

IDENTIFICATION AND MONITORING OF CHINESE STATE-OWNED ENTERPRISES IN THE ANDEAN REGION (2000 - 2023)

METHODOLOGY

This investigation aims to identify and track the projects carried out by the main Chinese state-owned holding companies in five countries of the Andean region: Bolivia, Colombia, Ecuador, Peru and Venezuela, between 2000 and 2023. A total of nine state-owned holding companies, their respective subsidiaries, as well as joint ventures and fully and/or partially acquired companies, through which they participated in the development of projects in the region, were selected. This selection is based on the criteria that these holdings meet the conditions of greater and more extensive participation in the development of projects in the countries mentioned and that they abide by the People's Republic of China's strategies of economic and political expansion across the region. These holdings included in this investigation are the following:

- **China National Petroleum Corporation (CNPC)**
- **China Petroleum & Chemical Corporation (SINOPEC)**
- **China Communication Construction Company (CCCC)**
- **China Railway Construction Corporation (CRCC)**
- **China Railway Group Limited (CREC)**
- **China National Machinery Industry Corporation Ltd. (SINOMACH)**
- **SINOCHEM Holdings**
- **China National Offshore Oil Corporation (CNOOC)**
- **ZIJIN MINING GROUP**

PRC HOLDING	SUBSIDIARY OF PRC HOLDING	JOINT VENTURES FORMED	FULLY ACQUIRED COMPANY	PARTIALLY ACQUIRED COMPANY
China National Petroleum Corporation (CNPC)	BGP Inc China National Petroleum Corporation	<ul style="list-style-type: none"> • PetroOriental S.A. (CNPC - SINOPEC) • Andes Petroleum (CNPC - SINOPEC) 		
	SAPET Development			
China Petroleum & Chemical Corporation (SINOPEC)		<ul style="list-style-type: none"> • PetroOriental S.A. (CNPC - SINOPEC) • Andes Petroleum (CNPC - SINOPEC) • Mansarovar Energy (SINOPEC -ONGC-Videsh) 		
China Communication Construction Company (CCCC)	China Harbour Engineering Company Ltd.			<ul style="list-style-type: none"> • Mota Engil
	CCCC Second Highway Engineering co. Ltd.			
	China Road & Bridge Corporation			
China Railway Construction Corporation (CRCC)	China Railway Construction Corporation International Limited			
	China Civil Engineering Construction corporation CCECC			
	CRCC 14th Bureau Group Co.			
	CRCC 19th Bureau Group Co.			
	CRCC 20th Bureau Group Co.			
China Railway Group Limited (CREC)	China Railway International Group Co Ltd.			
	China Railway No. 10			

China National Machinery Industry Corporation Ltd. (SINOMACH)	China CAMC Engineering Co. Ltd			
	China Machinery Engineering Corporation CMEC			
	China National Electric Engineering Co. Ltd			
	SUMEC Complete Equipment Engineering Co. Ltd.			
SINOCHEM			<ul style="list-style-type: none"> • Emerald Energy 	
China National Offshore Oil Corporation (CNOOC)			<ul style="list-style-type: none"> • Nexen Petroleum 	
ZIJIN MINING GROUP			<ul style="list-style-type: none"> • Continental Gold • Monterrico Metals 	

The methodological strategy applied to the research is composed of a review and analysis of primary and secondary sources. In relation to the former, priority was given to obtaining and reviewing the contracts and documents attached to each of the projects, as well as the official documentation of both the Chinese companies and the governmental entities of the countries receiving the investment. In relation to the latter, an extensive review of journalistic sources was carried out, as well as research reports from academic entities and non-governmental organizations dedicated to investigating the impacts of these projects in each country and regionally.

From the information collected, a total of 147 projects developed by Chinese state-owned holding companies, either directly or through their related companies in the five countries, were recorded. All the information was organized and consolidated in a database according to the criteria listed below:

- **Country:** Indicates the country in which the project is being or has been developed. In the current phase of the investigation there are only five possibilities: Bolivia, Colombia, Ecuador, Peru or Venezuela.
- **PRC (Holding) Company:** This refers to the Chinese parent company or conglomerate (holding) that has a direct or indirect participation in the development of the project in the country receiving the investment. In this study, only those holding companies that are under the control, administration and supervision of the State-owned Assets Supervision and Administration Commission (SASAC), an agency belonging to the State Council of the People's Republic of China, are addressed.
- **Subsidiary company of the PRC holding company:** Refers to the company that, as part of the conglomerate (holding company) in charge of the development of the project, directly participates in the development of the project.
- **Subsidiary company of the PRC holding company in the host country:** Such subsidiary company is part of the structure of the conglomerate on Chinese soil, however, they create registered offices in the countries receiving the investment.
- **Companies acquired in whole and/or in part:** These are companies belonging to third party countries whose ownership has been acquired in whole or in part by the holding companies of the PRC.
- **Joint venture and/or consortium:** We have identified joint ventures as those that have been created from the merger of capital between a Chinese holding company and a state-owned

company in the country receiving the investment. Consortiums, on the other hand, are those that we have identified as associations between Chinese companies, or between these and companies from the country receiving the investment, which have been formed with the objective of developing a specific project in the country receiving the investment.

- **Other participating companies (Foreign):** Companies identified in the development of a project in the country receiving the investment that come from third countries.
- **Other participating enterprises (Host country):** enterprises identified in the development of a project in the host country that come from the host country itself.
- **Sector(s):** Economic branch in which a given project is developed by the Chinese state-owned company or any of its associated companies. A total of 19 sectors were identified: Agriculture; Water and Sewage; Food; Defense; Sports; Education; Gas; Hydroelectric; Industry; Electric Infrastructure; Railway Infrastructure; Port Infrastructure; Road Infrastructure; Mining; Petroleum; Health; Security; Housing; and, All Sectors (due to the specific case of the Government Financial Management Platform project, developed in Ecuador by China CAMC Engineering Co. (CAMCE) subsidiary China National Machinery Industry Corporation (SINOMACH)).
- **Project (Name and description):** Refers to the development of infrastructure work, extractive activities or other types of activities that involve investment in fixed capital (for example: development of transportation work, mining, oil field exploitation, construction of factories or housing complexes). This activity must have been carried out by the Chinese parent company (holding company) or by any of its related companies.
- **Location:** Description of the geographic location of each of the projects, as well as their georeferencing data (latitude and longitude).
- **Year:** The year of the signing of the contract for the execution of the project or, alternatively, the year of the beginning of the execution of the project is taken as a reference.
- **Current status:** This criterion refers to the current status of each project. According to the information collected, each project may fall into one of the following categories:
 - **Completed:** projects effectively completed in compliance with their purpose.
 - **Not concluded:** projects that were not completed and therefore did not fulfill their purpose.

- **Ongoing:** projects under development.
 - **N/A:** No data. Taking this into account, this is considered a key category for generating indicators of possible irregularities in a project.
 - **Contract Termination:** early termination of the contract due to non-compliance.
 - **Suspension of Contract:** suspension of the effects of the contract and therefore of the development of the project.
 - **In Feasibility Stage:** projects that are in the study phase prior to approval.
- **Origin of Financing:** This criterion refers to the origin of the economic resources with which each project will be developed. According to the information collected, the origin of the resources for each project may fall into one or more of the following categories:
 - **PRC Entities Financing:** Resources coming from financial entities of the People's Republic of China. Among these we highlight the following: EximBank, Bank of China and China Development Bank.
 - **Receiving Country Financing:** Funding from the own resources of each of the host countries, whether national, departmental/provincial, and/or municipal.
 - **PRC Company Own Resources (FDI):** Resources from each of the Chinese companies involved in the development of long-term projects (Foreign Direct Investment).
 - **Multilateral Entities Financing:** Resources from multilateral financing entities. These include: the World Bank (WB), the Inter-American Development Bank (IDB) and the European Investment Bank (EIB).
 - **Foreign Entity Financing:** Resources from financial entities in third party countries.
 - **N/A:** There is no data on the origin of the resources.
 - **Ministries (Recipient country):** Ministerial entities involved in the development of the projects in each of the host countries.
 - **Entities and/or executing agency (Recipient country):** Governmental and executing entities involved in the development of the projects in each country.
 - **Key persons:** Names and positions of government officials involved in the development of the projects in each country. We also have the names and positions of the officials of the Chinese state-owned companies involved in the development of the projects in each country.

Likewise, based on the data collected in each of the projects, information on irregularities and cases of corruption was recorded. In order to examine and compare this information, it was necessary to construct a series of categories of analysis, which are described below:

DEFINITION OF IRREGULARITIES:

Those actions or lack thereof that altered the development of the projects, and that, in a highly probable manner, meant some type of fraud and/or failure in their execution.

CATEGORIES FOR THE ANALYSIS OF IRREGULARITIES:

- **Inconsistencies in the construction goals set/achieved:** Situations where the physical execution of the project presented problems that altered its completion. The following situations can be identified within this category:
 - **Unfinished / stalled / abandoned work:** Projects whose construction work remained unfinished, stalled and/or abandoned.
 - **Delays in delivery times / delays in the work:** Projects in which the delivery deadlines for the construction of the work were not met or the work was completed late.
 - **Lack of knowledge of the current status of the project:** Projects in which it has not been possible to ascertain their current status.
- **Financial inconsistencies related to the project:** Situations where there were problems in the investment or financing used or planned for the implementation of a project. The following situations can be included in this category:
 - **Insufficient resources (poor planning / diversion of resources / lack of resources):** Projects in which the resources were not sufficient for the proper completion of such, either because the financial planning was not optimal or because these resources were allocated to other projects and / or activities; similarly, situations where there was a lack of resources observed are also considered under this category.
 - **Cost overruns:** Situations where, as part of the implementation of an infrastructure project, an increase in the original costs originally planned was evidenced. This practice is considered to be very common in Latin America and the Caribbean, an area where, due to institutional weaknesses in a number of countries, new budgets are often approved for the same project.
 - **Non-executed budget and/or non-accountability:** Projects where the initially allocated budget was not executed and there is no justification for this.
- **Inconsistencies in production goals:** This category refers specifically to situations where, once a project is completed, it does not operate properly, either because of maintenance failures or

simply because of partial operation due to management problems. Here we can find cases of partial operation and negligence and/or lack of maintenance.

- **Environmental complaints:** This category refers to environmental problems caused by the execution of a project. Such problems may be related to soil degradation, contamination of water sources, air pollution, deforestation of protected areas, etc.
- **Social complaints:** Harmful impacts denounced by social groups, collectives and organizations (except unions or guilds) that have been negatively affected by the development of a project.
- **Labor complaints:** Individual or collective complaints by workers who have been directly involved in the development of a project and whose labor rights have been violated.
- **Opacity of information:** Either by negligence or deliberately, there is total or partial inaccessibility to project information.
- **Sanctions and/or fines:** Projects in which non-compliance with mandatory standards has been verified in their design, construction and/or execution, and for which the competent authority imposes a penalty, which may or may not entail the payment of a sum of money in accordance with the infraction.

DEFINITION OF CORRUPTION CASES:

Those actions that involved a clearly defined criminal act and that have been duly investigated and/or prosecuted by a competent authority, either in the country under study and/or by competent authorities in other countries.

According to the data collected in the research, the following crimes were identified and have been adjusted according to the definitions of the legal systems of each of the countries.

- **Embezzlement:** Appropriation of other people's money, which has been entrusted for its administration, for its own use and benefit.
- **Influence peddling:** Influence exercised over a public official, taking advantage of circumstances of prevalence, to obtain an economic benefit, through a decision or resolution issued by said official.

- **Illegal profit making:** Cases in which public officials take advantage of sensitive and confidential information by virtue of their position to obtain a benefit of a personal nature.
- **Scams:** Deception of one person over another so that the latter delivers money or some material possession.
- **Graft:** Appropriation, detour and/or misuse of public resources by the official in charge of their administration, either to obtain a personal benefit or in favor of third parties.
- **Bribery:** Request and/or offer of an undue benefit (in most cases of money), by, or to a public official for the purpose that they perform or refrain from performing their duties in order to ensure a particular benefit.

To learn more about the investigation and read our in-depth report, we invite readers to access our website www.fundacionandresbello.org/empresas-region-andina/

There, readers will be able to use, browse and interact with all the data collected and download the documents with complete information on the selected Chinese state holding companies, with their respective subsidiaries and companies acquired in whole and/or in part, as well as all the information on each of the projects developed in the Andean region, along with direct access to both primary and secondary sources used in this research.

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