

# 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!

