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A Dangerous Alliance? The Relationship Between Ecuador and China

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Abstract

The aim of this paper is to outline the relationship between Ecuador and China, highlighting its main threats to the development of the Ecuadorian Republic, and in particular how the implementation of the *buen vivir* economic paradigm which Ecuador is experimenting with may be affected if it does not change the terms of engagement with the Asian giant. The paper is structured as follows: in the introduction, we present an overview of the historical framework of the Chinese relationship with Ecuador. There follows an analysis supported by data on the commercial situation between the two countries, and its implications for the development of the Latin American state. In our final remarks we present the possible routes that Ecuador could follow to secure its path to development, whilst highlighting possible conditions under which Ecuador could cooperate with China while avoiding a state of dependency.

Keywords: Buen Vivir; China; Dependency; Ecuador; Productive Matrix; Sovereignty
JEL: B59; O10; O20; O54.

Introduction

In the last decades, China has gone through a period of economic prosperity and sustained growth that has made the country one of the most powerful economies in the world (World Bank, 2015). Furthermore, China represents a huge market opportunity for other countries, as its population alone counts for one-fifth of the global total. Along with its economic weight, the political influence of the country has grown in recent years, with its loans, investment, and financing increasingly making China a reference point in world geopolitics, with particular importance for developing countries (Mann, 2002; Gallagher and Porzecanski, 2010; Hongbo, 2014; Jenkins, 2015; Salinas de Dosch and Dosch, 2015). Furthermore, China's advocacy for third world issues in global forums has highlighted the value it attaches to the South-South agenda as a component of its international relations policy.

The other country addressed in this study is Ecuador, a state whose population is equivalent to about 1% of the Chinese population and whose territorial extent is approximately 3% of China's (World Bank, 2015). The choice to study the relationship between these two countries is motivated by a growing interest in the Latin-American state observed in recent years, as Ecuador tries to change its economic paradigm through a revolutionary process. Since 2007, Ecuador has been pursuing a model it calls "*buen vivir*" (literally "living well"), an antithesis to previous neoliberal paradigms that have been pursued (Gudynas and Acosta, 2011; Alvarez, 2013, 2014; Cortez, 2014; Kothari, Demaria and Acosta, 2014; Monni and Pallottino 2015a, 2015b, 2015c; Walsh, 2010). To realize this paradigm, it has distanced itself from its traditional international organizations and former allies and found in China a new strategic partner (Ellis, 2008, 2014; Chicaiza, 2014; Garzón, 2014). In fact, China has become the main lender to Ecuador and one of its most important investors (Schneyer and Perez, 2013; Samanamud, 2014).

The aim of this paper is to outline the relationship between Ecuador and China by highlighting possible threats to the development of the Ecuadorian Republic, if it does not change its terms of engagement with the Asian giant.

China and Ecuador: A historical background

The current relationship between China and Ecuador developed from some important events that influenced the political and economic actions of Ecuador.

Even before Rafael Correa, president of the Ecuadorian Republic from 2007 to 2017, was first elected, he had expressed his dissent against international institutions, as regards

Ecuador's foreign debt. As Minister of Economy in 2005, he had suggested that the allocation of gains from the country's crude-oil sales should be reconsidered: instead of allocating 70% of the gains to debt repayments, 20% to reserves and 10% to education and health programs, he proposed to modify these shares, increasing the share for social issues to 20% and decreasing the debt share to 50% (Kozloff, 2008). The World Bank's (WB) response to this offer was to cancel a previously approved loan, following which Correa resigned his post as Minister (Kozloff, 2008). In 2007, when he was elected President of the Republic, one of his first initiatives was the establishment of the CAIC (Comisión para la Auditoria Integral del Crédito Público or Integral Auditing Commission for Public Credit of Ecuador), which carried out an audit to evaluate the legitimacy of the public debt. This audit found elements of illegality and illegitimacy in the debt, and with this, the government impugned a share of its commercial debt and renegotiated it, relieving its weight on the financial situation of the country (Masala and Serafini, 2015a). The government's repudiation of its debts led to a break with the International Monetary Fund (IMF) and WB, forcing Ecuador to search elsewhere for credit.

Another key episode was the renegotiation of crude oil contracts with multinationals operating in Ecuador. Following the legislative decree of 2007, the state's share in extraordinary capital gains increased to 99%, later decreasing to 70% following the promulgation of a law on tax equity (Villavicencio, 2014). With the new contracts, the government held companies responsible for operations on and investments in their concessions, meaning that crude oil became state property and the state itself would have to pay a fee as service costs. In this way, the contracts changed from participation to simple provision of service (Chicaiza, 2014). Ecuador increased its income, and at the same time could decide to whom it would sell the extracted oil, as this was no longer up to the companies that extracted it.

This shift in Ecuador's economic framework was followed by a political change, in the form of a distancing from the United States. First Correa refused to renew the agreement to maintain the US military base in Manta, considering it an affront to Ecuadorian sovereignty. Then, the Ecuadorian government declared the US ambassador *persona non grata* after she failed to provide sufficient answers about a leaked diplomatic cable related to Ecuador, a document included in the 2011 Wikileaks scandal. Nor was this the first time that Correa was involved in controversy with the US. In 2009, he expelled two US embassy official from the country for interfering with Ecuadorian internal affairs, in a case involving the equipment for the country's police (Reuters, 2011). In 2013, relationships further soured when Ecuador offered asylum to whistle-blower and fugitive from US justice Edward Snowden, who was responsible for having exposed NSA spying methods. This offer was seen as an open challenge to the US government (CNN, 2013). These events contributed to a change in Ecuador's diplomatic position and alliances, forcing it to seek new horizons and opportunities.

The first relations between China and Ecuador date back to the early 1970s, when, in 1971 and 1975, the two countries signed bilateral agreements to establish business offices in their respective territories (Ellis, 2008). Due to Ecuador's fragile political situation at the time, full diplomatic ties were not instated until 1980, with the reciprocal opening of embassies in each other's countries. In the following period, relations grew slowly, with few interactions, limited agreements and modest commercial dealings. The situation remained unchanged until 2005, when there was a marked increase in the commercial exchange between the two countries: Ecuadorian exports to China grew by 53%, whilst imports from China doubled (Ellis, 2008). From an investment point of view, also, things changed: in 2007, Li Chanchung, a member of the Chinese politburo, declared that Chinese investments in Ecuador were estimated at $1.8 billion, making the country, at that time, the largest beneficiary of Chinese capital in Latin America (El Universo, 2007). Since then, China has become a reference point for Ecuador as regards both commercial and investment matters, and through the establishment of various credit lines. This relation was strengthened after Ecuador's clash with the international financial institutions (as previously mentioned); presently China controls the majority of Ecuadorian oil stock, and has become the largest lender to the Latin-American state.

China and Ecuador: A greasy relationship

This section examines the economic relationship between China and Ecuador. In particular, we will display a record of their commercial, credit, and investment relations, with a focus on the oil trade between the two countries. Crude oil is the primary export commodity from Ecuador to China, but it is also a politically weighted issue. It is a focal point in the debate about excessive dependence on natural resources, as it represents the possibility of developing the "Dutch disease" or "resource curse hypothesis" (Cori and Monni, 2015). Moreover, its extraction, and the consequent impact on the environment, appear incoherent with the principle of *sumak kawsay* (Quechua for *buen vivir*) safeguarded in the Ecuadorian constitution (Acosta, 2013).

Oil has a fundamental role in the Ecuadorian economy, and, to China, is its most desirable commodity, along with other mineral resources. Oil exports have allowed Ecuador to secure an important line of credit from China, although not always under favourable conditions.

Despite being the smallest member of OPEC, Ecuador owns the third-most important oil reserves of South America (6.03 billion barrels), after Venezuela and Brazil, and produces approximately 550,000 barrels per day of which 60% is attributed to the public company PetroEcuador, and the remainder to foreign companies (El Comercio Ecuador, 2015). In 2013, the value of Ecuadorian oil exports was estimated at $11.9 billion, a 7.6% increase from 2012. The total production output in 2013 was 124,1m barrels (+10.5% from 2012) (El Comercio Ecuador, 2015).

This might explain why Chinese companies are interested in Ecuadorian resources: in 2007 a Chinese joint venture acquired the assets of the Canadian oil company EnCana for $1.42 billion. Since 2007, two other Chinese companies (China National Petroleum Corporation and Sinopec) own Andes Petroleum, producing 62k barrels per day, nearly the 11.2% of total production (Salinas de Dosch and Dosch, 2015). In 2012, the General Manager of PetroEcuador was sent to China to sign a loan agreement – Ecuador, after the 2008 default, was searching for new credit, and Chinese financing represented a golden opportunity. The terms of the subsequent agreement stated that for a loan of $2bn, Ecuador would sell the majority of its oil stock to China (Schneyer and Perez, 2013). In 2013, Chinese financing represented 61% of the financial requirements needed for the annual public expenditure ($6.2bn); in exchange, Ecuador had granted almost 90% of its oil exportation in the following years to China (Schneyer and Perez, 2013). It is important to note just how much of this oil is actually dispatched to China – 2% – with the rest being sold to the United States (Schneyer and Perez, 2013). In January 2015, a new loan amounting to $7.53bn ($1.5b from the China Development Bank; $480 million from Bank of China; a line of credit of $5.3b from the Chinese Eximbank) became necessary in view of the continued slump in oil prices (The Economic Times, 2015). Ecuadorian state dependency on China further deepened, and posed an increasing threat. By 2015, estimates placed the debt to China at close to $10bn, representing almost 30% of Ecuador's total foreign debt (El Comercio, 2015). In January 2016, Ecuador secured a new credit line from the Industrial and Commercial Bank of China worth $970m (Financial Times, 2016), and in April 2016, an additional credit line worth $2b from the China Development Bank (Reuters, 2016).

Another sector in which China shows interest is the mining industry. In 2009, a copper deposit estimated at some 60,000 tons was discovered in Ecuador; a joint venture of two Chinese companies with an investment plan of $3 billion was set up to exploit these reserves in the Corriente Copper Belt, particularly in view of the apparent insufficiency of existing Chinese copper reserves to meet their future planned growth (Salinas de Dosch e Dosch, 2015).

In 2012, Ecuacorrientes Resources took it upon itself two important mining contracts, the Mirador project ($846m) and the San Carlos Panantza project ($1.2b), identified as the second largest copper mine in the world. However, the actual owner of Ecuacorrentes is a consortium named CRCC-Toonguan Investment, comprising the Tongling Nonferrous Metals Group and China Railway Construction Corporation (Chicaiza, 2014). Other notable and important Chinese projects in Ecuador also include the Coca Codo Sinclair hydroelectric dam, a project worth $2.2bn, and the construction of a refinery near the port of Manta, for which the Chinese banks are evaluating a loan of $7bn (Krauss and Bradsher, 2015). Ecuador has already invested $1bn in this refinery, without the certainty of credit from China (Krauss and Bradsher, 2015).

Commercial relationship

Starting from 2005, China demonstrated an interest in Ecuador by purchasing its raw materials and flooding the Ecuadorian market with its products. Many Chinese commercial concerns began to show up in Ecuador. Their presence has caused concern amongst Ecuadorian business owners, who saw the Chinese competition as a threat, in view of the fact that the Chinese government was apparently offering subsides to enable businesses to open new commercial activities (allowing them, for instance, to pay rents many times higher than the Ecuadorian standard) (Salinas de Dosch and Dosch, 2015). Another downside of this market penetration is the fact that the majority of the Chinese companies present have not been regularized appropriately: only the bigger enterprises (two oil companies and two communication companies) are registered at the regulative agency of the Ecuadorian private sector (Superintendencia de Compañías), and very few are registered with the chamber of commerce (Salinas de Dosch and Dosch, 2015). Examining trade from 2004, we see that the exchange between China and Ecuador grew by a factor of nine, from $436m to $3.8b, thus making Ecuador, to quote the Chinese minister of foreign trade, 'one of the most important commercial partners of China in South America' (Salinas de Dosch and Dosch, 2015). It is important to analyze in particular the condition of the trade balance between the two countries. Between 2009 and 2015, as reported in the table below, the Central Bank of Ecuador registered a deficit in the trade balance, with a strong gap in favour of the Asian country.

Table 1 – Total Trade Balance (thousands USD FOB)

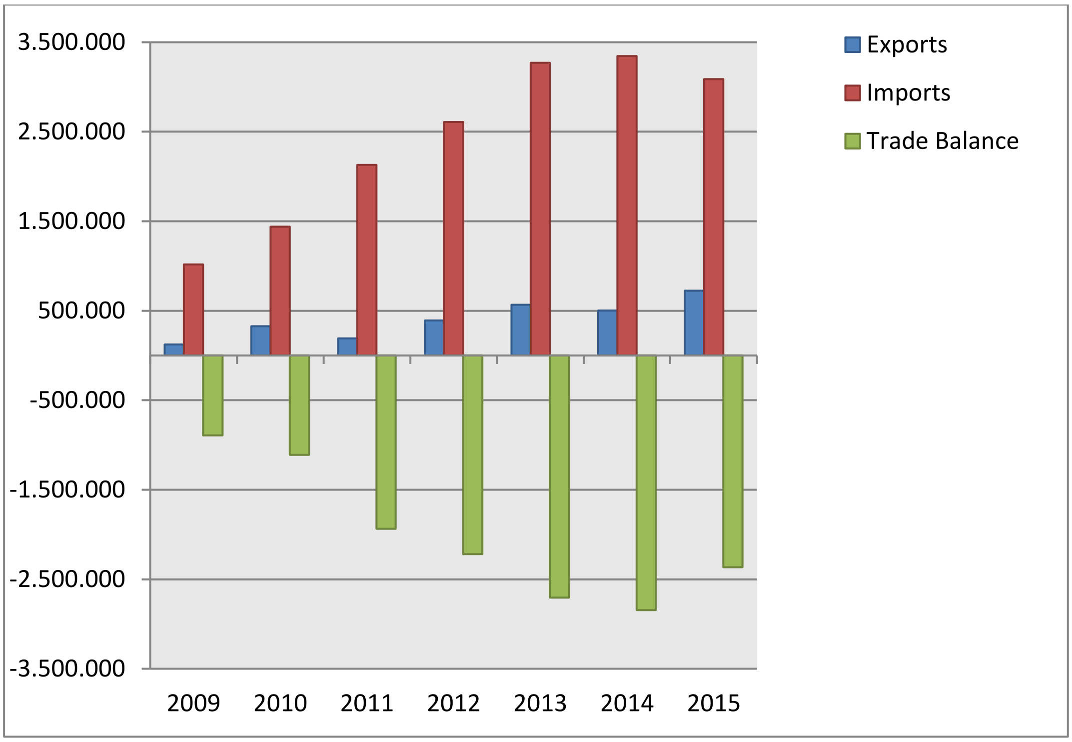
	2009	2010	2011	2012	2013	2014	2015
Exports	124,208	328,738	192,322	391,698	565,449	501,737	723,017
Imports	1,016,627	1,438,442	2,129,776	2,609,115	3,270,489	3,346,169	3,087,000

Trade Balance	-892,420	-1,109,704	-1,937,454	-2,217,418	-2,705,040	-2,844,433	-2,363,983

Source: Own elaboration of Banco Central del Ecuador (2015) data

As can be seen from Figure 1, the trend of the trade balance cannot be satisfactory to Ecuador, even if we observe an improvement in the data. Exports have increased their value to six times more than they were before, from $124m to $723m, while the commercial deficit has grown to approximately three times as much, from $892m to $2.363m (Table 1). These figures denote Ecuador’s strong tendency to import: from 2009 to 2015, imports grew from $1b to $3b (Table 1).

Figure 1 – Total Trade Balance (thousands USD FOB)



Source: Own elaboration based on Banco Central del Ecuador (2015) data

The situation is even more serious if the non-oil trade balance is considered, as shown in Table 2.

Table 2 – Non-oil Trade Balance (thousands USD FOB)

	2009	2010	2011	2012	2013	2014	2015

Exports	45,031	97,752	192,322	211,597	259,778	443,949	564,009
Imports	1,010,422	1,433,858	2,122,628	2,604,062	3,264,833	3,339,500	3,081,074
Trade Balance	-965,391	- 1,336,106	- 1,930,306	- 2,392,465	- 3,005,055	- 2,895,551	- 2,517,066

Source: Own elaboration based on Banco Central del Ecuador (2015) data

If the oil component is removed, the gap deepens. However, it is true that in recent years, Ecuador's trade with China has become less dependent on the oil trade, looking at the total shares of the oil trade in its exports, as shown in Table 3.

Table 3 – Shares of oil trade on total exportations

	2009	2010	2011	2012	2013	2014	2015
Oil/Export	64%	70%	0%	46%	54%	12%	22%

Source: Own elaboration based on Banco Central del Ecuador (2015) data

The oil trade balance it is positive, as shown below in Table 4, in view of the fact that importations of oil from China are rare.

Table 4 – Oil Trade Balance (thousands USD FOB)

	2009	2010	2011	2012	2013	2014	2015
Exports	79,176	230,986	0	180,100	305,671	57,787	159,009
Imports	6,205	4,584	7,148	5,053	5,657	6,669	5,926
Trade Balance	72,971	226.402	-7,148	175,048	300,014	51,118	153,083

Source: Own elaboration based on Banco Central del Ecuador (2015) data

In Table 5 and Figure 2, we can observe the global trend of the various trade balances:

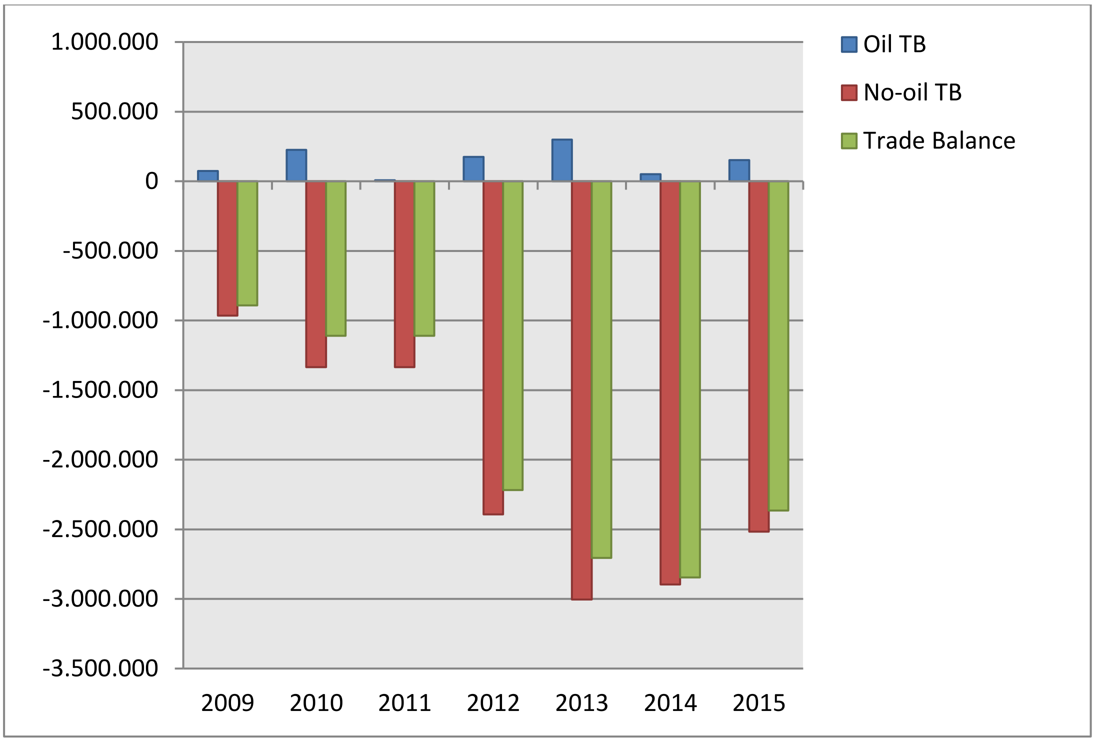
Table 5 – Trade Balances (thousands USD FOB)

	2009	2010	2011	2012	2013	2014	2015
Oil CB	72,971	226,402	7,148	175,048	300,014	51,118	153,083

No-oil CB	-965,391	- 1,336,106	- 1,336,106	- 2,392,465	- 3,005,055	- 2,895,551	- 2,517,066
Trade Balance	-892,420	- 1,109,704	- 1,109,704	- 2,217,418	- 2,705,040	- 2,844,433	- 2,363,983

Source: Own elaboration based on Banco Central del Ecuador (2015) data

Figure 2 – Trade Balances



Source: Own elaboration based on Banco Central del Ecuador (2015) data

As noted earlier, even if in recent years the trend seemed to change, the gap in the trade balance is deep. Ecuador's trade balance with China is the most lopsided of all its commercial relationships, and this is something which must change to guarantee a healthy relationship between the two countries. Change would require Ecuador to limit its propensity to import and try to expand its share in the Chinese internal market, not just as a supplier of commodities but also with manufactured goods. This will be difficult, in light of the fact that the Chinese strategy for the medium-term future is to focus more on its internal consumption market, with less of an inclination to import. However, Ecuador could gain some competitiveness from the expected convergence of Chinese incomes with Latin American per capita incomes, particularly in areas in which it has comparative advantages, with the potential to rebalance trade relationships (Economist, 2016).

To support our thesis, we will analyse in detail the composition of the exports and imports of the two countries. The exports of Ecuador revolve around a few easily recognizable key products: in 2015 more than 50% of Ecuadorian exports were constituted by a combination of crude oil, shrimp, and bananas. As we can see below in Table 6, Ecuadorian exports are mainly composed of commodities.

Table 6 – 2015 Composition of Ecuador's exports

Product	Shares
Crude Oil	22%
Shrimp	19%
Bananas	17%
Precious metals scrap	8%
Wood	8%
Frozen shrimp	6%
Copper scrap	3%

Source: Own elaboration based on Banco Central del Ecuador (2015) data

This highlights how important it is for Ecuador to change its productive matrix, in order to become less dependent on the price fluctuations typical of commodities. On the other hand, Ecuador's imports from China have a very different composition:

Table 7 – 2015 Composition of Ecuador's imports from China

Product	Shares
Extraction pipe	2,1%
Iron or Steel laminated products	1,9%
Alloy steel wire rod	1,8%
Electricity conductors	1,7%
Towers and lattice masts of iron or steel	1,6%
Electric transformers	1,5%

Vehicle (Complete Knock Down kits)	1,4%

Source: Own elaboration based on Banco Central del Ecuador (2015) data

As can be seen from Table 7, the most imported products from China represent only 13% of the total, which means that the composition of imports from China is highly differentiated, and is mainly represented by manufactured products.

Concerns: A marriage expected to fail?

In addition to the economic problems previously listed, there are some crucial matters that make Ecuador's relations with China more problematic: the environmental aspect, workers' rights, Ecuadorian sovereignty, and the production matrix change. All these points are debated in the Plan Nacional para el Buen Vivir (National Plan for Good Living), the Ecuadorian government's development plan that tracks the guidelines for all its public policies, projects, and programmes. In the plan, we find evidence that the relationship with China sometimes runs counter to the stated goals of Ecuador.

The 2013-2017 Government Program, in the section dedicated to the Ecological Revolution, strives for productive transformation under an eco-efficient model with greater economic, social, and environmental value. Accordingly, it prioritizes conservation and sustainable use of Ecuador's Natural Heritage and its natural resources, the insertion of environmentally clean technologies, the application of energy efficiency and a greater share of renewable energies, as well as pollution prevention, control, and mitigation, but also sustainable production, consumption, and post-consumption (SENPLADES, 2013).

China's interest in Ecuador's mineral reserves goes against this good purpose: mining is one of the most ecologically destructive activities possible, considering the extent of exploitation and the toxicity of the waste produced. In the national plan, mining is presented with a 'green coat', but it has been proven that Chinese mining practices are among the deadliest in the world; coal mines in China kill more than any others (Chicaiza, 2014). Among the projects that most concern the defenders of Pachamama (the Andean peoples' name for Mother Earth) is the Mirador project, which will result in the construction of an opencast mine that will extend over 9,928 hectares in the Cordillera del Cóndor (Chicaiza, 2014). Concerns arise about both consumption necessities and waste production: a great quantity of water and energy is needed for chemical treatment of the rock, while the production scraps and wastes have a high water contamination potential (Chicaiza, 2014). In addition to ‘mega-mining’ projects, the various Chinese oil facilities must be taken into account: without adequate control from the state, they represent a risk. For example, there could be more Chevron-Texaco-style cases, as the desperate search for new investors in the south of the country may cause a strong deregulation of environmental standards (Chicaiza, 2014).

Another important point of the government plan is to guarantee dignified work in all forms. Individuals must be addressed as human beings and not as a production factors. According to the plan, work must aim for personal self-realization and happiness, and constitute a mechanism for social integration and interaction in social and economic spheres. Among workers’ rights are listed guaranteed safety, non-discrimination, a proper wage, and labour stability (SENPLADES, 2013). One of the greatest criticisms of Chinese corporations working in developing countries is their minimal employment of the local workforce. Often Chinese corporations import their own labour from China, and by doing so they exclude local labour from wealth and knowledge acquisition, two desirable spillovers of corporate activity in a developing country (Krauss and Bradsher, 2015). Moreover, local workers are often victims of discrimination in their own country: they are often fired at whim while Chinese workers are more protected; the latter often do not speak Spanish and therefore do not integrate with local workers (Krauss and Bradsher, 2015). Other observed problems in Chinese enterprise are low wages and scarce attention to safety. For example, on the Coca Codo Sinclair hydroelectric project, managed by the Chinese company Sinohydro, there have been delays in the progress of work due to an accident that caused the death of 13 workers (eleven Ecuadorian and two Chinese), and the workers have declared that they are often forced to work under extremely risky conditions (Krauss and Bradsher, 2015).

One of the most important goals of the Ecuadorian government is the transformation of the country’s productive matrix. The 2013-2017 Government Program sets out changes in the productive structure designed to diversify the economy, dynamically drive productivity, guarantee national sovereignty in domestic production and consumption, and wean the country off dependence on commodity exports (SENPLADES, 2013). The Ecuadorian economic system is characterized by a primary-exportation economy, with low or no technical value addition (making the country vulnerable to commodity price fluctuations) and the polarized accumulation of capital. This heightens the power of economic elites who concentrate the benefits of growth within a minority, making it urgent to change the current pattern of accumulation (SENPLADES, 2013). The changes necessary for Ecuador to achieve this transformation are:

- Production diversification, based on the development of strategic industries like refineries, shipyards, petrochemical, and metallurgy, and the implementation of new productivity activities like mariculture, biofuels, and forest products, to increase the supply of Ecuadorian products.
- Generating greater value in the national production through the incorporation of technology and knowledge in the actual productive process of biotechnology, environmental services, and renewable energy.
- Selective importation substitution of goods and services that are already produced in Ecuador, such as in the pharmaceutical and engineering industries.
- Export promotion of goods originated from new actors, like the popular and solidarity economy.

Another big issue for the Ecuadorian economy is the excess of processed goods importation: for example, exporting cocoa and crude oil, and reimporting chocolate and oil derivatives. A large share of the goods imported comprises popcorn, candies, and other 'useless' products, not in line with the 'living well' ideology pursued by the government, but rather with consumerism and a developmental state (Masala and Serafini 2015a; 2015b).

It is difficult to say if China is helping to change the productive structure of the Latin American state. Looking at the available data, it seems that China is mostly interested in Ecuadorian commodities, and this accentuates Ecuador's dependency on its Asian partner. For the Ecuadorian government, things could change thanks to the cooperation between the two countries. For example, the decision to manufacture 'Great Wall' Chinese cars directly in Ecuador could be an opportunity to shift the production matrix, thanks to technology transfers, handwork creation, and science and technology development (Ecuador P.R.O., 2013). Unfortunately, as observed, the same contracts force Ecuador to utilize Chinese companies for the development and implementation of production infrastructure. This way, there will be no knowledge transfer, a necessary resource if Ecuador is to realize similar projects autonomously in the future (Samanamud, 2014).

The relationship between Ecuador and China: A dangerous alliance?

In the light of the arguments presented above, can the relationship with China be understood as a strategic alliance, or not? Obviously, the Chinese capital that flows into Ecuador is an important resource for the Latin American country, especially that allocated to infrastructure development. It allows Ecuador to allocate its own resources in social investment and maintain a focus on its citizens, an essential feature of *buen vivir*. Though recent progress in poverty reduction and quality of life are undeniable, causes of concern arise from the terms of this alliance, which as we have seen show a strong imbalance between the two countries:

- Ecuador's exports to China consist mostly of primary products (crude oil, bananas, and shrimp) and low-value-added manufactured goods. This does not help the country to fulfil the transformation of its productive matrix, but instead deepens its dependency on commodities sales, with consequent instability in its economy. Furthermore, looking at the trade balance, we see an imbalance, with Ecuador importing a great variety of goods from China, without being able to enter the Chinese market with its own manufactured goods.
- China does not impose structural/political conditionality like the multilateral organizations, but the terms of loans and financing are often draconian: early oil sale, higher interest rates, and autonomy concession to Chinese companies in Ecuador, that often bring specialized and unskilled labour force, without any transmission of know-how to Ecuadorian workers.

Evaluating this relationship is not a simple task. According to some, the relationship with China should be seen as a competitive one, and the choice to forge a closer relationship is an act of sovereignty (Masala and Serafini 2015b). Yet, even the defenders of this viewpoint must see that the relationship is not sustainable in the long run if its terms do not change. For others, seeking out China was not an act of sovereignty, but an act of desperation, because no one else was willing to lend money to Ecuador, and China appeared as possible saviour; Ecuador then switched from a dependency on the US and multilateral organizations, to another dependency on China. The greater concern is that Ecuador did not learn anything from its previous experiences, and is still dependent on the old commodities export model.

Conclusions

We have shown how China is an important commercial and political partner for Ecuador, but that its weight is sometimes cumbersome and might become worrisome in the future. Even though in the short term Chinese finance and investment have undoubtedly been useful to Ecuador, there is a possibility that the dependency will become a problem in the long term: though the partners are different, the Chinese agenda is similar to the North Atlantic one. The interest in raw materials, and investment that accentuates the specialization of southern countries in commodities exportation do not represent a change, and should not be viewed too enthusiastically. Should Ecuador remain anchored to commodity exportation, it will hardly actuate the transformation in its production structure that could allow it to diversify exports, increase the production of high added value goods and take shelter from price fluctuations. As we have seen, the Chinese investment model does not facilitate knowledge transfer to Ecuadorian workers, since it imports its workforce and specialized staff to the country in which its investment are realized.

In conclusion, it can be affirmed that China is not a new master for Ecuador, because it does not carry out the same interference in the internal affairs of the country that its old allies did: in fact, China realizes a pragmatic administration of the relationships, with an economic goal and not an ideological one. However, the relevance of Chinese capital invested in Ecuador is not negligible, due to the fact that China could choose to exercise its leverage. If Ecuador wants to make its relationship with China sustainable and durable, it will have to change the actual terms of this relationship to be able to rely on a strategic partner that will help the country advance on its chosen development path.

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