Political Risk Analysis with Chinese Characteristics

THE CURIOUS CASE OF CHINA-VENEZUELA RELATIONS
Introduction

- Topic: China, Political Risk, Venezuela
- What is Political Risk?
- China, Stability and Peaceful Development
- China-Venezuela Case Study
- Conclusion
Main Argument(s)

- Political Risk is an art, not a science, but “instability” and “uncertainty” are core concepts

- China (firms and government) will have own approach, and exposure, to risk management

- Venezuela is an ongoing experiment in China’s understanding and management of political risk
Political Risk

- Inter-disciplinary and inter-institutional “discipline”, or art masquerading as social science

- Risk is operationalized in search for
  - Instability
  - Uncertainty

- Often used by MNCs investing abroad
China, Political Risk and Stability

- Why is China interested in political risk?
- Why will China’s understanding of and exposure to political risk be unique?
  - Domestic understandings of stability and instability
  - Foreign policy of “Peaceful Development”
  - SOEs expose China to special form of both corporate and what we might call diplomatic or reputational risk
China-Venezuela Relations

- Why the China-Venezuela relationship a puzzle from point of view of political risk

- Venezuela/Chavez’ interest in China not a puzzle

- “Chinese” calculations of Venezuelan political risk
  - Complementary, win-win, financing-for-oil-for-development
  - CDB and other Chinese SOEs and firms personally benefit
  - Chinese portrayals of Venezuela as stable: Chavez represents will of the Venezuelan people (just as CCP does for China)
Conclusions

- How does China (firms, government, academics) understand and manage risk and instability in the developing world?

- How can China developed its own approach and understanding to political risk management but still learn from other countries’ experiences?

- How to ensure that firm risk does not undermine or harm broader public or national interest?
Thank You!