apart from presenting complex interplays among the domestic actors and endogenous (mainly political) influencing factors, is beyond the scope of this Thesis. Therefore, in the following parts, emphasis will be given to those actors that are directly or indirectly engaged into the execution of the energy related dimension of China's foreign policy or are employed by the government as foreign policy tools towards energy security or political goals.

The ignition of the "going out" policy, dating back to the days of Deng Xiaoping, and its implementation which transformed the Chinese economy in many aspects and eventually led to unprecedented growth rates, not only forced the Chinese enterprises to globalize their operations and venture overseas in pursue of new markets for both channeling their production overcapacity and securing supplies of strategic resources, it also forced the political elites to reconsider their priorities and give primacy to economic concerns over political ones, since maintaining the economic growth pace turned to be a vital pillar of the establishment's very existence. Thus, it's of no surprise that China's foreign policy choices began to increasingly be driven by economic imperatives, with the concerns about the country's energy security becoming a high priority in the formation and implementation of the country's foreign policy agenda.

In this respect, China systematically implements energy statecraft – being a form of economic statecraft – and energy diplomacy with the aim of sustaining the rapid economic growth through the smooth and uninterrupted supply of its manufacturing and industrial sectors with energy resources. To this end, the so-called Policy Banks as well as the National Oil Companies, proved to be valuable tools in the hands of the Chinese leadership. As Kevin Gallagher puts it, "*the globalization of Chinese energy finance is entirely an outcome of an orchestrated effort by the Chinese state*" (Recaj, 2019).

Financially backed by the Policy Banks, China's National Oil Companies together with the Chinese government have achieved to acquire access to energy resources, and thus to satisfy the growing gap between the country's indigenous production and consumption, by developing a form of energy diplomacy which, apart from good diplomatic relations with resources rich countries, involves cooperation agreements in the energy sector with foreign governments and state-owned enterprises.

6.2. Political Actors

China's energy diplomacy is officially exerted by the government bodies which pursue the establishment of good diplomatic relations with resources rich countries, while at the same time is manifested through China's growing engagement in multilateral relations with the international energy institutions, in pursue of mutual benefits.

In the early 1990s, when the energy demand was on a slow growth pace, China emphasized the expansion of the domestic production aiming at self-sufficiency; however, as the demand for energy resources began to surge, China turned towards advancing its diplomatic relations and establishing strategic partnerships with oil producing countries all over the world, with the aim of satisfying the excess energy needs through bilateral contracts.

Energy diplomacy, as a priority in the Chinese foreign policy agenda, emerged during President Hu Jintao's leadership. Although President Hu Jintao continued to promote his concept of a *harmonious world* by giving emphasis in the pursue of good diplomatic relations with China's key global economic partners, he also promoted China's image as a major country, capable of engaging in international institutions, being active in multilateral forums and resolving problems of global concern; at the same time, he underlined China's dedication towards developing its *good neighborhood diplomacy*. Apart from these two strategies, great power diplomacy and development of good relations with its neighbors, the country's energy security concerns had become so important, to the extent that energy diplomacy came to emerge as the third pillar of the Chinese foreign policy in the Hu Jintao days (Tang, 2006).

Under Xi Jinping's leadership, China has redefined its energy policy implementation towards a more market-driven approach and an increased reliance on multilateral cooperation. Although the acquisition of sufficient energy supplies remains the primary goal of China's energy policies towards the oil producing countries, the transition from a government-led national energy policy to an international strategy is apparent, with different state-owned enterprises, private joint ventures and other actors to be involved in the process of facilitating the government's energy diplomacy and energy statecraft (Xu, 2017).

By acquiring major stakes in oil-fields abroad and by securing access to energy resources, these actors are ensuring sufficient energy supplies while at the same time they are increasing their resources portfolio and are diversifying their supply sources, something that allows them to fulfill their mission in maintaining the country's economic growth and, thus, protecting the ruling elite's interests on the one hand, while simultaneously they are pursuing their corporate interests for profits seeking, development and globalization (Xu, 2017). Among these actors which act in parallel paths, whether at the government's directions or independently in the pursue of their interests, the most important ones in terms of size and might, are the National Oil Companies and the Policy Banks which play the very important role of the money machines and back financially almost the entirety of the country's overseas expansion.

6.3. Policy Banks

In contrast to commercial banks, Policy Banks are financial institutions which finance development projects on government orders and enjoy favorable treatment (Gransow, 2015).

Established in 1994, *China Development Bank* (CDB) and *China Export and Import Bank* (CHEXIM), were initially structured as a quasi-fiscal arm of the State, with the primary objectives of facilitating the development of commercial banking domestically and financing the State's policy priorities, that is to operate under commercial and competitive rules while simultaneously ensuring that the policy priorities of the state are sufficiently and timely financed.

As arms of the Chinese state, the principal mission of the Policy Banks is to support the government in fulfilling its ambitions towards modernization and in achieving its “two centenary goals”. To cope with their mission, the Policy Banks are constantly adapting to the evolving priorities of the state by channeling financial support and underwriting developmental activities domestically, while at the same time they are mobilized globally towards securing the country’s access to resources and enhancing its financial strength and security (Kong, 2019).

At the time of the establishment of the Policy Banks, China Development Bank was tasked with the mission to finance the infrastructure and industrial development, while China Export and Import Bank was assigned the mission of financing the foreign trade. However, as the state’s priorities changed and evolved over time according to the developmental circumstances and planning, so did the Policy Banks’ missions in order to adapt and support the government’s priorities and as a consequence the banks’ expansion is found to go far beyond their original boundaries.

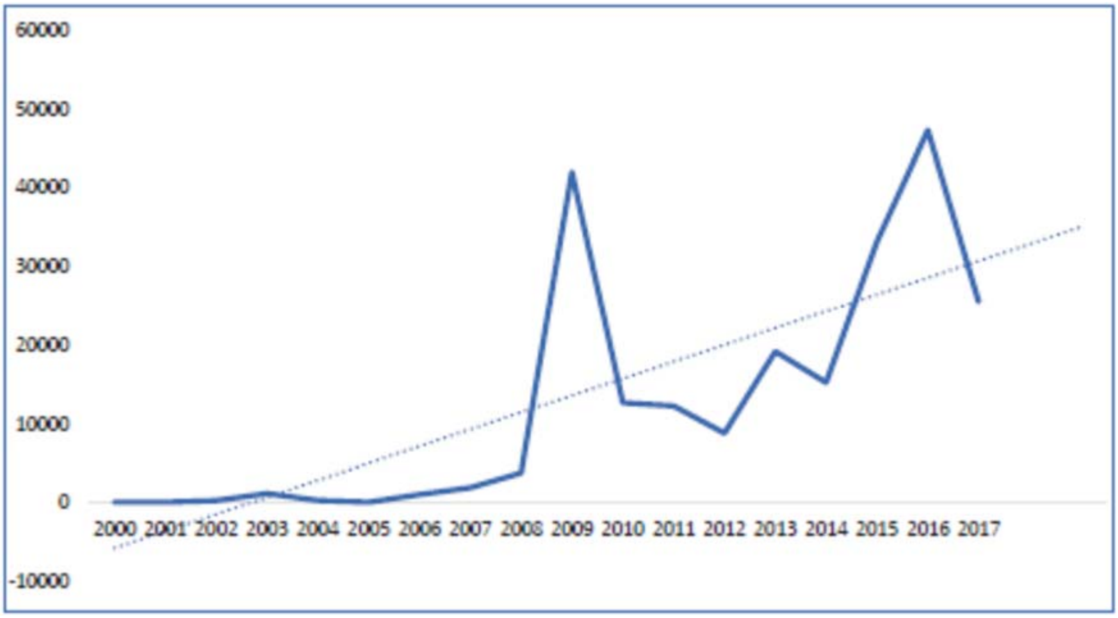
China Development Bank, although originally designed as a Policy Bank focused in the financial backing of the domestic developmental priorities, came to embark on a global-scale expansion in support of the Chinese state’s evolving mandates, having ever since extended its reach to almost every corner of the globe, while China Export and Import Bank, on the other hand, apart from carrying out its original mission by focusing predominantly on its external expansion, is increasingly mandated to finance domestic developmental priorities.

A close examination of the two Policy Banks’ patterns of expansion in both global and domestic developmental financing, shows the similarities and consistencies between their expansion abroad and the mandates of the state, something that reveals the Policy Banks’ mission: to serve the state’s initiatives and actions towards modernization and development (Kong, 2019).

In this regard, the Policy Banks have played a critical and important role in both the globalization and the expansion of the Chinese economy abroad, not only because they have undertaken the mission of being the primary financers of China’s outbound foreign investments but, equally importantly, they have been engaging in the financing of foreign governments for energy related ends.

The magnitude of the Policy Banks’ engagement in the global financing of energy related projects, at the directions of the Chinese government, is impressive; an examination of the database maintained by the *Global Economic Governance Initiative (GEGI)* at Boston University, reveals that for the period from 2000 to 2017 the two Chinese Policy Banks have financed 196 energy related projects in 62 countries, providing more than USD225 billion worth of foreign investments in the energy sector with more than 80% of the financing to be channeled into projects related to the exploration and production of energy resources, as well as to power generation, as shown in Graph 4 and Table 5 respectively.

Graph 4: Trends of China's official development finance for energy (2000–2017)



Source: (Gallagher, 2021)

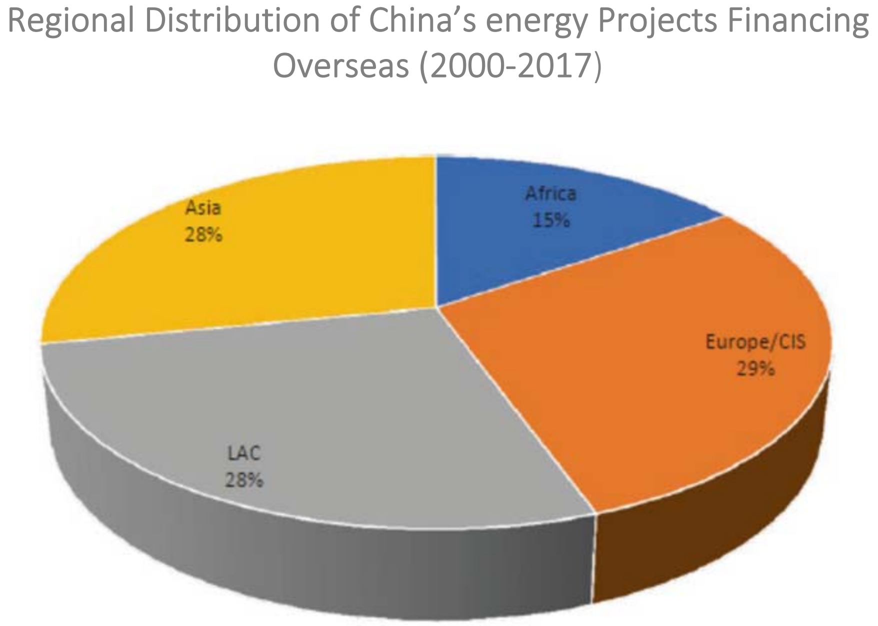
Table 5: Distribution of China's official development finance for energy by sub-sector and energy source (2000–2017)

	Category	*USD Million*	*Share (%)*
Energy sub-sector	Energy efficiency	225,75	0,10%
	Exploration and extraction	80.142,74	35,50%
	Multipurpose	21.672,40	9,60%
	Power generation	101.137,88	44,80%
	Transmission and distribution	22.575,42	10,00%
Total		225.754,20	100,00%
Energy sources	Coal	44.925,09	19,90%
	Gas	29.348,05	13,00%
	Oil	91.430,45	40,50%
	Hydro	40.184,25	17,80%
	Nuclear	9.933,18	4,40%
	Wind	1.580,28	0,70%
	Solar	3.612,07	1,60%
	Thermal	677,26	0,30%
	Unspecified	4.063,58	1,80%

Source: (Kong, 2019)

The geographical distribution of the energy projects financing (Graph 5) shows almost no distinct patterns, with the regions of Asia, Latin America & the Caribbean and Europe & Central Asia receiving equal stakes while Africa attracted less financing, amounting to approximately half of the finance allocated to each one of the other three regions.

Graph 5: Regional distribution of China's energy projects financing overseas (2000–2017)



Source: (Gallagher, 2021)

A deeper examination of the data, reveals the extent to which each one of the Policy Banks has been involved in the Chinese global energy financing; although China Export and Import Bank has engaged in the financing of more energy projects globally compared to China Development Bank for the period 2000 – 2010, it's China Development Bank that has mobilized more resources over the same period.

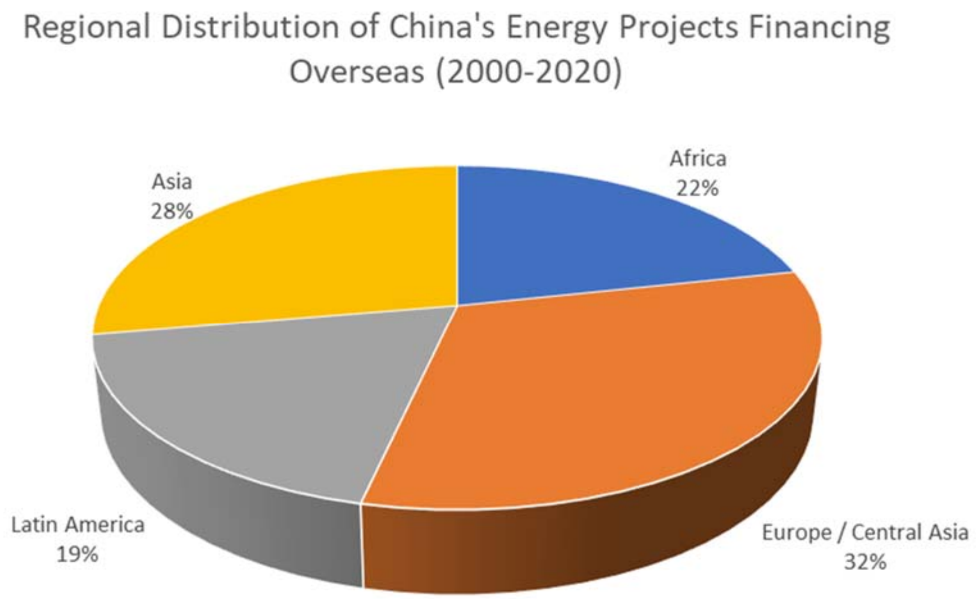
For the entire period between 2000 and 2017 the two Policy Banks have jointly financed 11 energy projects worldwide, while each one of China Export and Import Bank and China Development Bank has underwritten 121 and 64 projects, respectively. These 185 projects represent 88% of the total financing China has provided globally for energy related projects, with 56% of the funds coming from China Development Bank and the rest 31% of the financing being attributed to China Export and Import Bank.

This analysis shows the shift in each of the Policy Banks' mission over time, as mentioned earlier, in order for them to adapt to the changing developmental priorities of the State, with China Development Bank turning to be the backbone of China's global energy financing, as it provided 80% more funds than China Export and Import Bank did.

The scale of China's contribution to the financing of the global energy development projects, not only is directly compared to the combined one provided by all the Western-backed multilateral development banks, but it's even more impressive. To put this in context, the combined financing for energy development worldwide offered by the World Bank, the Asian Development Bank, the Inter-American Development Bank and the African Development Bank over the period from 2007 to 2014 amounts to USD119 billion, while for the same period the corresponding official financing of energy-related direct investments the two Chinese Policy Banks alone provided overseas, amounts to more than USD116 billion. The conclusion is simple, yet impressive: not only has China, through the two Policy Banks, doubled the amount channeled to global energy projects, it has become the single largest financer of energy development projects at the global level (Kong, 2019).

As of 2020, the global financing China provided worldwide for energy development projects has reached the amount of USD246 billion (Europe & Central Asia USD78,5 b., Asia USD68,1 b., Africa USD53,1 b., and Latin America USD46,1 b.). While it follows almost the same pattern, as previously described, as regards the various energy sub-sectors' financing, with more than 70% of the funds having been channeled into projects related to the exploration, production and power generation, a differentiation exists in the geographical distribution of the funds (Graph 6), with Latin America and the Caribbean attracting the smallest share (19%) and Africa gaining an increase in the financing by almost 50%. This shift in the distribution of the financing may be partially attributed to the increasing absorption of funds by the countries of the Belt and Road Initiative, as this project evolves.

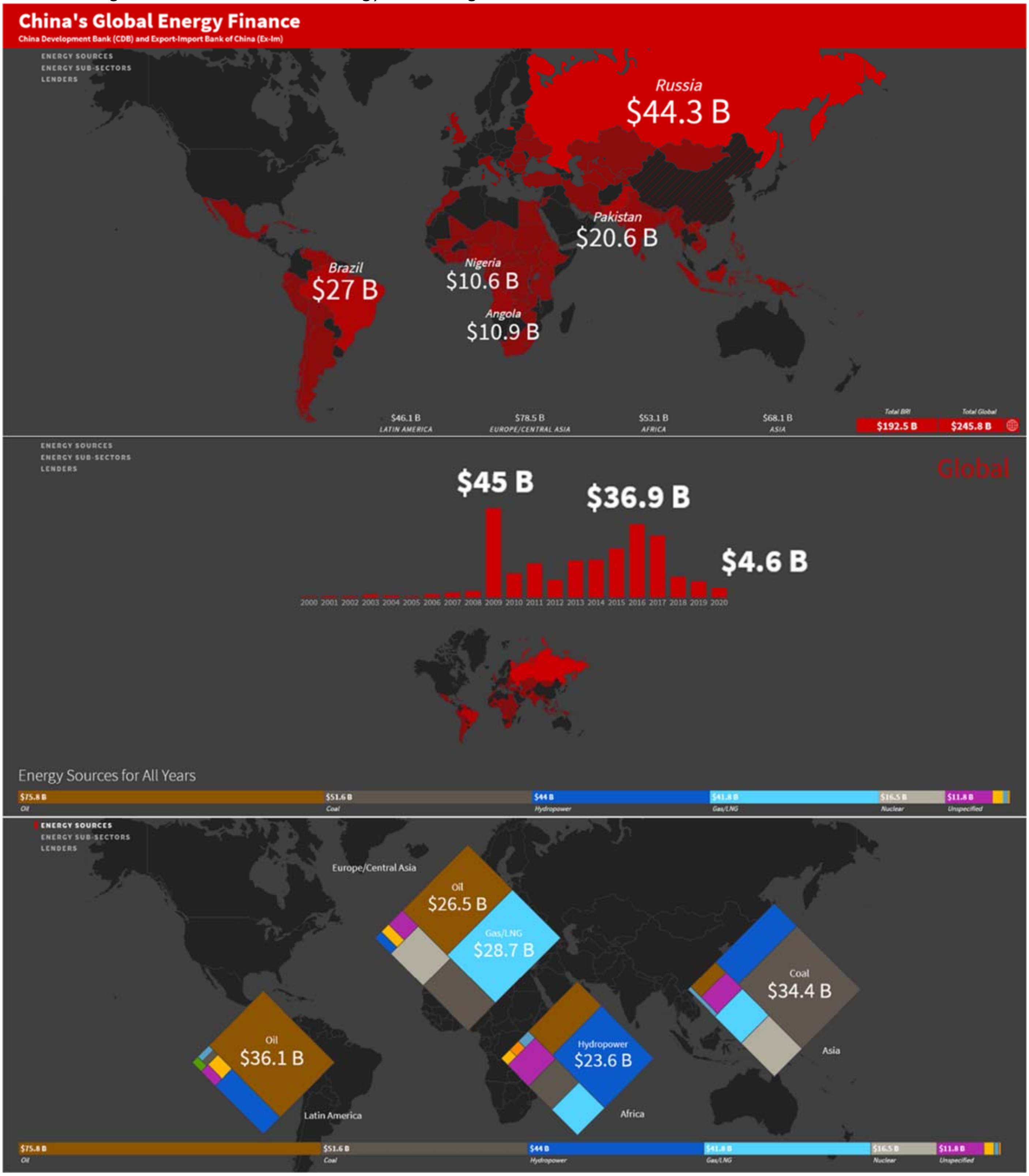
Graph 6: Regional distribution of China's energy projects financing overseas (2000–2020)



Source: (Gallagher, 2021)

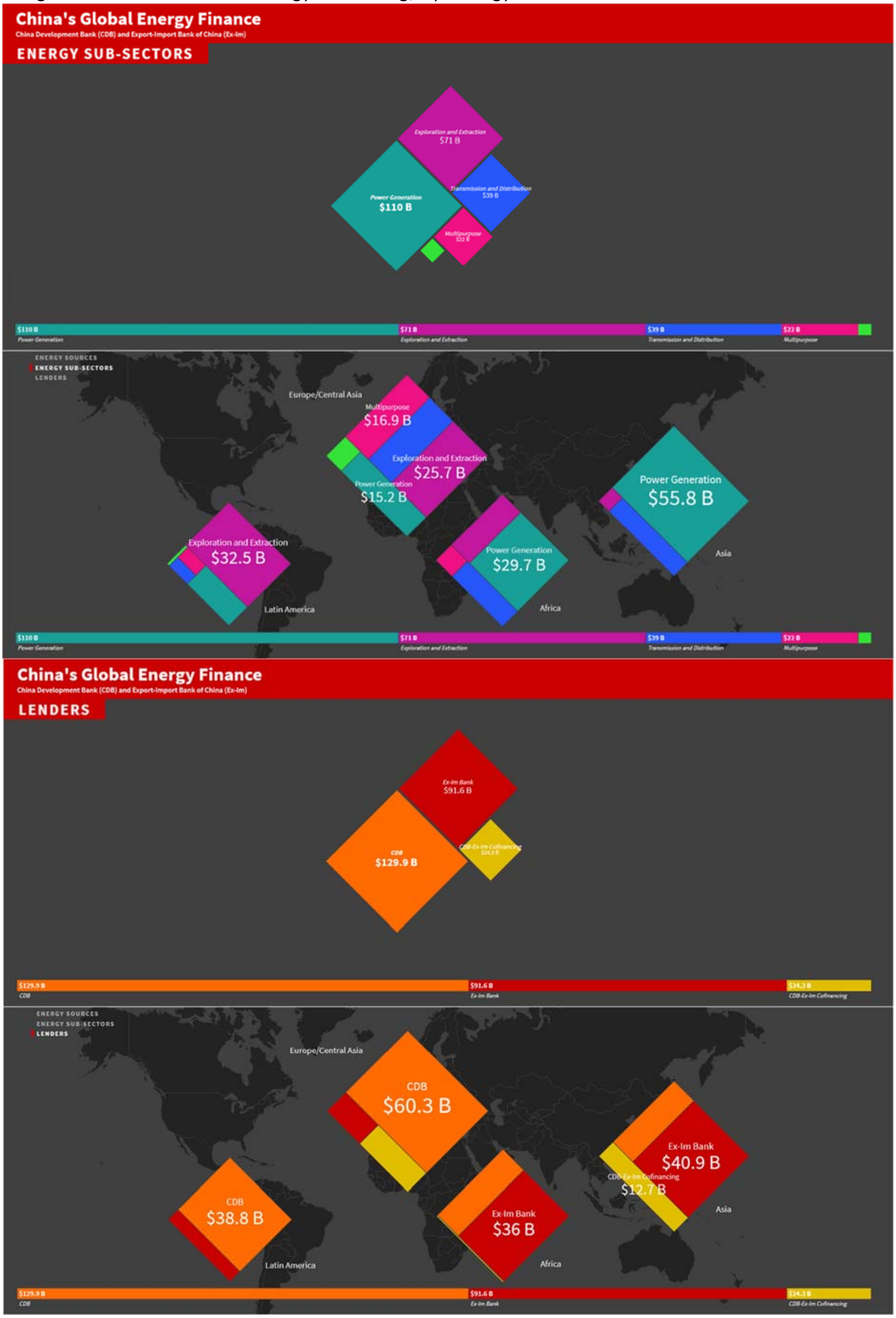
Figure 5 and Figure 6 provide a comprehensive illustration of China's global energy financing, how this financing evolved over time, which energy sectors and sub-sectors received the financing, as well as each Policy Bank's share in the total Chinese energy financing overseas.

Figure 5: China's Global Energy Financing



Source: (Gallagher, 2021)

Figure 6: China's Global Energy Financing, by energy sub-sector and lender



Source: (Gallagher, 2021)

Also, the contribution of each one of the Policy Banks in the overall financing, shows that China Development Bank holds the lead and remains the backbone of China's global energy investments' financing, channeling a total of USD130 billion in energy development projects, which is greater by almost 45% of the corresponding financing provided by China Export and Import Bank.

An interesting feature of the Chinese global energy projects' financing is the "loans for resources" scheme which is regularly employed, especially in the oil related projects. The arrangement is straightforward: a Policy Bank provides a foreign state-owned company or a foreign government a loan to finance an oil development project and in return the producer is bound to sell, on a daily basis, certain quantities of oil to Chinese buyers until the loan is paid off and to deposit the sale proceeds in an account held with the Policy Bank in order to cover the loan repayment obligations. Such structures benefit China in multiple ways, since not only they provide security against default, they also give China the option to either secure uninterrupted flows of oil supplies or sell the oil in the international energy markets to other companies and countries at the prevailing market prices. Such arrangements, which clearly bear characteristics of both Mercantilism and energy diplomacy, may appear as manipulation or distortion of the market mechanisms, since this way China locks up energy resources for the entire repayment period of a loan which typically extends over several decades. It's worth noting however, that similar schemes, known as "cash waterfall" have been employed by Western oil companies with the most indicative one being the joint Venezuela-ExxonMobil Cerro Negro oil project (Economy & Levi, 2014).

The mobilization of the two Policy Banks at the state's will, in order to support its policies and strategies towards strengthening the country's international presence and influence as well as securing its access to energy resources through the politically directed financing of energy development projects worldwide, clearly indicates the resemblance of such actions to (Neo-)Mercantilist policies, where economic tools remain at the disposal of the state and are employed with the aim of achieving political ends, while the "loans-for-resources" techniques makes such indications bolder.

6.4. State Owned Enterprises and National Oil Companies

Part of Deng Xiaoping's reforms towards establishing a market-oriented economy, was the sale of a large number of inefficient *state-owned enterprises* to local or in some cases to foreign companies, thus allowing the state to get rid of problematic and non-performing assets; for the companies which remained at the state's hands, the government replaced the management with persons who possessed managerial skills and knew how to run them effectively. At the same time, the government encouraged the rise of an entrepreneurial class.

Some of the state-owned enterprises which remained at the state's hands managed, over the course of time, to transform into efficient and dynamic multinational corporations, with 54 of them being listed in the 2011 Forbes Global 500 list, while China Petroleum and Chemical Corporation (Sinopec), China National Petroleum Corporation (CNPC) and State Grid ranked among the top ten largest enterprises of the world (Copper, 2016a).

These powerful state-owned enterprises supported both the Party and the government domestically as well as globally; internally, they served the purpose of controlling certain sectors of the economy that needed governmental supervision or manipulation, while at the international level they were tasked with the management of China's international expansion, participation and competition. Yet, as some pundits note, the state-owned enterprises apart from supporting the Party and the government on the global competition arena against foreign giant corporations, they also engaged in technology theft, counterfeiting or even intelligence collection.

Through the state-owned enterprises, the government sought to control the "commanding heights" of the economy and, in the process, it created seven strategic areas (armaments, power generation and distribution, oil and petrochemicals, telecommunications, coal, civil aviation and shipping) and five heavyweight industries (machinery, automobiles, information technology, steel and iron, construction and nonferrous metals) under its direct control (Copper, 2016a).

Although primarily the Chinese state-owned enterprises are operating on a profit seeking basis, they are enjoying the privilege of availing themselves of every lever of state power so to gain access to investments in the world's resources (Economy & Levi, 2014) while at the same time they constitute a vital tool in the hands of the state in its pursue of political goals, as they play a critical role in China's foreign investment policy and implementation.

A category of China's state-owned enterprises, the National Oil Companies, namely China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corporation (Sinopec) and China National Offshore Oil Corporation (CNOOC), are products of the oil sector's liberalization in the 1980s and in essence they were formed out of government ministries.

China National Petroleum Corporation (CNPC), the biggest oil producer in China and fifth largest worldwide, was established in 1988 from the spin-off of the Ministry of Petroleum Industry's exploration and production (upstream) sector (Downs, 2010). China National Petroleum Corporation initially focused on the exploration of new domestic oil fields and soon after it began the development of its "going out" strategy by pursuing overseas investments with the objectives of enriching its oil-reserves portfolio and becoming a multinational corporation. In the process, it has come to be one of the world's most competitive players in the global oil industry, with activities ranging from exploration and production (upstream) to storage, processing and transportation (midstream) and further to refining, marketing and sales (downstream) and to seismic exploration, drilling, construction, manufacturing and development of advanced science and technology (Xu, 2007).

China Petroleum and Chemical Corporation (Sinopec), formed in 1983, grew out of the Ministry of Petroleum Industry and the Ministry of Chemical Industry's downstream assets. It has the third largest refining capacity globally and it's the third largest refiner domestically (Downs, 2010), while it operates oil and gas projects in over 20 countries, although it began the implementation of its "going out" strategy almost ten years after the China National Petroleum Corporation did (Xu, 2007).

China National Offshore Oil Corporation (CNOOC) was established as a corporation in 1982 and its design was modeled at large according to that of the Western oil companies'. Originally formed with the mission to joint venture with foreign companies and operate primarily in the upstream sector in the country's territorial waters, China National Offshore Oil Corporation has come to be the dominant player in China's offshore exploration and production activities (Downs, 2010). Following its mission, China National Offshore Oil Corporation has focused on international mergers and acquisitions and has achieved a remarkable progress in its global expansion with almost 45% of the company's proven oil reserves and equivalent coming from overseas (Xu, 2007).

China National Offshore Oil Corporation followed a quite aggressive strategy in pursuing its global expansion, an indicative case of which is the "Unocal case". In 2005, it placed a USD18,5 billion bid for buying the American oil company Unocal which possessed a big oil portfolio in a number of countries. This attempt provoked the reactions of many US government officials and the intervention of the US Congress, which eventually led China National Offshore Oil Corporation to withdraw from the deal (Copper, 2016a).

Although the National Oil Companies are powerful and to a great degree autonomous actors with global presence, managing, owning or operating some of the most abundant and profitable oil fields in the world and having subsidiaries listed on foreign stock exchanges, the state maintains several levers of control over them.

China's National Oil Companies, as is the case with the country's largest state-owned enterprises, are directly supervised by the State Asset Supervision and Administration Commission (SASAC), the government body that bears formal authority and exerts great influence over these companies. However, the primary instrument of power and the ultimate authority over the National Oil Companies is exercised by the Party, and specifically by the Chinese Communist Party's Organization Department, whose decisions are ratified by the Politburo Standing Committee. This primary instrument of power has the authority to appoint, promote and dismiss the companies' executives, with such power extending over the international subsidiaries of these companies, while it often happens that the executives of such companies hold political seats in the Party's Central Committee or even ministerial positions. But the powers of both the Party and the government go far beyond, since they control the National Oil Companies through the approval of their domestic and international investments by the relevant government bodies, as well as through the provision of cheap financing from the Policy Banks (Downs, 2010).

Despite the tight political control, the National Oil Companies have accumulated great power and autonomy over time, due to their size and to their capacity in generating huge profits, to the point that they are in a position to exert influence, which often takes the form of pressure, on the government.

Indeed, the transition from a centrally planned economy to a market oriented one and the subsequent decentralization and liberalization of the energy sector, created the conditions for a major shift in power and resources towards the state-owned enterprises, especially the National Oil Companies, and away from the central government for two main reasons; on the one hand, China does not have a single government body to oversee and coordinate the often conflicting interests of the stakeholders, instead the authority over the energy sector is fragmented among many agencies which often happen to be understaffed, insufficiently funded or even politically weaker than the supervised companies. On the other hand, the major changes in the energy sector which resulted in the transformation of the ministries into corporations, had as a consequence a large part of the qualified personnel and the associated industry expertise to be transferred to the companies, leaving little to the government. Supplementary to the above comes the strong streams of revenues that these companies generate and subsequently the support they provide the Party with, through these revenues, something that explains their ability to influence, if not shape, government decisions. An indication of their importance, is the fact that in 2007 the three National Oil Companies alone contributed the 40% of the total taxes collected, accounted for the 24% of the total sales revenues and the 23,5% of the total profits of all the state-owned enterprises, while the earnings of China National Petroleum Corporation alone were enough to offset all losses of all the loss-making state-owned enterprises (Downs, 2010).

The interdependence and the interplays among the state, the Party and the National Oil Companies is complex enough and far reaching, ranging beyond economic and political motives and goals to the creation of diplomatic challenges for the state.

Yet, the international expansion and the actions abroad, does not necessarily mean that the National Oil Companies act at the sole directions of the government for enhancing the country's energy security by acquiring exploration and production assets overseas. Although National Oil Companies, at the government's directions, have been tasked with the mission of securing the country's oil supply, they are also competing at the international level in pursue of their commercial objectives and it sometimes happens that they seek to advance their corporate interests at the expense of the national ones. Hence, the political mandate of enhancing the country's energy security through overseas investments in resources rich countries is but one of their international expansion drivers, with the profits seeking, the replacement and diversification of their resources reserves as well as the acquisition of technological expertise and skills to manage large scale projects, being at least equally important drivers and strong motives, vital to their international expansion and transformation into world-class competitive energy companies (Downs, 2010). However, the relations between and among the state, the bureaucracy and the National Oil Companies, are far for straightforward as regards the efforts of these companies to expand and to fulfill their mission in supporting the continuation of China's economic growth through the smooth and uninterrupted resources supply, with the decisions for overseas deals often being driven by the individual incentives of the various players. The competition between the National Oil Companies for overseas contracts, the inability of the bureaucracy to force the companies to participate in specific energy projects, the ambitions of the companies' executives to rise on the political hierarchy (something that often makes their decisions biased in the direction of prioritizing the national interests), the motivation of the National Oil Companies through cheap financing or even the assistance from government officials for securing energy deals and investments abroad, point to the complex interplays which take place among the various actors and support China's actions towards promoting global expansion and resources investments (Economy & Levi, 2014).

6.5. Conclusions: What do all these mean to (and for) the world?

There is a widespread belief, especially among the Western observers, that China's global expansion in a coordinated manner orchestrated by the state, is an attempt to accrue power and pursue its national interests by engaging in economic statecraft policies or by employing (Neo-)Mercantilist practices in order to achieve asymmetric gains against its competitors.

In the same vein, the state directed efforts to secure access to energy resources, as well as the strong financial and diplomatic support provided by the government to the Chinese National Oil Companies, give them a great advantage over other major international oil companies as regards the acquisition of oil exploration and production assets, thus violating the rules of the game and posing challenges, or even risks, to the market-based liberal capitalism. Furthermore, the orchestrated global actions of the Chinese National Oil Companies and the state, apart from competition issues in the energy sector, seek to enhance the country's energy security at the expense of other consumers.

It's true that in recent years the Chinese National Oil Companies have accelerated their international expansion in resources rich countries, through direct investments and acquisitions in the oil sector, as it's true that the energy concerns are increasingly affecting China's international policies.

However, although the National Oil Companies are enjoying the state's support in their international expansion and are availing themselves of access to preferential or cheap loans, this doesn't mean that these companies are pursuing solely the achievement of the state's objectives for securing access to energy resources, although the state's support, mainly the financial, may be providing them with a competitive advantage over other international oil companies.

Driven mainly by their corporate interests for survival in the oil industry and global expansion, the Chinese oil companies are keeping for themselves the privilege of deciding their investments policies, rather than merely acting as tools in the state's hands for mitigating the energy security concerns, although their investments decisions must be approved by the government.

When it comes to the access to the global oil reserves, the Chinese oil companies do not dominate the exploration and production capacity, although their upstream operations are increasingly competitive at the international level. In the global race for resources seeking, the Chinese National Oil Companies are lagging behind the other major international oil players as regards their overseas production (Downs, 2010).

Further, the concerns about China's pursue of its energy security at the expense of other consumers, seem to be groundless as well, since it's indifferent whether the oil pumped abroad by the National Oil Companies is sold on the international market or directly to Chinese consumers; to put it differently, each barrel of oil produced abroad by a Chinese oil company, that is sold to consumers in China, is one barrel less that a

Chinese consumer has to buy on the international market and vice versa, hence the oil quantities available to the international consumers are not affected at all by the commercial strategies the Chinese companies implement.

Instead, it can be argued that the Chinese oil companies, through their international exploration and production operations, are contributing to the increase of the oil quantities available to the other consumers, since they often operate in countries where the Western oil companies are unwilling or unable to, due to various constraints related to human rights, environmental concerns etc.

This last dimension of the Chinese oil companies' expansion strategy, that is investing in countries where there are issues related to the human rights, the environmental degradation or even issues of social morality, has been a point of concern for the international community, although it has been appreciated by the leaders of such countries including the Latin American ones. Yet, this behavior of the Chinese National Oil Companies is fully aligned with China's long-established strategy of not-interfering in the internal affairs of other states (Xu, 2017).

The noninterference strategy is a key principle in China's foreign policy implementation strategy and is a direct derivative of the country's doctrines underlying its international strategy and objectives: "peaceful development" and "harmonious world". These two doctrines which, ever since the days of Hu Jintao's leadership, still continue to direct China's international behavior, provide the guidelines for China's strategy towards securing a peaceful and stable international environment which will allow all countries to benefit socially and economically. China needs a long-lasting peaceful and stable international environment in order to continue its development and to benefit from the existing global order, while at the same time China's own development will contribute to the world peace and prosperity through its efforts to pursue the establishment of a secure environment which will allow for win-win outcomes for everybody (Tang, 2006).

7. Case Study: China's Energy Investments & Financing in Latin America and The Caribbean

7.1. Introduction

Although China's ties with Latin America date back to the early days of Mao Zedong's leadership and at the time were mainly driven by ideological levers, they have changed in nature and have expanded dramatically over the course of the years as a result of the "going-out" reforms ignited by Deng Xiaoping and furthered by his successors. The "world revolution", once being the driving force of China's engagement with the Latin American countries, has now been substituted in its entirety by pragmatic and political reasons which are mainly related to the country's continued economic growth at unprecedented rates and the associated increasing needs for natural resources, markets and globalization. Seeing from this perspective, China's engagement with Latin America has turned to be one of the most stunning characteristics of its emergence as a global economic power.

7.2. Background

Having established diplomatic relations with the majority of the Latin American countries by the late 1970s, China encouraged and assisted the first Chinese companies to land in the region and engage mainly in the textiles sector with the aim of using their local presence as a way of entering the US market, a pattern which continued until the turn of the century (Xu, 2017).

In the early 2000s, China's continued economic expansion and the insufficient indigenous energy supplies, which led the Chinese government to adopt policies towards supporting the National Oil Companies in their search for energy resources abroad, on the one hand and the domestic development forces in the Latin American countries, which pursued their economic growth and new markets, on the other, gave room and encouraged the desire for improved relations between China and the region.

The Latin American countries, not only are places with abundant natural resources and great potential for economic growth and development, they are also important players among the developing world with significant roles in the regional as well as in the international affairs. On the other hand, Latin American countries feel that they share similar historical experiences and common desires with China for a peaceful world, while at the same time they are seeking their path to development, one that suits them better – given the actual conditions – and satisfies their pursue of economic growth and social progress. In this context, the development of the China-Latin America relations became an important part of China's foreign policy.

As the relations between China and the Latin American countries evolved, the pattern of the Chinese investments in the region unveiled the emerging role of the Chinese government's intervention; either by forming government-to-government strategic alliances with financial backing from the Policy Banks or by supporting the Chinese National Oil Companies in pursuing their objectives for globalization and diversification of the oil supplies, China has sought to secure its access to Latin America's resources, something that manifests the importance of the energy dimension in the country's international strategies towards resources rich countries and the significance of the energy investments in the overall "going-out" strategy.

At the same time, China's approach to the region fits in the South-South cooperation doctrine and, as President Jiang Zemin noted at the United Nations Economic Commission for Latin America in 2001, the promotion of the bilateral relations is grounded on a broader basis which is comprised of the mutual understanding and respect, the mutual support in safeguarding the common interests on the global stage, the promotion of the mutual benefits and development through the expansion of the economic relations, as well as the development of a comprehensive partnership with a long-term vision (Xu, 2017).

At the international level, China has been an active supporter of the region in the G20 meetings and is participating in a number of institutions such as the *Organization of American States*, the *Group of Rio* and the *Inter-American Development Bank*, while it encourages the inter-regionalism through forums such as the *Forum for East Asia-Latin America Cooperation (FEALAC)* and supports the regional integration and cooperation initiatives such as the *Mercado Común del Sur (MERCOSUR)* and the *Andean Community*.

The increased importance of Latin America to China's foreign policy design and implementation is mirrored in the publication of the first Policy Paper on the relations with Latin America which was published by the Chinese government in 2008, following several visits of President Hu Jintao to Latin America and corresponding ones of Latin American leaders to Beijing, and came to confirm China's desire for a wide and multi-dimensional cooperation with the region's countries, ranging from international affairs, technology and education to military exchanges, judicial affairs, local governments and beyond. The publication of this Policy Paper underlines, first and foremost, the strategic perspective China views its relations with Latin America from, while it also takes into consideration the increasingly significant role that the region's countries play in the international affairs. Furthermore, apart from the importance of developing the economic relations, the Policy Paper emphasizes the "one China" policy as the foundation for the establishment and development of bilateral relations with the region's countries (Xu, 2017).

The first Policy Paper on Latin America and the Caribbean was followed by the release of a second one in 2016, where emphasis is given in the importance of strengthening the economic cooperation and development based on President Xi Jinping's "*1+3+6*" cooperation framework [*One* plan (the 2015-2019 China-CELAC Cooperation Plan), with *Three* engines (trade, investment and financial cooperation) and *Six* sectors as priorities for economic cooperation (energy and resources, infrastructure, agriculture, manufacturing, science & technology and information technology)] and on Premier Li Keqiang's "*3x3*" cooperation model [building capacity in *Three* major areas (logistics, energy and information technology), with emphasis in the healthy cooperation among the *Three* main actors (enterprises, society and government) backed by the *Three* financial pillars' expanding support (funding, loans & credit facilities and insurance)] (Niu, 2018).

Indicative of the importance the Chinese leadership gives to the promotion of the China – Latin America bilateral relations, was the participation of President Xi Jinping at the 2015 summit of the *Community of Latin American States ("CELAC", Comunidad de Estados Latinoamericanos y Caribeños*), where he presented the roadmap for further promoting and upgrading the bilateral relations, thus highlighting the elevated position Latin America has in China's foreign policy design and implementation, with deeper cooperation in the common development and the international arena being among the strategic goals (Xu, 2017).

At the same summit President Xi Jinping presented a series of initiatives, such as China's pledge to invest in the region more than USD250 billion over the next decade (Gransow, 2015), China's commitment to granting a USD10 billion credit line – expandable to USD20 billion in the near future – for the region's infrastructure improvement, the launch of the *China-Latin America Cooperation Fund* with an initial investment of USD5 billion from China's side, as well as the USD10 billion of concessional loans to the region's countries, all of which indicate the elevated importance of the China-Latin America cooperation on issues of both bilateral and global interest (Xu, 2017). Apart from these initiatives, the extension of the Belt and Road Initiative to Latin America is further bolstering China's growing focus on the region.

By exercising (among other, "soft-power" tools) economic statecraft, either in the form of foreign aid, loans, investments or other economic means, it's evident that Chinese leaders are making extensive use of every available tool towards implementing the country's foreign policy and securing the national interests, not only in the trade and energy sectors, but also at the international level, such as the isolation of Taiwan under the "one China" doctrine or the pursue of other strategic advantages, as China's world power emerges.

7.3. Energy Investments

An immediate and direct effect of China's reforms which were initiated in late 1970s under Deng Xiaoping's leadership, was the termination of Beijing's support to the various national liberation wars, which were driven by the Communist ideology and were taking place in various corners of the globe, and the pivot of the Chinese foreign policy towards establishing and improving the country's relations with the international players, including the United States, with this change in China's behavior not excluding the Latin American countries which saw the end of China's foreign aid of any form (be it aid, donations or credit) and for any intent and purpose.

It was not until the first years of the 2010s, when China turned back to Latin America and resumed providing foreign assistance in the form of investments, something that coincided with China's needs for opening up new markets for its products, for finding places to put its excess capital and for reaching new sources of energy and natural resources, thereby channeling significant financial assistance to the region and engaging in large scale projects concerning infrastructure and construction related to transportation and to the development of energy and natural resources projects (Copper, 2016b).

In 2008 during the then Chinese President Hu Jintao's visit to Cuba, among various financing commitments undertaken by China, an agreement was reached whereby the Chinese companies were granted oil exploration rights in Cuba's Exclusive

Economic Zone and in 2012 a Chinese-built oil rig, *Scarabeo 9*, was delivered to Cuba for deep water drilling operations (Copper, 2016b).

China National Offshore Oil Company (CNOOC), the largest offshore crude oil and natural gas producer in China and one of the world's largest oil and gas exploration and production companies, operates in a number of countries in the Latin America region such as Brazil, Mexico, Trinidad and Tobago, Colombia and Guyana. China National Offshore Oil Company entered Argentina's energy sector in 2010, when it acquired a 50% stake in *Bridas Company*, the partner of *BP* at *Pan American Energy*, and two years later Bridas formed *Axion Energy Group* by acquiring *ExxonMobil*'s assets in Paraguay, Uruguay and Argentina. Later on, in 2017, Axion Energy merged with Pan American Energy and formed *Pan American Energy Group*, the biggest private oil company in Argentina and one of the main crude oil producers and exporters of the country, with operations in four hydrocarbon basins and 983 million barrels of oil equivalent proven oil and gas reserves as of 2015 (Stanley, 2019).

China Petroleum and Chemical Corporation (Sinopec), the largest refiner and the second largest chemical company globally, the second largest oil and gas producer in China and 3rd on the 2017 Fortunes' Global 500 list, operates in Argentina, Ecuador, Brazil and Colombia. In 2010 China Petrochemical Corporation acquired the *Occidental Petroleum Company*'s subsidiary in Argentina and it's estimated that it holds reserves totaling approximately 400 million barrels in three oil and gas fields.

In Colombia, the Chinese owned companies are controlling approximately 7% of the country's oil exports. China Petroleum and Chemical Corporation (Sinopec) entered the Colombian energy sector, the largest in terms of Chinese investments in the country, in 2006 when it acquired *Omimex* jointly with *ONGC Videsh* and renamed it to *Mansarovar Energy Colombia*. Sinochem, a Chinese state-owned chemical company, acquired in 2009 *Emerald Petroleum*, a company listed on the London Stock Exchange at the time, which operates in fourteen oil and gas fields across Colombia, while China National Offshore Oil Corporation (CNOOC) landed in the country in 2012 when it took over the global business of the Canadian oil company *Nexen* (Creutzfeldt, 2019).

In Ecuador, *Andes Petroleum* (a company formed jointly by China National Petroleum Corporation (CNPC) and China Petroleum and Chemical Corporation (Sinopec), with CNPC contributing 55% of the capital and Sinopec the 45%), became the country's largest oil company, after it acquired *EnCana*'s (a Canadian firm) assets and operations in Ecuador, thus making Ecuador the first Latin American country in which the Chinese National Oil Companies established a significant presence in the oil sector (Salgado, 2019).

China National Petroleum Corporation (CNPC) announced in 2009, at a time when the Western companies were exiting the country, a USD16 billion investment in the Venezuelan oil sector, assisting Venezuela – among others – to build capacity for the development of oil rigs, while in 2013 China Petroleum and Chemical Corporation (Sinopec) announced its USD14 billion participation in a Venezuelan oil project, an amount that doubled in the year after (Copper, 2016b).

7.4. Energy Financing

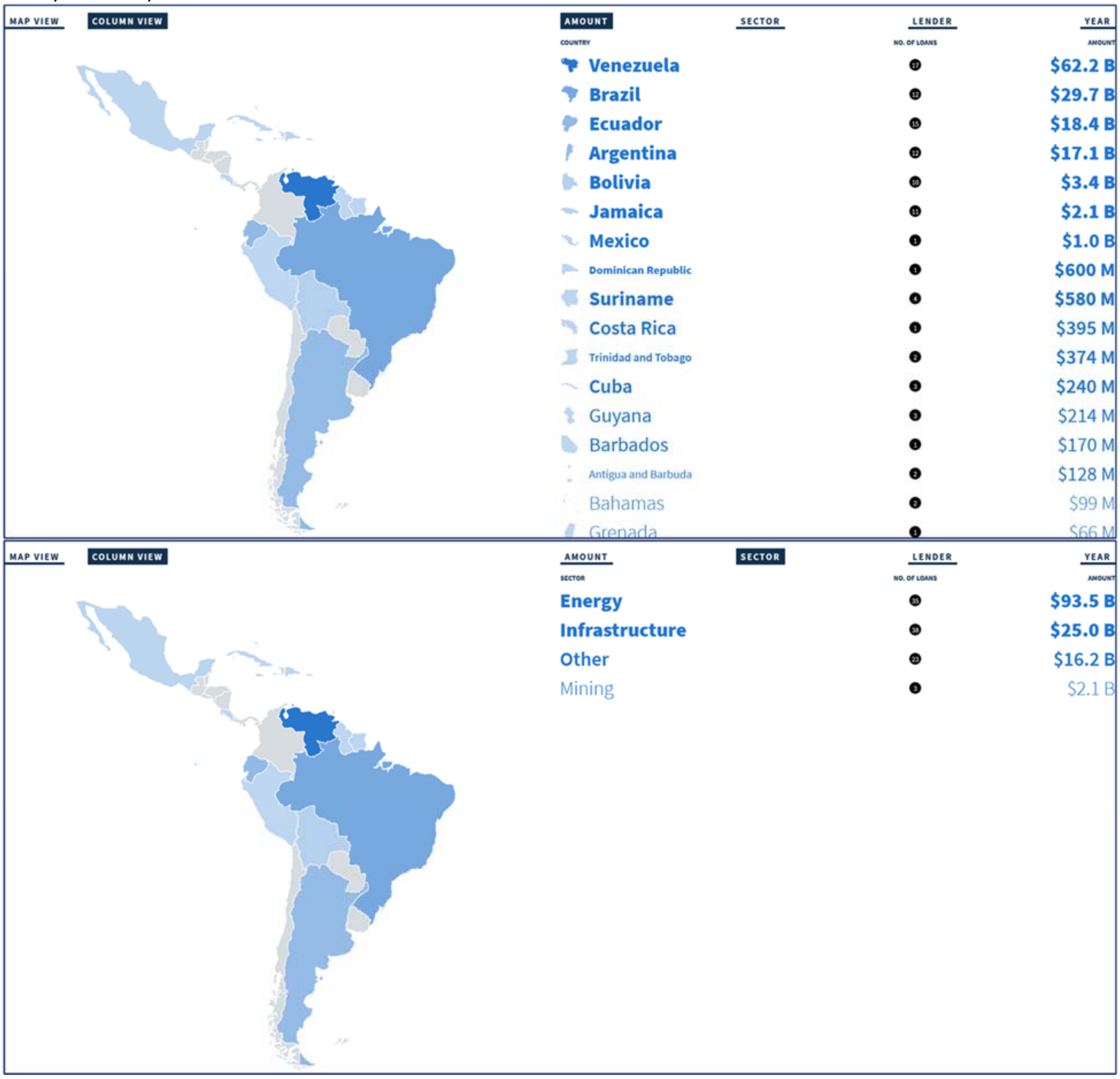
In 2012 China's financing in Latin America surpassed the combined financing provided to the region by the World Bank and the Inter-American Development Bank (Copper, 2016b).

The two Chinese Policy Banks alone –Export-Import Bank of China and China Development Bank – have channeled to the region more than USD141 billion in loan commitments and other financing facilities, an amount which is estimated to correspond to almost the total of the Chinese financing received by the Latin America countries over the period 2005-2018, with China Development Bank having provided approximately the stunning 80% of the financing. This figure stands above the aggregated financing provided to the region by the Inter-American Development Bank, the World Bank and the Development Bank of Latin America over the same period (Song, 2019), with the lion's share of the Chinese financing in Latin America having been concentrated in the energy sector.

Since 2005, China Development Bank and China-Export Import Bank have provided more than USD137 billion in loan commitments to Latin American and Caribbean countries and state-owned firms.

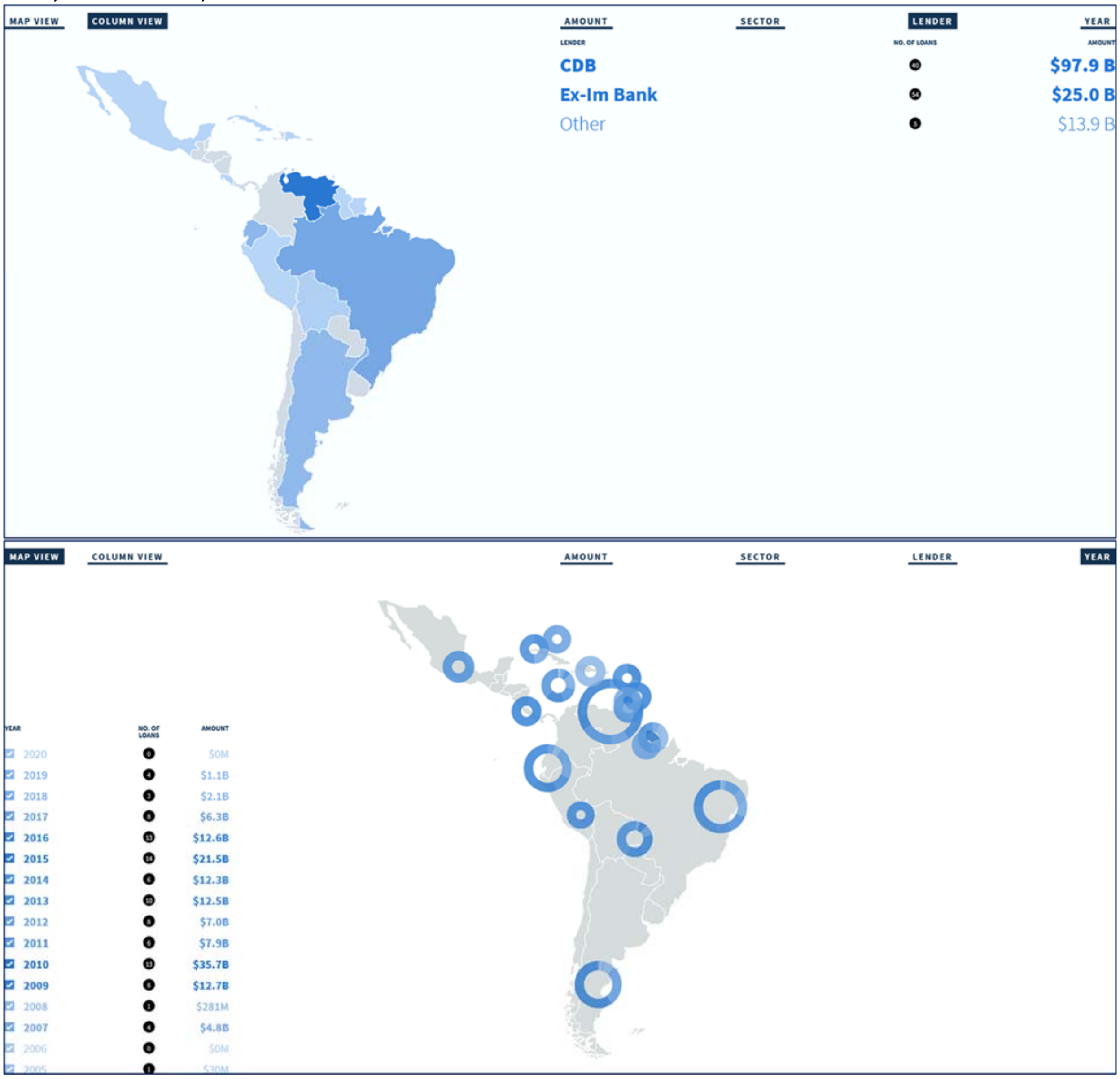
Figure 7 and Figure 8 provide a comprehensive illustration of China's financing in the Latin American region, how it evolved over time, which sectors received the financing and the share of each Policy Bank in the overall financing.

Figure 7: Loans from China's Policy Banks, China Development Bank and China Export-Import Bank, to Latin American and Caribbean governments and state-owned enterprises, by country and sector



Source: (Gallagher & Myers, 2021)

Figure 8: Loans from China's Policy Banks, China Development Bank and China Export-Import Bank, to Latin American and Caribbean governments and state-owned enterprises, by lender and year



Source: (Gallagher & Myers, 2021)

Brazil, for example, became the receiver of the 22% of the total Chinese financing in the region for the period 2007-2018, with 90% of the funds – amounting to USD26 billion – having being directed to the energy sector.

China Development Bank alone, has provided to Brazil more than USD23 billion in financing and credit facilities, with 95% of the total having been channeled to energy projects (Cordero, 2019). In 2009, the Chinese Policy Bank provided USD10 billion for the financing of Brazil's investments in oil exploration, mining and refining, as well as for the expansion of the cooperation between the two countries' energy companies (Song, 2019).

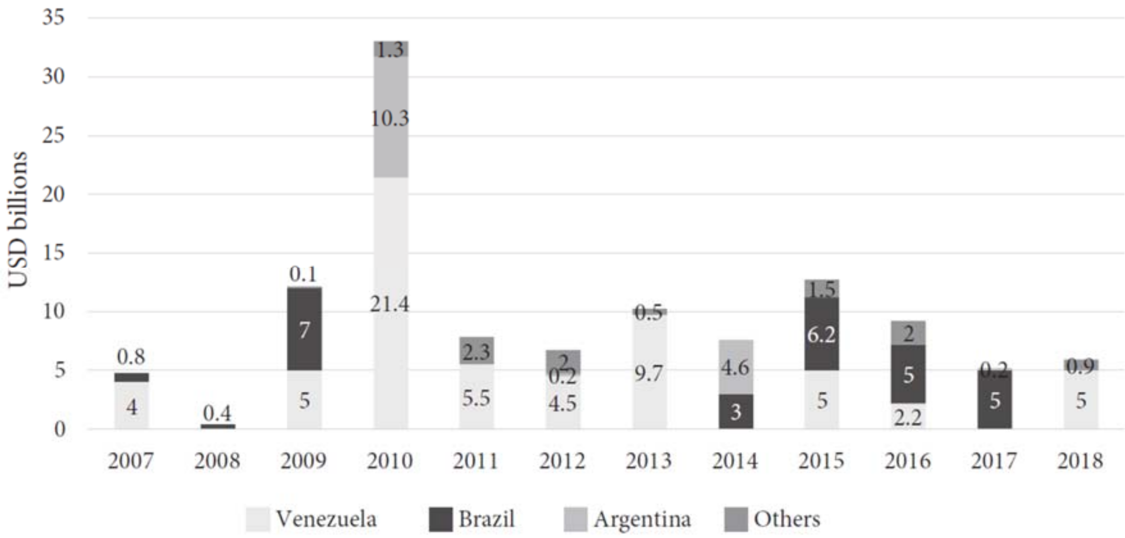
An interesting case regarding the Chinese financing to Brazil, is the credits provided to the state-owned oil company *Petrobras*, which was granted a total of USD25 billion over the period 2007-2018, with USD17 billion (almost 70% of the total) to be tied to credit operations related to agreements for oil supply (Hiratuka & Deos, 2019).

In 2009, China Development Bank provided a USD7 billion loan to Petrobras, guaranteed with the revenues from the oil exports, for the financing of exploration operations in pre-salt oil fields (Cordero, 2019), where a large part (USD3 billion) of the total financing should be used for the purchase of equipment manufactured by Chinese companies (Hiratuka & Deos, 2019). Petrobras was the receiver of other significant financing arrangements, as well; in 2014 and 2015 it entered into two financing agreements, amounting to USD3 and USD1,5 billion respectively, for the sale and leaseback of two offshore oil rigs, while in 2016 and 2017 it was provided with two loans, USD5 billion each, for debt refinancing purposes. The 2016 loan repayment was tied to and backed by a ten-years agreement for the supply of oil to a Chinese National Oil Company, while the repayment of the 2017 loan was agreed to be made, at China's choice, either in cash or oil (Cordero, 2019). It's worth mentioning that between 2010 and 2019, Petrobras was shipping 200.000 barrels of crude oil per day to China (Song, 2019).

The case of Petrobras's financing, as well as others such as the financing of "Gasene", a 946 km pipeline in Brazil, where a USD750 million loan was granted under the condition that China Petroleum and Chemical Corporation (Sinopec) would undertake the construction (Cordero, 2019), are indicative of the pattern that the Chinese companies follow in their global expansion strategy: to ensure access to natural resources in order to support the growing Chinese economy and to open up new markets for the Chinese products, necessary for the development of the Chinese economy and the export of its production overcapacity.

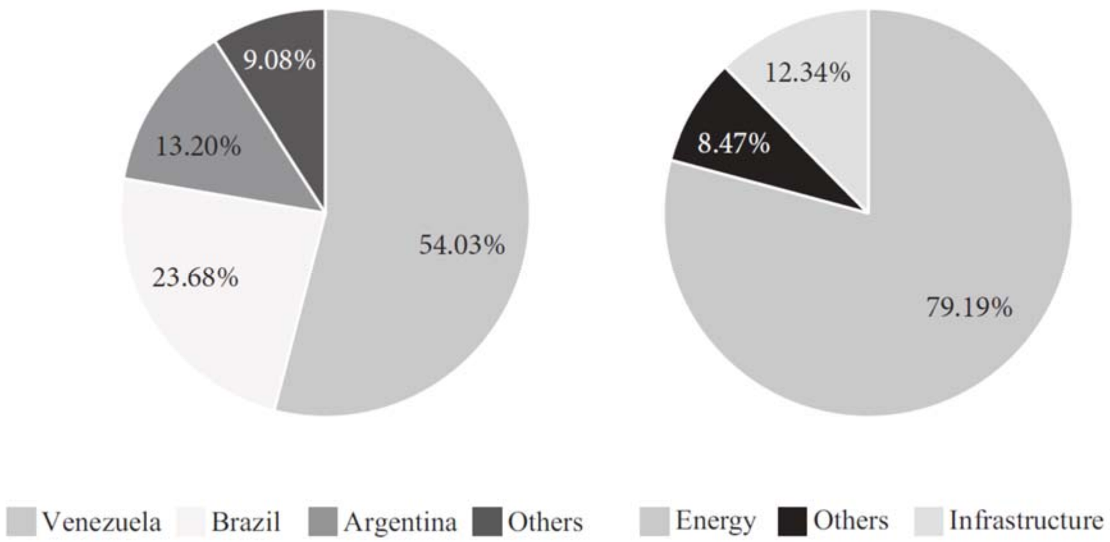
China Development Bank, whose cross-border financing was mainly channeled into energy- and resources rich countries, proved to be a crucial player in supporting China's "going out" strategy in the Latin America region. During the period 2007-2018, China Development Bank provided more than USD115 billion in financing commitments to the region (Graph 7), with the majority of the arrangements having been channeled into three countries, Argentina, Venezuela and Brazil (91% of the total, amounting to USD104 billion) and concentrated in energy related projects (79% of the total, amounting to more than USD91 billion) (Cordero, 2019), as shown in Graph 8.

Graph 7: China Development Bank – Total Amount of Loans to Latin America by Country



Source: (Cordero, 2019)

Graph 8:
Left: China Development Bank, Loans to LAC Countries 2007-2018 by Country (% share).
Right: China Development Bank, Loans to LAC Countries by investment sector (% share)



Source: (Cordero, 2019)

Apart from the impressive financial flows, an interesting point is that in 2009 and 2010, where the global economy was under credit and liquidity pressure due to the global economic crisis, China Development Bank extended the credit lines to the Latin American region (as shown in Graph 7) by providing oil-backed loans to these countries, secured by the revenues from the sale of oil to Chinese National Oil Companies. The pattern is clear; not only the Policy Bank secured the repayment of the loans through the stream of revenues generated from the sale of oil, it also mobilized its financial resources towards securing China's energy supply, necessary for fueling the country's long-term economic growth.

Venezuela is another indicative example of the Chinese Policy Banks' strategy in the region; by employing loan-for-oil mechanisms, not only they secured the financing (which amounted to USD67 billion for the period 2000 – 2018) through guarantees by the country's oil production, they also secured oil shipments to China (Piña, 2019), thus contributing to the energy security China needs for its continued economic development.

In 2005, China committed to finance Venezuela's energy infrastructure and in 2007 a joint development fund was established for the financing of energy infrastructure and social projects, with China contributing USD4 billion (Copper, 2016b).

China Development Bank's loans to Venezuela during 2008 and 2009, amounting to USD8 billion, were to be repaid in future oil deliveries, while it was projected, at the time, by the Chinese leaders that by 2015 the "strategic alliance" between China Development Bank and Venezuela, which received the stunning USD43 billion financing over the period 2007-2012, would rise the quantity of Venezuelan oil shipped to China to one million barrels per day, due to the loans repayment terms (Copper, 2016b).

Having oil and energy as its central axes, the China-Venezuela relationship extends beyond the economic sphere to include political interests, as well, with the two countries pursuing coinciding interests in both foreign policy and development objectives. This economic and political relationship, supported by the political will of the two countries' leaderships, is one great example of cooperation between China and a Latin American country.

7.5. Conclusions: Assessment of China's Financial and Investments involvement in LAC region

Following Deng Xiaoping's reforms and the primacy given to economic concerns over political ones, China's foreign policy objectives were increasingly driven by economic imperatives, as the country's economic development became a top priority for the Chinese leadership. The continuation of the economic growth at unprecedented paces and the need for uninterrupted energy supplies, necessary for firing China's growing production machine, made concerns about the country's energy security a key determinant in China's foreign policy.

Being self-sufficient in oil products until 1993, when it became a net importer, China has increasingly become dependent on oil imports with its reliance on imports having steadily grown to over 60% (Kroeber, 2016). The growing energy consumption, which expanded by 27% over the period 1990-1999 and by more than 55% between 2000 and 2009 (Xu, 2017), has led China to surpass the United States as the world's biggest oil importer in 2013 with the oil shipments to the country having climbed, recently, to more than 8 million barrels per day (Kroeber, 2016).

China's expansion into the countries of Latin America, driven by its increasing reliance upon energy resources imports, clearly indicates the internationalization of the country's energy diplomacy and the involvement of the "going out" strategy in its energy policy. Having become one of the main international strategies of the Chinese government for approaching and engaging with resources rich countries, like Venezuela and Brazil in Latin America, the "going out" policy mainly focuses on the trade-off and the investments in oil resources. The Chinese National Oil Companies and the Policy Banks enjoy the support of the government in pursuing the internationalization of their business and the diversification of the oil supplies, as well as in fulfilling their mission towards the country's energy security and economic development through the loan-for-oil deals and the obligations undertaken by the borrowers to purchase equipment and other supplies from Chinese firms.

Seen from a broader angle, the coordinated strategy of the Chinese state, the Policy Banks and the National Oil Companies is unveiled; the State, through the State Asset Supervision and Administration Commission (SASAC), is directing and supporting politically and diplomatically the global expansion of the National Oil Companies, while the Policy Banks, which are directly controlled by the State Council, are providing the necessary funding to the Chinese companies and to foreign governments in order to support the economic, commercial and geopolitical objectives of the regime (Recaj, 2019).

Indicative is the context within which the State and the Chinese companies, mainly the National Oil Companies and the Policy Banks, acted during the global economic crisis; in a coordinated process strongly supported by the government, the Chinese companies accelerated their internationalization and global expansion, while the State elevated its diplomatic efforts towards developing and advancing its relations with different regions all over the world.

In the case of Latin America, this form of energy diplomacy, which combines the aligned interests of the State, the Policy Banks and the National Oil Companies, allowed the Chinese State and the National Oil Companies to secure access to energy resources and, thus, to cover the shortage in oil supplies; the state's strategy to cultivate and advance its diplomatic relations with the resources-rich countries in Latin America, its willingness to disburse loans to these countries and enter into energy cooperation agreements with the regional governments, as well as China's overall strategy regarding the foreign direct investments, brought in the region the necessary financial resources for both supporting the National Oil Companies' investments and securing, through the loans repayment terms, steady flows of oil supplies.

In this sense, China's strategy in Latin America (as well as its overall "going-out" strategy") manifests a Realist as well as a (Neo-)Mercantilist orientation, although it does not differ significantly from the strategies of other large countries which pursue their national objectives for energy security, profits, economic development and for advancing their position in the global arena.

By ensuring preferential loans through the Policy Banks to the National Oil Companies investing in the resources rich countries of Latin America, as well as by promoting the economic cooperation at governmental level, either through the creation of joint Development Funds or by directing credit facilities to the region's governments, China has achieved not only to satisfy its energy needs by securing access to oil reserves, it has also managed to continue its economic development by exporting the country's industrial overcapacity.

China's National Oil Companies, through their direct investments in the oil extraction industry and also through mergers and acquisitions, have taken control over a large stake of the region's oil sector, while the Policy Banks through the loans repayment terms have managed not only to mitigate the credit risk but also to secure certain shipments of oil to China. At the same time, almost the entire funding provided to the region by the Policy Banks, like the loans to Brazil's Petrobras and the financing of the "Gasene" pipeline, is tied to specific commitments by the borrower's side either to buy the necessary for the construction and operation equipment from Chinese firms or to assign the construction of the underlying investment projects to Chinese companies.

The alignment of the State's, the Policy Banks' and the National Oil Companies' interests as well as the orchestrated strategy towards achieving them can be easily observed.

Yet, although the pattern of the Chinese companies' behavior in Latin America (and elsewhere) clearly manifests a high-level coordinated strategy between them and the state towards promoting the state's interests, with the state determining – in large – the country's investment strategy and the capital flows, this does not mean that the Policy Banks and the National Oil Companies are blindly following the state's will; instead, they are operating according to their corporate interests, employing market-oriented policies and aspiring to become profit-driven international players. Therefore, even though the Chinese companies are dependent on the state's strategies regarding the foreign investments, they are also relying on the development of their institutional framework and internal structure for pursuing and advancing their corporate interests globally.

At the international relations level, the "going-out" policy and the associated strategies which revolve around the natural resources investments in Latin America, have increased China's leverage upon the countries of the region and especially upon those which have been recognized by China as "strategic partners", namely Brazil, Argentina, Venezuela and Mexico. Brazil and Argentina are the dominant economic and political powers in South America, while Mexico exerts significant influence to the countries of Central America and Venezuela seeks to expand, by using its abundance of energy resources, the political and economic leverage it already has over the Caribbean nations.

Thus, the pursue of closer connections with these four countries and their treatment as "strategic partners" from China's side, apart from opening new markets for exports, exploitation of opportunities for investments in the energy extraction sector and securing access to oil resources, also serves as a vehicle for China to increase its influence in Latin America by working through, or even exploiting, the political dynamics and powers of the region, using its economic might.

A noteworthy case is that of Argentina, where China stepped in at a time when the majority of foreign investors were exiting the country due to Argentina's 2001 default on its foreign loans.

China also saw the global recession of the 2008 as an opportunity to use its financial strength and accrue political and economic gains in Latin America by channeling large amounts of money into the region's countries, which found themselves severely hurt by the economic crisis.

Among the Latin American counties, Brazil holds a prominent position in the China – Latin America relations. Brazil, which has become the world's seventh economy and has emerged as a regional power during the last ten years, has been very attractive to China for promoting its objectives in the region. Through a series of cooperation agreements, especially in the energy sector, China has achieved to grow its political and economic presence in Brazil, a country which plays a key role among the Latin American countries and is in a position to exert influence not only in the region but also at the global level.

China's investments in Brazil were the drivers behind Brasília's decisions to support, in 2010, Beijing's efforts to promote Renminbi as a global transactions' currency replacing the US Dollar, as well as China's attempts to promote itself as a market economy. China's financial assistance to Brazil played a critical role in facilitating the *BRIC Group*'s (Brazil-Russia-India-China Group) formation, as well; China considered this Organization as a very important institution, since it adopted a Third World stance towards international affairs and, equally importantly, it didn't allow the participation of Western countries. Moreover, China considered BRICS Group (as it is now known, after South Africa's accession in 2011) as an institution able to promote the creation of a multipolar world, something that China strongly favors (Copper, 2016b).

In 2009 China became a member of the *Inter-American Development Bank* and provided USD350 million in funding, in an attempt to promote its image as a partner which cooperates with other countries towards assisting in the development of Latin America, while in 2013 President Xi Jinping, at a BRICS summit, encouraged the formation of a *BRICS Bank*, a global bank that could act as an alternative to the World Bank (Copper, 2016b).

In 2014, a *China – LAC* (Latin America and The Caribbean) *Cooperation Plan* covering the period 2015-2019 was announced by Beijing, aiming at promoting the mutual growth and the sustainable development and giving emphasis, among others, to the strengthening of the connections and cooperation in the energy industry. The continuation of the China – LAC Cooperation Plan beyond 2019 (2019-2021) was announced in 2018 by China and it was accompanied by the addition of a new and important element, the inclusion of the region into the *Belt and Road Initiative* (Celada, 2019).

The Cooperation Plan along with the Belt and Road Initiative brought Panama closer to China and led to the establishment of formal diplomatic and political relations between the two countries in 2017. Following a period of antagonistic relations over Taiwan, the President of Panama himself announced in June 2017 the brake of the country's longstanding ties with the *Republic of China (Taiwan)* and the establishment of formal diplomatic relations with *People's Republic of China*, thus bringing Panama in line with China's "one China Principle". The normalization of the two countries' political and diplomatic relations not only brought into Panama the much-desired Chinese investments but also made the country benefit from China's global and regional policies, while from China's side the attraction of Panama into its sphere of influence was an important element in the country's overall strategy in the Western hemisphere (Celada, 2019).

Panama's approach with China triggered a series of events to the benefit of China at political and international level. In April 2018 the Dominican Republic broke its diplomatic relations with Taiwan and established formal diplomatic and political ties with

China, while four months later it was El Salvador's turn to formally establish relations with Beijing. This series of movements provoked Washington's strong reaction, which in a White House's statement characterized El Salvador's decision to establish diplomatic relations with China as one that "*affects not just El Salvador, but also the economic health and security of the entire Americas region*" and continued to note that "*countries seeking to establish or expand relations with China in order to attract state-directed investment that will stimulate short-term economic growth and infrastructure development may be disappointed over the long run*" (Celada, 2019).

Other indicative cases which demonstrate the benefits China got at the political and international level and are directly connected with the Chinese financial involvement in Latin America and the Caribbean, are the ones of Cuba and Jamaica.

In the case of Cuba, apart from China's apparent will to maintain good relations with one of the few remaining Communist nations, the Chinese leaders were very satisfied with the fact that Cuba was supporting China's position over Tibet and Taiwan. Furthermore, Beijing was viewing this country as an advantageous point for dealing with the entire Latin American region, with the Chinese leaders counting on the good relations with Cuba in order to benefit from Cuba's deteriorating relations with the United States. Some analysts see the substantial financial assistance to Cuba, either in the form of investments or aid, as a remuneration for the intelligence facilities China had set up in the country, while others considered China's financial involvement as an attempt from Beijing's side to establish a sphere of influence as a counterbalance to the United States' "pivot to Asia" policy (Copper, 2016b).

Similar is the case of Jamaica, where China was negotiating, in 2013, the building of a large port in the country. Not being connected with natural resources in any way, this large-scale project was considered as a movement from China's side to take advantage of its presence in the region through its financial involvement and thus gain strategic leverage over the US, a movement directly comparable to the Soviet Union's involvement in Cuba in the 1960s (Copper, 2016b).

8. Conclusions

With the country's energy needs having increased rapidly due to the unprecedented economic growth, it's apparent that the energy security concerns have become important in influencing the thinking, formation and implementation of China's foreign policy. Moreover, the political elites' expressed will and desire to safeguard the country's economic development and maintain the growth pace at high levels, since the establishment derives its legitimacy from the continued economic and social development, mean that the country's dependence on imported energy resources will continue to rise.

While this perceived energy insecurity has become an increasingly influencing factor in China's international behavior, it cannot be argued that the country's energy needs is the most important dimension in Beijing's foreign policy calculations. Indeed, while China's presence in the resources-rich developing countries has grown significantly and the pursue of high-level diplomatic relations with such countries has been intensified considerably, China's increasing dependence on overseas oil and the enhancement of the country's energy security is but one dimension in Beijing's international calculations.

Examined in the context of China's multilevel objectives and competing priorities, the growing dependence on imported resources and the global hunt for energy is consistent with China's overall strategy for economic development and its policies for enhancing the country's political standing on the international arena.

By employing every available tool at its disposal at the political level and by mobilizing the country's economic might and capacity at the financial and industrial levels, China pursues not only the establishment and advance of its political and economic ties with the resources-rich developing countries for energy security reasons, but also a growing presence in such countries. These movements should be seen in a multi-dimensional context, where the country's worldwide-expanding economic and political interests compete and interact with domestic political and social adjustments and balances.

Through a combination of foreign policy and economic statecraft, a manifestation of Neo-Mercantilism and a Realist worldview, China shapes its international energy diplomacy while at the same time it uses its presence in the developing resources-rich countries for advancing its national interests both at political and economic levels; the Chinese companies (National Oil Companies and Policy Banks) have the government's political and diplomatic support in their pursue for overseas expansion, while the State uses the Chinese companies in order to achieve political and economic ends at both domestic and international levels. Through a coordinated policy, which is mainly the result of the various actors' aligned interests, China exercises economic statecraft by using economic means (through financial aid, Development Funds and concession loans to foreign governments), while at the same time it uses its influence and presence in other countries in order to open up new markets for exports and investments; on the other hand, the Chinese state supports diplomatically and financially (through the centrally planned outbound investments policies and preferential loans) the Chinese companies in order to secure access to natural resources and safeguard the continuation of its economic development by exporting its production overcapacity.

From an economic point of view, China exercises energy diplomacy aiming at securing the uninterrupted fueling of its production machine and subsequently to maintain high growth rates, thus accomplishing its ambitions both domestically and abroad: an economic power with abundant financial resources and manufacturing capacity at the international level and a legitimate CCP domestically which delivers prosperity and works towards realizing the "China dream" sentiment for the nation's "great rejuvenation".

From a political perspective, China's attempts for enhancing its energy security and the subsequent global hunt for energy is indeed a growing influencing factor in the Chinese international thinking. However, Beijing's growing international footprint and its behavior towards building closer relations with resources-rich countries is not simply the result of its energy insecurity; instead, the pursue for energy and its impact in the formation of China's foreign relations depends on the wider framework of the strategic, political and economic importance of those countries to China.

The pattern is clear; China employs foreign policy instruments so to secure access to energy, with energy becoming an increasingly influencing factor in Beijing's foreign policy design, while at the same time the presence of the Chinese energy companies and Policy Banks in resources-rich countries, is used by the government as instrument towards achieving its national and international ambitions. Although energy per se has not transformed the Chinese foreign policy, despite the growing importance of energy security in Beijing's strategic thinking, it's likely that the foreign and international energy policies will converge, rather than diverge.

In this context, the question "Foreign Policy via Energy or Energy via Foreign Policy?" is easily answered. -

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