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# The relationship between Ecuador and China: a dangerous alliance?

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## Abstract

The aim of this paper is to outline the relationship between Ecuador and China by highlighting the main threats for the development of the Ecuadorian Republic, in particular how it will affect the implementation of the *buen vivir*, the new economic paradigm experimented in the Latin American State, if it does not change the terms of affair with the Asian giant. The paper is structured as follows: in the introduction, we will present an overview on the historical framework of the relationships of China with Ecuador. Later there will be an analysis supported by data on the commercial situation between the two countries, and its implication over the development of the Latin American state. Finally, some final remarks will present the possible paths that Ecuador can follow to secure its way to development. With this, we will highlight under which conditions Ecuador and China can cooperate while avoiding a state of dependency.

**Keywords:** Buen Vivir; China; Dependency; Ecuador; Productive Matrix; Sovereignty;

**JEL:** B59; O10; O20; O54.

## 1. Introduction

In the last decades, China has gone through a period of economic prosperity and strong growth that have made the country one of the most powerful economy in the world (World Bank, 2015). Furthermore, China represents a huge market opportunity for any country, as its population alone counts as 20% of the global total. Along with the economic weight, even the political influence of the country has grown in the last years, with loans, investment and financing, making China a reference point in the world geopolitics, in particular for the developing countries (Mann, 2002; Gallagher and Porzecanski, 2010; Hongbo, 2014; Jenkins, 2015; Salinas de Dosch and Dosch, 2015). In fact, many times China stood up for the third world issues, and it values the relations South-South as a priority in its agenda.

The other country addressed in this work is Ecuador, a state that is equivalent about the 1% of Chinese population and 3% of China surface (World Bank, 2015). The choice to study the relationship between these two countries comes from the growing interest in the Latin-American State observed in the last few years, while Ecuador tried to change its paradigm through a revolutionary process. From 2007, Ecuador pursues the "*buen vivir*" (literally "living well"), placing it on a theoretic plan in antithesis to old neoliberals' paradigms, previously in effect in the country (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, it distances itself from the traditional internationals organizations and former allies, and found in China a new strategic partner (Ellis, 2008, 2014; Chicaiza, 2014; Garzón, 2014). In fact, the Asian State has become the main loaner of Ecuador and one of its most important investor (Schneyer and Perez, 2013; Samanamud, 2014).

The aim of this paper is to outline the relationship between Ecuador and China by highlighting which could be the main threats for the development of the Ecuadorian Republic, if it does not change the terms of affair with the Asian giant.

## 2. China and Ecuador an Historical Background

The actual relationship between China and Ecuador arises from some important events that influenced all the politic and economic actions of Ecuador; since before his first election as President of the Republic in 2007, Rafael Correa[1] manifested his dissent against the international organization, concerning the foreign debt of Ecuador. As Minister of Economy in 2005, he asserted that the allocation of the crude-oil gains should be reconsidered: instead of allocating 70% of the

[1] President of the Ecuadorian Republic from 2007 to 2017.

gains to repay the debt, 20% as reserve and 10% to education and health program, he proposed to modify these shares, rising the found for social issue to 20% and decreasing the debt share to 50% (Kozloff, 2008). The response of the World Bank (WB) to this offer was the cancellation of a loan previously approved, after which follow the resignation of Correa (Kozloff, 2008). In 2007, when he was elected President of the Republic, among his early initiatives there was the constitution of the *CAIC* (*Comisión para la Auditoria Integral del Crédito Público*), a commission that did an audit to evaluate the legitimacy of the public debt. This audit found element of illegality and illegitimacy in the debt: with this, the government impugned a share of the commercial debt and renegotiated it, relieving its weight on the financial situation of the country (Masala and Serafini, 2015a). The government declaration of not wanting to pay cause a substantial break with the International Monetary Fund (IMF) and WB forcing Ecuador to search elsewhere to gain credit access. Another fundamental episode was the renegotiation of crude oil contracts with the multinationals operating in Ecuador: with the legislative decree of 2007, the state share on extraordinary capital gains increased to 99%, shares decreased to 70% with the following law on tax equity (Villavicencio, 2014). With the new contracts, the govern demand that the companies were responsible for the operations and the investments in the terrains in concession, leaving a high shares of crude oil as state property and the state itself would have to pay a fare as service cost. With this, the contracts changed from participation to simple provision of service (Chicaiza, 2014). This way, Ecuador incremented its income, but at the same time could decide who to sell the extracted oil, no longer tied with the companies that extract it. Therefore, the shift in the economic framework was followed by a political change, with a detachment from the United States: at first Correa refused to renew the agreement to maintain the American military base in Manta, considering it an affront to the Ecuadorian sovereignty. Moreover, the Ecuadorian government declared the American ambassador "persona non grata" after she did not provide sufficient answers about a leaked diplomatic cable related to Ecuador, a document included in the 2011 Wikileaks scandal. But President Rafael Correa was involved in controversies with USA before. In 2009, he sent off the country two U.S. embassy officials for interfering with Ecuadorian internal affairs in a case involving the equipment for the country's police (Reuters, 2011). In 2013, relationship worsen, when Ecuador offered asylum to Edward Snowden, responsible of "Datagate", openly challenging the American government (CNN, 2013). These episodes contributed to change the position of Ecuador in the diplomatic picture, making it unsure and unstable, forcing the country to seek new horizons and opportunities. The first relations between China and Ecuador date back to the 70s, when, from 1971 and 1975, the two countries signed bilateral agreements to establish business office in the respective territories (Ellis, 2008). Due to Ecuador political precariousness in the following period, the beginning of diplomatic relationship begun in 1980, with the opening of the embassies in the respective country. In the successive period the relation keep growing at a slow pace, with few interactions, limited agreement and moderate commercial relations. The situation remains unchanged until the 2005, when we can observe an increment in the commercial exchange between the two counties: the Ecuadorian exportation grow by 53%, while the importation from China doubled (Ellis, 2008). Even from an investment point of view things changed: in 2007 Li Chanchung (El Universo, 2007), a member of the Chinese politburo declared that the Chinese investments in Ecuador were estimated at $1,8bln, making the county, at that time, the greater Chinese capital beneficiary in Latin America. Since then, China has become a reference point for Ecuador with regards to both the commercial and investment side, and the credit point of view, by establishing various credit lines. This relation grew stronger even more after the clash with the international organization as we already mentioned, and China control now the majority of Ecuador oil stock and has become the bigger loaner of the Latin-American state.

**3. China-Ecuador: a greasy relationship**

The following paragraph will examine the economic relationship between China and Ecuador. In particular, we will display a record of the commercial, credit and investment relations, with a focus on the oil trade between the two countries. Crude oil is in fact the most exported commodity from Ecuador to China, but it is also relevant for political reasons. For example, it is focal in the debate about excessive dependence from natural resources, as it represents the possibility to develop 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 principles of *sumak kawsay*, and *buen vivir* itself, safeguarded in the Ecuadorian constitution (Acosta, 2013).

As said, the oil has a fundamental role in the Ecuadorian economy, and the most precious commodity for China, together with the mining resources. It is the most exported resource and it permitted to Ecuador to obtain an important loan from the Asiatic country, although not always at favorable conditions. Despite being the smallest country of the OPEC, Ecuador owns the third most important oil reserve of South America (6.03bn barrels), after Venezuela and Brazil, and produces approximately 550.000 barrels per day (El Comercio Ecuador, 2015) of which the 60% controlled by the public company PetroEcuador, and the remaining by foreign companies. In 2013 exportation oil value was $11,9bn, with an increment of 7.6% compared to 2012, and a production of 124,1m barrels (+10.5% from 2012) (El Comercio Ecuador, 2015). This explains why the Chinese companies are interested in Ecuadorian resources: since 2007 a joint venture of Chinese companies acquired the assets of the Canadian company EnCana for $1,42bln. Two others Chinese companies (China National Petroleum Corporation and Sinopec) own from 2007 Andes Petroleum, that produces 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 new credit, and China was a golden opportunity to grab. The agreement stated that in view of a loan of $2bn, Ecuador would have to sell the majority of its oil stock to China (Schneyer and Perez, 2013). In 2013, Chinese financing grew up to 61% of the financial requirement needed for the annual public expenditure ($6.2bn); in exchange, Ecuador would have granted to China almost 90% of its oil exportation in the following years (Schneyer and Perez, 2013). It is important to highlight how of this oil just a tiny share it is dispatched to China (2%) and the rest is sold back to United States (Schneyer and Perez, 2013). With a new loan in January 2015, amounting to $7.53bn (1.5 from China Development Bank; 480 from Bank of China; a line of credit of 5.3 from public bank Eximbank) (The Economic Times, 2015), necessary after the oil drop price, the dependency of the Ecuadorian state from China further deepened, becoming more and more threatening. Following some estimations, in 2015 the debt with China would amount to $10bn, almost the 30% of the total foreign debt of Ecuador (El Comercio, 2015). In 2016, on January, Ecuador secure a new credit line from the Industrial and Commercial Bank of China for $970m (Financial Times, 2016), and on April a credit line for $2b from the China Development Bank (Reuters, 2016). Another sector for which China shows interest is the mining industry: in 2009, a copper deposit of 60.000 tons was discovered in Ecuador and a joint venture of two Chinese companies planned to invest $3b in the Corriente Copper Belt, in view of the fact that the copper Chinese reserves seems insufficient to satisfy the growth pace of the PRC (Salinas de Dosch e Dosch, 2015). In 2012, Ecuacorrientes Resources took it upon itself two important mining contract, the Mirador project ($846m) and the San Carlos Panantza project ($1.2b), identified as the second copper mine in the world. However, the actual owner of Ecuacorrentes is a consortium named CRCC-Toonguan Investment, formed by the companies Tongling Nonferrous Metals Group and China Railway Construction Corporation (Chicaiza, 2014). Among the most important Chinese projects in Ecuador it also relevant to mention the hydroelectric dime Coca Codo Sinclair, a project of $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). In this project Ecuador already invest $1bn, without the certainty of credit from China (Krauss and Bradsher, 2015).

### *3.1 Commercial relationship*

Starting from 2005, China manifested an interest in Ecuador by seizing its raw materials, and also flooding Ecuadorian market with its productions. Many Chinese commercial businesses showed up in the country, and their presence caused concern among the Ecuadorian business owners: this is because they see the Chinese competition as a threat, in view of the fact that the Chinese govern subsides them to open new commercial activity, granting them the possibility to pay a rent many times superior to the Ecuadorian standard (Salinas de Dosch and Dosch, 2015). Another bad point of this market penetration is the fact that the majority of the Chinese companies do not work legitimately: only the bigger companies (2 oil companies and 2 communication companies) are registered at the regulative agency of the private sector (*Superintendencia de Compañías*), and very few companies inscribe themselves at the chamber of commerce (Salinas de Dosch and Dosch, 2015). If we examine the trades from 2004, we see that the amount of exchange between China and Ecuador grew by nine times its previous amount, from $436m to $3.8b, making Ecuador, as said by the Chinese minister of foreign trade, one of the important commercial partner of China in South America (Salinas de Dosch and Dosch, 2015). It is important to analyze in particular the condition of the commercial 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 commercial balance, with a strong gap in favor of the Asian country.

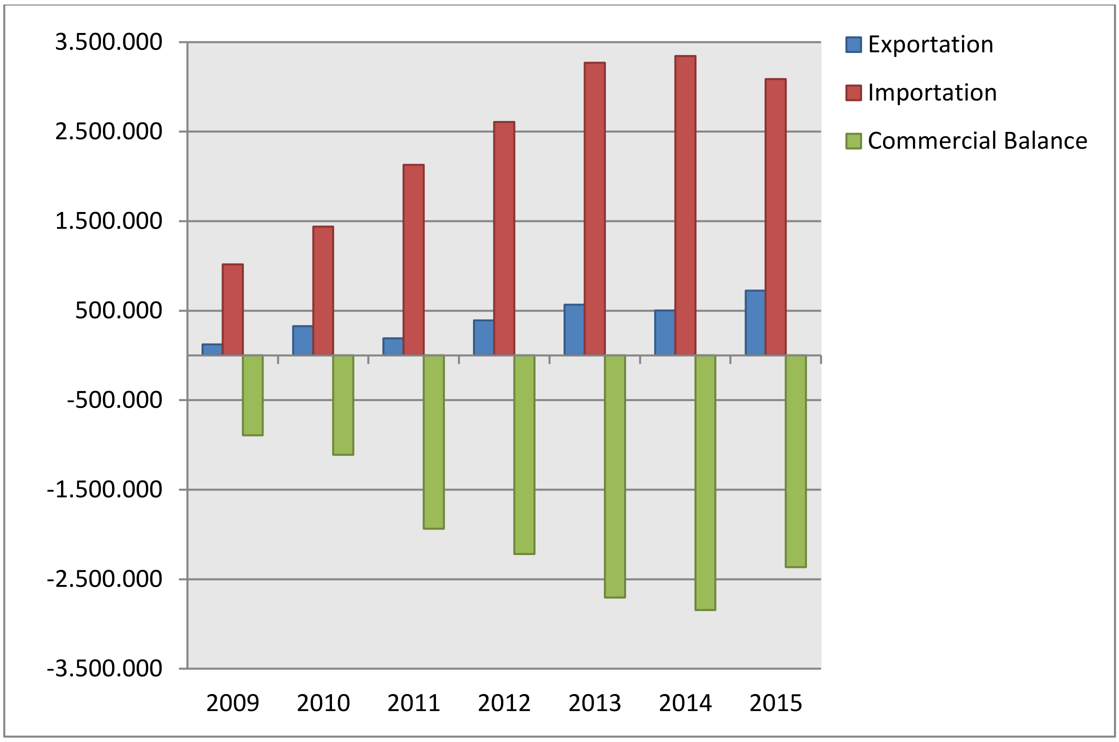
**Table 1 – Total Commercial Balance (thousands USD FOB)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| Exportation | 124.208 | 328.738 | 192.322 | 391.698 | 565.449 | 501.737 | 723.017 |
| Importation | 1.016.627 | 1.438.442 | 2.129.776 | 2.609.115 | 3.270.489 | 3.346.169 | 3.087.000 |
| Commercial 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 it can be seen in Figure 1, the trend of the commercial balance cannot be satisfactory, even if we observe at an improvement in its data. The exportations have incremented their values more to six times as they were before, from $124m to $723m, while the commercial deficit grew by 3 times approximately, from $892m to $2.363m (Table 1). This amount marks the strong tendency of Ecuador to import: from 2009 to 2015 importations grew from $1b to $3b (Table 1).

**Figure 1 – Total Commercial Balance (thousands USD FOB)**




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

The situation is even more serious if it considered the non-oil commercial balance, as showed in Table 2.

**Table 2 – Non-oil commercial balance (thousands USD FOB)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| Exportations | 45.031 | 97.752 | 192.322 | 211.597 | 259.778 | 443.949 | 564.009 |
| Importations | 1.010.422 | 1.433.858 | 2.122.628 | 2.604.062 | 3.264.833 | 3.339.500 | 3.081.074 |
| Commercial 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. It is true that in the last year Ecuador trades with China have become less dependent from the oil trade, looking at the total shares of the oil trade in its exportations, as showed in the 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 commercial balance it is positive, as show below in the Table 4, in view of the fact that the importations of oil from China are scarce.

**Table 4 – Oil commercial balance (thousands USD FOB)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| Exportation | 79.176 | 230.986 | 0 | 180.100 | 305.671 | 57.787 | 159.009 |
| Importation | 6.205 | 4.584 | 7.148 | 5.053 | 5.657 | 6.669 | 5.926 |
| Commercial 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

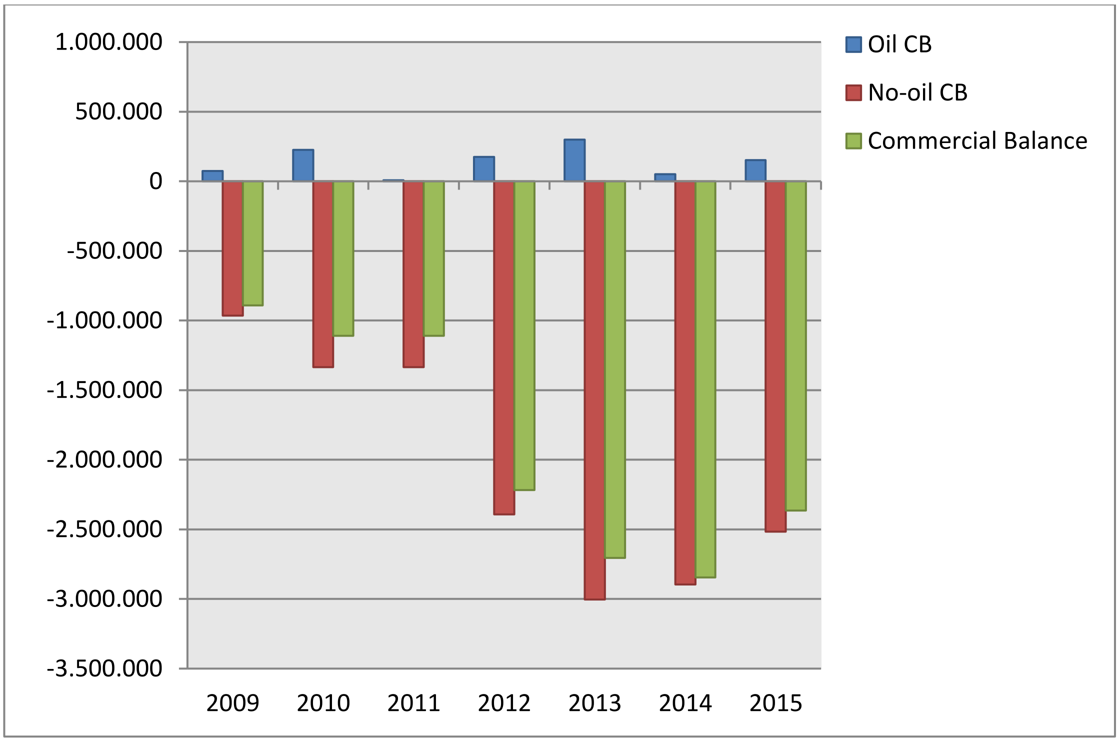
In the next table and Figure (Table 5; Figure 2), we can observe the global trend of the various commercial balances:

**Table 5 – Commercial 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 |
| Commercial 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 – Commercial Balances**




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

As we said, even if in the last years the trend seemed to change, the gap in the commercial balance is deep. The commercial balance with China is the most lopsided between all the commercial relationships of Ecuador, and this is something that has to change to guarantee a healthy relation between the two country. To do so, Ecuador must limit its propensity to import and try to expand its share in the Chinese internal market, not just as a supplier of commodity but even with manufactory products. This is going to be difficult in the future, in light of the fact that the Chinese strategy for the following years is to focus more in the internal consumption market with a less inclination to import. Ecuador could gain some competitiveness with the expected convergence of Chinese incomes with Latin American per head 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 analyze in detail the composition of the exportations and importations of the two countries. The exportations of Ecuador revolve around some key products easily recognizable: in 2015 more than 50% of Ecuadorian exportations were constituted by the combination of crude oil, shrimps, and bananas alone. As we can see in the table below (Table 6), Ecuadorian exportations are mainly composed of commodities.

**Table 6 – 2015 Ecuador exportations composition**

| Product | Shares |
|---|---|
| Crude Oil | 22% |
| Shrimps | 19% |
| Banana | 17% |
| Precious metals scrap | 8% |
| Wood | 8% |
| Frozen shrimps | 6% |
| Copper scrap | 3% |

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

This helps to understand how important is for Ecuador to change its productive matrix, in order to become less dependent from price fluctuations, typical of the commodities. On the other hand, Ecuador importations from China have a very different composition:

**Table 7 – 2015 Ecuador importations from China composition**

| Product | Shares |
|---|---|
| Extraction pipe | 2,1% |

| | |
|---|---|
| Iron or Steel laminated products | 1,9% |
| Alloy steel wire rod | 1,8% |
| Electricity conductor | 1,7% |
| Towers and lattice masts of iron or steel | 1,6% |
| Electric transformer | 1,5% |
| Vehicle (Complete Knock Down) | 1,4% |

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

As it can be seen in the Table 7, the most imported products from China represent only the 13% of the total, which means that the composition of the importations from China is very differentiate, and it is mainly represented by manufactured products.

### 4. Relationship's concerning issues: a marriage expected to fail?

In addition to the economic problems previously listed, there are some crucial matters that make the relation with China more problematic: the environmental aspect, the workers' rights, the Ecuadorian sovereignty, and the production matrix change. All these points are debated in the "*Plan National para el Buen Vivir*" (National Plan for good living), the Ecuadorian Government development plan that is the instrument that tracks the guidelines for all the public policies, projects and programs. In the plan, we can find some evidence that the relationship with China sometimes goes against the set 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 to it, priorities include conservation and sustainable use of the 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 for the underground resources goes against this good purpose: mining extraction is one of the most destructive activities, considering the space of exploitation and the toxicity of wastes produced. In the national plan, mining is represented with a green coat, but it has been proved that Chinese mining is the deadliest in the world, in particular the coal mines in China kills more than any others (Chicaiza, 2014). Among the projects that most concern the defenders of Pachamama (Mother Earth for Andeans peoples) it is relevant to mention the Mirador project, that should realize the construction of an opencast mine in the Cordillera del Cóndor, for an extension of 9,928 hectares (Chicaiza, 2014). The concerns arise both for consumption necessities and wastes production: a great quantity of water and energy is needed for chemical treatment of the rock and the production scraps and wastes have a high potential of water contamination (Chicaiza, 2014). In addition to the “mega-mining” projects, there must be taken into account the various Chinese oil facilities: without an adequate control from the state, they represent a risk. For example, there could be more “Chevron-Texaco” 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 plan is to guarantee dignified work in all forms. To do so, individuals are addressed as human beings and not as a production factors. According to it, 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, there should be guaranteed safety, non-discrimination, a proper wage, and labor stability (SENPLADES, 2013). One of the great criticisms of Chinese corporations working in the development countries is the scarce employment of the local workforce. Often Chinese corporations import workforce from China, yet, with this behavior, they exclude the local labor from wealth and know-how acquisition, two typical corporation spillovers in a developing country (Krauss and Bradsher, 2015). Moreover, local workers are often victims of discrimination in their own country: they are fired at minimal errors while Chinese workers are more protected, with the latter that often do not speak Spanish and do not integrate with the others workers (Krauss and Bradsher, 2015). Other observed problems are the low wages and the scarce attention to safety. For example, in the hydroelectric project Coca Codo Sinclair, managed by the Chinese company Sinohydro, there have been slows down in the work activities due to an accident that caused the death of thirteen workers (eleven Ecuadorian and two Chinese), and the workers declared that often are forced to work under extreme risk condition (Krauss and Bradsher, 2015).

One of the most important goals of the Ecuadorian government is the transformation of the productive matrix. The 2013-2017 Government Program defines changes in the productive structure to diversify the economy, dynamically drive productivity, guarantee national sovereignty in domestic production and consumption, and arise out of dependence on commodity exports (SENPLADES, 2013). The Ecuadorian economic system is characterized by a primary-exportation economy, with low or any technicalization (that make the country vulnerable to commodity price fluctuation) and polarized accumulation of capital, 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 necessary changes that Ecuador should accomplish are:

1) Production diversification, based on the development of strategic industries like refinery, shipyard, petrochemical and metallurgy, and the implementation of new

productivity activities like mariculture, biofuels and forest product, to increase the supply of Ecuadorian products.

2) Generate 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.
3) Selective importation substitution of goods and services that already are produced in Ecuador, like pharmaceutical and engineering industry.
4) Export promotion of goods originated from new actors, like the popular and solidary economy.

Another big issue for Ecuadorian economy is the excess of processed goods importation: for example, exporting cocoa and crude oil, and reimporting chocolate and oil derivatives. A great share of the goods imported is composed by popcorn, candies and other “useless” products, not in line with the living well pursued by the government but more with consumerism and developmental state (Masala and Serafini 2015a; 2015b). Yet, it is difficult to say if China does help to change the productive structure of the Latin-American State. By looking to the data, it seems that the Asian Country is only/mainly interested in the Ecuadorian commodities, and this accentuates Ecuador’s dependency from it. For the Ecuadorian government, things could change thanks to the cooperation between the two Countries. For example, the manufacturing of Chinese cars “Great Wall” directly in Ecuador could represent an important project for a shift in the production matrix, thanks to technology transfers, handwork creation, 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 the infrastructures. This way, there will be no transmission of know-how, a necessary resource for Ecuador to realize the same projects autonomously in the future (Samanamud, 2014).

## 5. The relationship between Ecuador and China: a dangerous alliance?

In the light of the arguments presented above, we will try to understand if the relationship with China is a strategic alliance or not. Obviously, Chinese capitals that flow in Ecuador are an important resource for the Latino-American country, especially the ones allocated to the infrastructures. This way, Ecuador could keep allocate its own resources in the social investment and maintain the focus on the human beings, a typical characteristic of the *buen vivir*. If the improvement of the last year in poverty reduction and quality of life improvement are undeniable, causes of concern come from the terms of this alliance, which as we have seen shows a strong imbalance between the two countries:

- Ecuador exports in China consist mostly of primary products (crude oil, bananas and shrimps) and low-value-added manufactured goods. This does not help the country to fulfill the transformation of the productive matrix but instead deepen its dependency from commodities sales, with the consequent instability on its economy. Furthermore, looking at the commercial balance, we can see a great imbalance with Ecuador that import a great variety of goods from China, without being able to enter in the Chinese market with its manufacture.

- China does not impose structural/political conditionality like the multilateral organizations but the terms of loans and financing are often draconian: oil early sale, higher interest rates, autonomy concession to Chinese companies in Ecuador, that often bring specialized and unskilled labor force, without transmit know-how to Ecuadorian workers.

Evaluating this relationship is not a simple task, because observations about internal and external Ecuadorian mechanic would be an excessive simplification: according to some positions, the relationship with China should be seen as competitiveness and instead it could have been Russia or Brazil, and the choice to forge closer relationship is an act of sovereignty (Masala and Serafini 2015b). Yet, even for the defender of this opinion, the relationship is not sustainable in the long run if the terms do not change. For others, seeking China was not an act of sovereignty, but instead an act of desperation, because no one else was willing to lend money to Ecuador, and China appeared as possible savior; Ecuador then switched from a dependency from United States and multilateral organizations, to another dependency from China. The greater concern is that Ecuador did not learn anything from previous experiences and keep going with the old commodities export model.

**Conclusions**

We have showed how China is an important commercial and politic partner for Ecuador, but its weight is sometimes cumbersome and can become worrisome in the future. If in short term the financing and investment of China are undoubtedly useful for the country, in a broader view the dependency could become a problem: even if the partners are changing, the Chinese agenda is just too much similar at the North Atlantic one.  The interest for raw materials and the investment to accentuate the specialization of southern countries in commodities exportation does not represent a change and should not be seen too enthusiastically. Because, if Ecuador should remain anchored to commodity exportation, it hardly will actuate the transformation in its production structure that could allow it to diversify exportations, increase the production of high added value and take shelter from price fluctuation. As we have seen, the Chinese investment model does not grant the transmission of technologic knowledge to Ecuadorian workers, since it imports the workforce and the specialized staff in the country in which the investment is 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 affair of the country, like the old organization and allies did: in fact, China just realizes a pragmatic administration of the relationships, with an economic goal and not an ideological one. However, the relevance of Chinese capitals invested in Ecuador is not negligible, due to the fact that China could exercise leverage, even though in a softer way. If Ecuador wants to make its relationship with China sustainable and durable, it will have to change the actual terms of this relation to be able to rely on a strategic partner that will help the country do advance on it development path.

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