

China doing business in venezuela

Business



China doing business in Venezuela The reason why China is investing in Venezuela is because of China's increasing demand for oil. As Venezuela is one of the largest producers of oil in the world, it makes sense for China to build strong bilateral ties. Part of this is by providing a \$6 billion loan to improve infrastructure within the South American country. This loan is comprised of \$4 billion to increase oil production, \$1.5 billion for refinery projects, and \$500 million for oil equipment (Associated Press 2011). China does not seem to care about the political implications of the move because, although the U. S. government has not made an official announcement, America feels threatened as an influence within the region. Currently, America is the largest importer of oil from Venezuela, and China will be taking away from this amount.

2) U. S. consumers may benefit from with deal through an increase in Venezuelan oil production. As of right now, Venezuela produces about 3 billion barrels of oil each day (James 2011). With help from the Chinese loans, oil production is expected to increase to increase massively. This, in turn, will benefit U. S. consumers because the oil price should hopefully come down. With more oil on the market, prices will be driven down. The cost of gas to U. S. consumers should reduce considerably. However, the United States government needs to be careful that there are not any deals going on between the Venezuelan government and their Chinese counterparts. Energy Minister Rafael Ramirez has said, " We don't do discounts with anyone...We sell at international prices (James 2011). If the U. S. wants to remain competitive in the oil market, then it should hope that this is true.

References

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