

Political Risk Assessment

A Risk Assessment of Cambodia's Planned High-Speed Rail Project

Prepared by the Leadership Lab Class (POST-3850H), Trent University

Published October 2024



Figure 1: Angor Wat

Generated By

Ava Baksh-Corneil – Analyst
Connor Richardson – Analyst
Finlay McFadden – Analyst

Democracy Lab Professor

Dr. Cristine de Clercy

Democracy Lab Faculty

Professor Martin Eidenberg
Dr. Peter Ferguson
Bruce Fyfe, Head of User Services, Western Libraries

Graphic Design & Report Layout

Colin Ferguson

Leadership and Democracy Lab
The University of Western Ontario
1151 Richmond Street
London, Ontario, Canada, N6A 3K7

<https://www.leadershipanddemocracy.com/>

Published October 2024. All rights reserved.

Table of Contents

[Executive Summary](#)4

[Current State](#).....5

[Geopolitical Risks](#).....6

[Legal Risks](#).....10

[Social Risks](#).....14

[Conclusion](#).....19

[Figures](#).....21

[Works Cited](#)22

[Endnotes](#).....27

Executive Summary

As Cambodia moves forward with the proposed Phnom-Penh-Sihanoukville railway, which is the country's first high-speed railway, investors need to be conscious of the potential political risks of this project. The French rolling-stock manufacturer and engineering firm Alstom has shown interest in being a major actor in the development of this project. So, the focus of this report aims to brief Alstom executives (and of course other interested parties) on some key political risks they may encounter with this venture and offer them some possible risk mitigation strategies.

This report identifies a variety of political risks, researched from primary and secondary sources, that need to be addressed for successful investment and development of the Phnom-Penh-Sihanoukville railway. The following risks discussed below can be broadly categorized as: **Geopolitical Risks** stemming from various international political actors and their complex relations. Cambodia, the European Union, China, and the United States all play a major part in the future of this project so Alstom will need to examine how these actors interact, and what Alstom's relationship with each one. **Legal Risks** which may be attributed to the precarious and at times unstable nature of Cambodia's political environment. Alstom needs to protect itself from being taken advantage of by the Cambodian court system, which means preventing itself from becoming entangled with corruption. Proper due process will help Alstom ensure that it is protected against a variety of legal risks, either from within or outside of the Cambodian legal system. **Social Risks** which can be defined as pressures that may arise from within Cambodian society that carry the potential to affect, interfere with or threaten the project's viability. Alstom needs to garner and maintain the public's support for this project and be conscious of other actors who might impose on the project's ethical standards. This requires it to recognize its role as a multinational, western corporation and tailor its behavior appropriately.

Current State

Cambodia's current railway system runs a general line throughout the country that accommodates minimal freight and passenger travel.¹ There are two main sections to this railway: the Northern Phnom Penh-Poipet railway and the Southern Phnom-Penh-Sihanoukville line. These general lines have undergone various rehabilitation projects in past years to restore deteriorated sections of the rail from disuse and the effects of civil wars, including restoring the railway track, train stations and the telecommunications system.² However, these efforts at rehabilitation have only occurred for some parts of the rail line, where in other areas rehabilitation was slowed due to financial concerns.³

This high-speed rail project will be the first high-speed rail line in Cambodia, and it will consist of 33 rail stations, a modern, all-electric infrastructure and trains that reach speeds of up to 160 km per hour⁴ The \$4 billion investment into high-speed infrastructure will modernize Cambodia's transportation system and complete the various prior attempts at rehabilitation. To-date, this project has been approved by the Cambodian government, has planned investment from

China and feasibility tests for the upgrade have been conducted.⁵

The installation of a high-speed rail line in Cambodia will provide Cambodians with a reliable method of transportation and enhance Cambodia's economic relationships with neighboring countries.⁶ The Cambodian government is keen to install the new rail line to enhance Cambodian transportation and to increase Cambodia's economic capacities. With this upgrade Cambodia can promote trade for faster economic growth and enhanced passenger travel with neighboring countries like Thailand.⁷ Cambodia will also promote its relationship with China by joining its Belt and Road Initiative (BRI), which will connect Cambodia to mainland China and Singapore.⁸



Figure 2: High-Speed rail

Geopolitical Risks

Cambodia-EU Relations

Cambodia has adopted the preferred terminology of the EU and other western political entities in order to receive funding for specific areas where the EU wishes to see improvement.⁹ Cambodian officials frame public policy- ranging from its National Level Climate Change Plan to the Municipal Level Phnom Penh Land Use Master Plan - in relation to the term ‘resilience’ (which western institutions approve of and therefore are more willing to provide foreign aid and investment).¹⁰ This alignment of communication framing shows a productive relationship between Cambodia and the EU where both parties demonstrate a willingness to engage in mutually beneficial interactions.

The EU uses a Generalized System of Preference (GSP) to promote economic growth in developing countries by reducing import tariffs on certain goods so long as they meet requisite qualifications.¹¹ The GSP creates micro-scale free trade agreements between the EU and countries such as Cambodia with the requirements for entry being decided by EU-legislated Rules of Origin (ROO). The EU uses ROO to examine where the industry in the

exporting country obtains the raw materials used in production of goods, and if this source does not meet the ROO standards, then the country is not eligible for GSP benefits.¹²

In 2011 the EU simplified the ROO on Cambodian garment manufacturing, which resulted in an increase in Cambodian exports to the EU, and furthermore “simplifying ROO [had] a positive impact on FDI [foreign direct investment] inflows in the garment sector”¹³ of Cambodia. Additionally in a 2023 European Commission decision on Cambodian bicycles made with non-ROO materials allowed for extenuating circumstances so that Cambodian businesses were able to receive GSP benefits and continue exports to the EU.¹⁴ Therefore, there is much evidence that the EU’s GSP relationships with Cambodia are indicative of a dedicated effort to maintain significant, positive economic relations between the two entities.

Cambodia-China Relations

Alongside the EU, there are several other state-level actors that have been developing a positive economic relationship with Cambodia in recent years. China is one important case. The Chinese government

tends to invest in riskier areas of Cambodian industry, such as power generation and logistical infrastructure, which allows for Chinese businesses to invest in more stable areas of the Cambodian economy such as garment manufacturing.¹⁵ Chinese businesses are more comfortable investing in larger and more immobile projects when they know that the government of China is essentially backing them through FDI, which grants it short-term influence in Cambodia.¹⁶ In general, Chinese investment in Cambodia is often strategic and aims to strengthen this “Sino-Cambodian iron triangle”¹⁷ comprising of Cambodian government, Chinese government, and Chinese businesses.

Importantly, China does not dominate or control Cambodia’s government in how it allots direct foreign investment. In fact, Cambodia strategically assigns specific countries’ foreign investment to a specific project so that no two different sources of funds are being used to work towards the same goal.¹⁸ This keeps relationships between investing countries clearly organized and increases investment by effectively creating competition between foreign countries to provide exclusive funding for major projects.¹⁹ Cambodia also exercises its agency in the face of intense Chinese investment by using a

conservative debt management system so that any money that is borrowed from Chinese businesses or governments is put towards sectors that will quickly result in sustainable growth for their economy at large.²⁰ Cambodia’s debt management system shows an awareness among Cambodian elites of the magnitude of debt Cambodia could accrue to China as the BRI expands through the country, and that Cambodia is proactively guarding this problem and against possible default issues.



Figure 3: People’s Republic of China Flag

Cambodia-U.S. Relations

Like China, the United States is another state-level actor with whom Cambodia has been deepening its relationships. As well, the French firm Alstom currently maintains a significant political and industrial relationship with the United States which does place added scrutiny on its actions in Cambodia.²¹ There is

concern among the Association of Southeastern Nations (ASEAN) about the increased role of China as the primary foreign influence in Southeast Asia which may diminish western FDI especially following the U.S. withdrawal from Trans-Pacific Partnership in 2017.²² American foreign policy may sustain a large shift imminently. The forthcoming November of 2024 U.S. presidential election may result in either a return to more isolationist policies towards China and Asia as a whole, or a renewed effort to install a stabilizing American presence in Southeast Asia, depending on the election result.²³

In recent years Cambodia benefited from²⁴ the American Generalized System of Preference plan, although it expired in 2020 and has not yet been renewed by Congress.²⁵ Cambodia was only added to the list of pre-approved American GSP beneficiaries in 1997 after its political system become more open and so more acceptable to the west, showing that being on this list is at least somewhat dependent on a country's political circumstances and context.²⁶ One clear risk is that the United States government may not want to reward ASEAN countries with GSP benefits after ASEAN member nations have exchanged great amounts of political and economic support with China.

This impetus probably is counteractive to U.S. goals in the region.

EU-U.S. Relations

The EU's GSP plan, especially in relation to Cambodia, reveals its goal for more free trade and investment in ASEAN countries which is why the EU is as equally as offput by China's BRI as is the US.²⁷ However, this is not to say that the EU is entirely on the side of the U.S. as it too was subject to U.S. trade sanctions in the latter half of the 2010s.²⁸ Due to long-standing relationships and other geopolitical factors, it is a fair assumption that in moments of crisis the EU can be seen to aligned with the U.S. on most matters concerning China.

Mitigation Strategies

With respect to developing high speed rail in Cambodia, a major international business entity like Alstom will need to consult with technical advisors as to what sorts of equipment is necessary for its operations to begin in Cambodia. This country-specific information will help it navigate the EU GSP regulations so that the firm can ensure any product it is manufacturing and exporting to Cambodia is made from materials that comply with the ROO, and that it is optimizing all potential GSP benefits.

Alstom should use Cambodia's policy of assigning FDI to specific projects according to national status to ensure it is aware of exactly which entities are funding its work on the rail line. This will help Alstom monitor its own relationship with the country providing the funding so that it can directly address and resolve any issues that may arise with using that country's funding in any project that may be contentious due to Alstom's other global business relationships or that country's political relations with other relevant actors such as China, the EU, or the United States.

By familiarizing itself with the specific legal and trade context and entrenching itself within Cambodia existing legal protections and statuses, Alstom can demonstrate to other actors the validity of its intentions to work with Cambodia first and foremost. Cambodian legislation offers protections against foreign discrimination and expropriation risks which is further reason for Alstom to integrate this project firmly within the Cambodian legal structure as it helps secure its future and minimize risk.²⁹ One very important, key qualifier for these protections is that the owner of the investor's land must be a person of Cambodian nationality.³⁰ So, by establishing and

maintaining a close relationship with Cambodia and its people for this project, Alstom may be able to weather any potential geo-political tensions between other states. Rising amounts of international funding and attention given to Cambodia indicates a global commitment to economic development in the region, which Alstom should leverage to protect and stabilize its own presence in the area as it moves forward with investment and operation.

Legal Risks

Intellectual Property

Through recent developments in Cambodia within the last three years, foreign investment can progress with less caution. Moreover, in relation to the *Law on Investment of the Kingdom of Cambodia* created in 2021, this set of laws have created incentives for foreign companies such as Alstom.³¹ As an example, Article 27 can provide Alstom with tax deductions of 150% for certain activities.³² This foreign investment legal framework aims to influence foreign corporations toward implementing innovative projects in Cambodia by offering generous incentives and tax deductions.

Likewise, to combat the risks involving creating and protecting Alstom's intellectual property, Alstom must ensure it follows the guidelines provided by the Cambodian officials, including the *Law concerning Marks, Trade Names and Acts of Unfair Competition* (2002), *Law on Patents, Utility Model Certificates and Industrial Designs* (2003), and *Law on Copyright and Related Rights* (2003).³³ Through these procedures, firms like Alstom will need to register with a legal trademark agent to ensure Alstom's likeness is not used against it, or without its knowledge.³⁴ Furthermore, to

protect the integrity of its products, Alstom probably also register a patent according to the Cambodian laws.³⁵ As well, to push ahead on high speed rail development Alstom will likely enter into confidentiality agreements, which need to be applied under Cambodian jurisdiction, to ensure its applicability to the contractors it will employ.³⁶

Additionally, Alstom must be aware of the possibility of its products being infringed upon. In fact product infringement has been a serious concern in the procurement process across Southeast Asia. In order to avoid this risk, Alstom can utilize the 'prakas' (proclamation) number 196 Policy for Suspension of Customs Clearance Procedure of Imports and Exports violating Intellectual Property Rights.³⁷ This proclamation, created in 2021, allows for corporations to have the traffic of their products monitored by the Cambodian customs officials. This can be utilized alongside a distributorship applied through the Ministry of Commerce.³⁸ The distributorship ensures officials monetarize irregular traffic, letting corporations know if the possibility of infringement does arise.

In addition to this, Southeast Asia has seen a rise in cyber security attacks. In fact, Cambodia's government networks were significantly infiltrated in the later months of 2023³⁹, and classified data consequently was accessed by the Chinese cyber security agents who infiltrated it. The issue of cybersecurity and its risks will be another aspect that Alstom will need to carefully evaluate when doing business in the region.



Figure 4: Legal Gavel

Mitigation

In relation to the proposed high-speed rail line, Alstom's project can be compromised through cyber-attacks, since high-speed railways heavily rely on the use of technology to manage many aspects of the engineering and passenger rail systems. As a result, this can drastically affect the mission at hand, even perhaps compromising trade secrets and proprietary

technologies attached to Alstom products. In order to prevent this damaging scenario, Alstom will need to hire a well know cyber-security team, more specifically one that is accustomed to the threats particular to Southeast Asia. As well it may be helpful to undertake utilization of a distributorship, which will allow the Cambodian custom officials and Alstom to monitor the traffic of their product when infringement does occur.

Corruption

Moving on to consider other sorts of risks, it is worth contemplating that throughout every sector of Cambodia, corruption can be seen in many aspects of life. The World Justice Project's (WJP) rule of law index is able to perfectly illustrate the level of corruption within Cambodia. There is an overall consensus that Cambodia can be viewed as the second most corrupt country in the world, with only Venezuela behind it.⁴⁰ Also emphasizing the presence of corruption in the legal system is the fact that Cambodia was ranked last out of 142 countries in terms of its civil justice system.⁴¹ Moreover, this country's judicial and legislative branches are ranked as highly corrupt in comparison to many other states. This context is reflected through the daily lives of its citizens, with bribes being a common condition to receive basic

necessities. In turn, the presence of corruption has caused majority of Cambodians to be in debt to micro-financiers.⁴² Moreover, this context will likely impact Alstom when ensuring the protection of its intellectual property rights. Combatting the risk of corruption may be partly attained through proper vetting of Cambodian officials who are key business contact points. Alerting the Cambodian authorities, or the World Trade Organization if need be (WTO). Note the Cambodian People's Party has been in power ever since the 1991 Paris Peace Agreements, which officially ended the continuation of the Khmer Rouge.⁴³ Through the concentration of power in Cambodia, this has caused political dissent in Cambodia, yet the public is too afraid to speak against the Cambodian People's Party (CPP).⁴⁴

Mitigation

While completing the project, Alstom must ensure it is not caught among political events. Cambodia has a rather volatile economy, and the deep entrenchment of corruption in the social context presents a challenge. Alstom has had its issues in the past relating to bribery charges, with the U.S. Department of Justice charging the firm \$774 million in penalty charges in 2014.⁴⁵ It is in Alstom's best

interest to carefully navigate the political atmosphere throughout the duration of the project.

Geopolitical Threats

When completing the project, Alstom must be aware of the geopolitical conditions. Historically, this has been a major issue for Cambodia, deriving from the French opium trade to the genocide committed by the Khmer Rouge.⁴⁶ However, Cambodia continues to progress forward into modern times with China investing a substantial amount of money in Cambodia in relation to the Belt and Road Initiative.⁴⁷ Through the BRI, Cambodia has been able to implement its first expressway, connecting city centers to each other.⁴⁸

At the same time, however, the influx of money and people have caused a recent influx of crime in Cambodia's city centers. With cases of gun violence and kidnapping stemming from the casinos and real estate developments created through the BRI.⁴⁹ Furthermore, the real estate developments mentioned above have caused unrepairable damage to the landscape of Cambodia as well. For example, to make space for some developments, Cambodia has filled some lakes with sand.⁵⁰ Paired with the repercussions of climate change, these developments will likely experience increased levels of flooding.⁵¹ Considering

Cambodia already regularly experiences severe seasonal flooding, new development projects do carry the risk of being detrimental to the physical landscape of Cambodia.

Mitigation

To ensure severe environmental degradation does not occur when Alstom is working along the Cambodian government, Alstom will need to verify and ensure that the location of the high-speed railway lines will not cause negative effects to proximate communities and environments. In addition, there are some geopolitical risks related to the pattern of infrastructure investments and political influence in the region. Specifically, western firms like Alstom must ensure so much as possible that the involvement of China through the BRI does not come into conflict with its high-speed railway project.

Social Risks

Public Opposition

The highspeed upgrade of Cambodia's rail system will extend from Cambodia's major cities toward the outer provinces, like Banteay Meanchey.⁵² In 2013, Banteay Meanchey underwent the Cambodia Railways restoration project to recover some damaged sections of the Northern line. Prior to 2013, the deterioration of the rail infrastructure was so serious that the conditions allowed Cambodians from Banteay Meanchey to settle in the rail line's "right-of-way" territory.⁵³ So, when the 2013 restoration of the rail lines project began, a group of Cambodians were displaced from these right-of-way lands, and they have received no compensation to date.⁵⁴ The lack of compensation, which exacerbates their displacement, will likely mobilize them to reject this new project.

So, the risk of public opposition from the Banteay Meanchey province could offset or delay progress towards completing the rail project. Delay in the project's completion might lead to problematical issues associated with elevated costs, litigation, longer project duration, and even project abandonment.⁵⁵ While delays are not uncommon with major infrastructure projects, in this case there is some

potential that delays in the Cambodian project may create reputational damage and affect some of Alstom's planned projects in other countries.⁵⁶

In light of the controversial history of the 2013 rail line restoration project and the presence of a group of displaced Cambodians who believe they are entitled to compensation, it is possible that for the new high speed rail project more transparency about this project could be demanded by the public. Also, in an attempt to rectify future compensation issues, Cambodian officials might ask for this fuller transparency. Cambodians with increased participation rights will have more power to make demands of Alstom. However, Alstom is not required to be transparent or bend to their demands because at the current time Cambodians have no legal involvement in the project.



Figure 5: Cambodian Protest

Mitigation

There are several strategies that can be employed to reduce the social risks discussed above. For example, involving the local Banteay Meanchey population in the new rail project will stimulate economic opportunities that probably will offset the lack of compensation problem, and so reduce activist opposition towards the high-speed rail project. The rail project could operate as an income supplement for several years by generating employment for the local populations. While these are short-term solutions, local Cambodians in these regions will benefit from these employment opportunities for the duration of the project. Involving the local population could also mean designing local consultation groups for the project. Where public consultation is stronger and more transparent, the reception of the project will likely be more favorable among the public.⁵⁷

Negative Public Perception

Another sort of social risk this project's managers ought to contemplate concerns negative public perceptions. As of 2021, Cambodia engages in severe forms of child labor.⁵⁸ The Cambodian government and law enforcement have taken minimal steps to eliminate or punish child labor practices.⁵⁹ This

context entices rural businesses, like construction businesses for example, to utilize cheap, accessible child labor to complete projects. The construction sector in Cambodia has obtained rapid growth as a benefit from some major infrastructure projects, such as the proposed high-speed rail line.⁶⁰ This has increased the need for materials and construction, which has increased demand for child labor.

There have been cases around the world of extreme backlash on domestic and international levels toward companies who, whether knowingly or not, participate in human rights violations. For instance, Nike, a major international sports equipment company, unknowingly hired a subcontractor who engaged in child labor practices: SAGA Sports.⁶¹ After this exposure, the CEO of Nike, Phillip Knight, acknowledged that all Nike products had become “synonymous with slave wages, forced overtime, and arbitrary abuse” to the public.⁶² Although Nike did not permit these practices in their own operations, the company was held accountable for the practices of SAGA Sports because SAGA Sports was working for it.

So, for the high-speed rail project one clear risk is obtaining a negative public image from contracting with local Cambodian business that participate in child labor violations. The public will mobilize against this because there is no contestation that these practices are unlawful and destructive to children. The allegation of connection to child labor exploitation is destructive to both the life of the project, and Alstom's international reputation for high-speed rail development.



Figure 6: Child Labour

Mitigation

To mitigate such risks, Alstom should consider forming an ethics investigation board to inspect the ethical conduct of all potential subcontractors before hiring them. Having Alstom actively researching local companies maintains transparency of the values and conduct of Alstom that demonstrates to the public the good intentions of the company. It is important that the

company establishes a leadership position in defining what labor activities it deems acceptable for any entity involved in the railway project before it begins. If it is unclear on what labor standards it accepts at the outset of the project, then Alstom potentially increases outside perception that it knew and so sanctioned unfair, exploitative labor practices. So, a proactive ethics monitoring plan at the beginning of the project ought to be very beneficial.

As well, Alstom should conduct periodic labor inspections of their subcontractors to minimize the risk of rights-based violations and exposure to public backlash. This might include verifying that proper labor conditions are met, and that human rights conduct is appropriate. Regular labor inspections would demonstrate Alstom's commitment to human-rights protection if allegations are made against it, in which proving it had knowledge of their subcontractors' violations would become difficult.

Pressure to Conform to Unlawful Practice

The Cambodian government allocates the Royal Cambodian Armed Forces (RCAF) to monitor Cambodian provinces, which has increased the RCAF's ability to participate in illegal activity. For

instance, the RCAF has a monopoly over the timber sector through illegal logging practices.⁶³ The RCAF operates primarily through bribery; public servants bribe their superiors to climb the hierarchical ladder, and local companies make bribes to streamline RCAF-monitored timber flows.⁶⁴ If there are discrepancies in the high-speed rail project, the Cambodian government is likely to impose military resources to find a solution.

Therefore, a significant risk for Alstom is the pressure to engage in unlawful practices spearheaded by the Cambodian military, and the risk of legal pursuit from engagement or association in criminal acts by international bodies. Alstom could either become involved in a project where illegal practices are occurring without its knowledge or be pressured to engage in illegal practices to gain resources necessary for the project.

For example, Alstom might be asked to make bribery payments to the RCAF for access to certain materials under its control. Bribery could detract from Alstom's profit by utilizing financial goods for means not related to the high-speed rail project. Also, in such a circumstance it is possible that Alstom could face legal prosecution as a contractor in the project. Owing

to the potential influence of the RCAF, practices that violate business ethics standards might infiltrate the project and so lower the social and ethical standards for the rail's development.

Mitigation

As bribery is the most common illegal practice undertaken by the RCAF, Alstom should place financial controls on its employees around who can make financial transactions to retain control over the direction and allocation of their financial resources. All transactions with the RCAF in particular should be closely monitored. Before these transactions take place, it would be prudent for Alstom to revise the content and intentions of its Cambodia-bound payments. This would ensure that payments are made with direct intention to benefit the project at hand, and that money provided by the Cambodian government or other sorts of project-related payments are used responsibly and transparently.

Another set of risks that merit attention are those concerning the legal authorization of contracts and data. It is recommended that Alstom should designate a trained legal team to review all contracts made with the Cambodian government before signing

them. This would highlight and reveal any direct inconsistencies with the contract, violations of international law, or any potential areas that would be susceptible to illegal behavior. This legal team should be on retainer to review all contracts and agreements made throughout the project.

As well, it would be beneficial for all communication between Alstom and actors involved in the project to be properly documented. This should include the original file for financial or resource transactions, directions from management, and pre-qualifications that support their engagement with the project.⁶⁵ Maintaining these records allows “the entire process of contract negotiation to be reconstructed if necessary” to be prepared to defend the firm if illegal practices occur.⁶⁶

Conclusion

The complex political situation of the proposed Cambodian high-speed rail project means that Alstom or any other western firm engaged in this development must be careful in navigating global competition over trade and foreign investment. Moreover, Alstom's own business relationships with certain key actors adds another dimension of political risk. Mitigation techniques may include demanding clear identification of the origin of foreign investment so that Alstom can monitor its own connections with other countries, and such information may be used by Alstom to proactively identify and resolve any conflicts between states with competing interests in Cambodia's economic development. Similarly, an awareness of changes in trade policies can not only help Alstom avoid cumbersome tariffs and restrictions but can also help it to avoid political issues stemming from trade wars which ultimately affect direct foreign investment. Alstom can mitigate many of these political risks by establishing that a strong relationship with Cambodia as its priority in this project. This comes with Cambodian legal and political protections and helps protect the firm from possible negative consequences

that may arise from fluctuating tensions between state actors.

In terms of legal risks, Alstom will need to take steps to protect its intellectual property mainly by having its intellectual property properly insured through the Cambodian legal system. Alstom will also need to be aware of cyber security threats that pertain to Southeast Asia. Hiring a cyber security team that is accustomed to the specific threats the firm may face. In addition, given the significant level of public sector corruption present in Cambodia, the firm is well advised to ensure each government official it interacts with is properly vetted. In relation to the geopolitical risks of this project, the firm must ensure it is not causing irreparable damage to the physical landscape of Cambodia through this project. This is an important consideration given that Cambodia already experiences intensified seasonal floodings due in part to some key developments associated with China's Belt and Road Initiative. Ultimately, by following these procedures to mitigate the risks discussed here, the firm can ensure the continuation of the project's planning and realization.

The expense of the project calls for Alstom to take into consideration how Cambodia's high-speed rail project affects various relationships between itself, Cambodians, and other groups and state actors. Some of the key social risks of the project identified and discussed here include a delayed project length owing to potential public opposition, negative public perception of the firm's reputation, and potential implications in criminal activity owing to pressures exerted by the Cambodian military. By encouraging local population involvement, monitoring how subcontractors are hired and inspecting their conduct, implementing financial controls and undertaking regular contract reviews, Alstom can ensure it maintains valuable and necessary ethical standards towards protect itself from problematical issues that might harm project completion along with the firm's reputation and credibility.

Overall, these political, legal, and social risks do not indicate that Alstom should abandon the Cambodian high-speed rail project altogether. While the risks are significant and important to consider, as discussed above there are many mitigation strategies that can be adopted to minimize each risk's effects. The Cambodian high-speed rail project is a keystone

development that offers Alstom an opportunity to insert itself into a wider network of high-speed rail projects as a potential developer across multiple Asian countries, including those directly influenced by China's rail ambitions. In light of the contents of this risk assessment, western firms like Alstom can familiarize themselves with the key potential risks before engaging in the different stages of this project, and utilize the mitigation strategies provided here to minimize the effects of these risks.

Figures

Figure 1. JB. “Angkor Wat at Sunset” Pexels. August 1, 2023.
<https://www.pexels.com/photo/angkor-wat-at-sunset-17980012/>

Figure 2. Tong, Donald. “Speed Train on Rail” Pexels. August 11, 2015.
<https://www.pexels.com/photo/speed-train-on-rail-28614/>

Figure 3. “Flag of the People's Republic of China” Wikimedia Commons. October 1, 1949.
https://commons.wikimedia.org/wiki/File:Flag_of_China.png

Figure 4. “Legal Gavel & Open Law Book.” Wikimedia Commons. July 26, 2016.
https://commons.wikimedia.org/wiki/File:Legal_Gavel_%26_Open_Law_Book_%2827905720280%29.jpg

Figure 5. Reaksmey, Heng. “Sam Rainsy protest.” VOA Cambodia. October 24, 2013.
<https://www.voacambodia.com/a/protests-in-cambodia/1776236.html>

Figure 6. Quoc Dung, Tran “Child Labour Photo Contest.” ILO Asia Pacific. March 21, 2013.
<https://www.flickr.com/photos/iloasiapacific/8763387202>

Works Cited

“Alstom Pleads Guilty and Agrees to Pay \$772 Million Criminal Penalty to Resolve Foreign Bribery Charges.”

Office of Public Affairs | United States Department of Justice, December 29, 2014.

<https://www.justice.gov/opa/pr/alstom-pleads-guilty-and-agrees-pay-772-million-criminal-penalty-resolve-foreign-bribery>.

Alstom. “Alstom’s third quarter 2023/24: good commercial momentum and Free Cash Flow guidance reaffirmed

for FY 2023/24.” Alstom. (24 Jan, 2024). <https://www.alstom.com/press-releases-news/2024/1/alstoms-third-quarter-202324-good-commercial-momentum-and-free-cash-flow-guidance-reaffirmed-fy-202324>.

Asian Development Bank. *Lessons Learned From Compliance Reviews of the Asian Development Bank (2004-2020)*. (Philippines: Asian Development Bank, 2021).

<https://www.adb.org/sites/default/files/publication/677206/ocrp-lessons-rehabilitation-railway-project-cambodia.pdf>

Bauld, Stephen. “The importance of maintaining proper files.” *Journal of Commerce* 11, no. 89 (2016): 1-3.

Beckworth, Laura. "Cambodia’s resilience agenda: Understanding how local institutions and actors accept, contest

and accommodate an externally driven approach.” *Geoforum* 128, (2022): 125-134. <https://doi-org.proxy1.lib.trentu.ca/10.1016/j.geoforum.2021.12.015>.

Calabrese, Linda and Yue Cao. “Managing the Belt and Road: Agency and development in Cambodia and

Myanmar.” *World Development* 141 (2021): 1-13. <https://doi.org/10.1016/j.worlddev.2020.105297>.

“Cambodia’s Microfinance Sector Hit by Predatory Lending Claims.” Nikkei Asia, November 11, 2023.

<https://asia.nikkei.com/Business/Finance/Cambodia-s-microfinance-sector-hit-by-predatory-lending-claims>.

- “Cambodia.” University of Minnesota, n.d. <https://cla.umn.edu/chgs/holocaust-genocide-education/resource-guides/cambodia>.
- "COMMISSION DECISION (EU) 2023/1810 of 19 September 2023." *Official Journal of the European Union* 234 (2023): 190-195. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023D1810>.
- Council for the Development of Cambodia. *Special Briefing: Law on Investment*, 2022. <https://cdc.gov.kh/wp-content/uploads/2022/04/20220114-Law-on-Investment-English-Version-443pm.pdf>.
- Derks, Hans. “THE FRENCH COLONIAL SCENE IN SOUTHEAST ASIA.” In *History of the Opium Problem: The Assault on the East, ca. 1600-1950*, 105:395–416. Brill, 2012.
<http://www.jstor.org/stable/10.1163/j.ctv4cbhdf.28>.
- Expired on December 31, 2020 - Pending Congressional renewal.” Generalized System of Preference, U.S. Customs and Borders Protection, last modified March 22, 2021. <https://www.cbp.gov/trade/priority-issues/trade-agreements/special-trade-legislation/generalized-system-preferences>.
- “Enforcing IP Rights in Cambodia: Available Customs Measures.” Tilleke & Gibbins, n.d.
<https://www.tilleke.com/insights/enforcing-ip-rights-in-cambodia-available-customs-measures/>.
- Fritriani, Evi. “The Trump Presidency and Indonesia: Challenges and Opportunities.” *Contemporary Southeast Asia* 39, no.1 (2017): 58-64. <https://search-ebscohost-com.proxy1.lib.trentu.ca/login.aspx?direct=true&db=afh&AN=122878187&site=ehost-live>.
- Global Initiative Against Transnational Organized Crime. *Branches of Illegality: Cambodia’s illegal logging structures*. (Switzerland: Global Initiative Against Transnational Organized Crime, 2022).
<https://globalinitiative.net/wp-content/uploads/2022/09/Cambodia-Logging-Report-web-v2.pdf>.

- “Goulard, Sebastien “The Impact of the US–China Trade War on the European Union.” *Global Journal of Emerging Market Economies* 12, no.1 (2020): 56-68. <https://doi-org.proxy1.lib.trentu.ca/10.1177/0974910119896642>.
- Hum, Hour. “Cambodia's land compensation issues persist.” The UN Refugee Agency. (2017, January 11). <https://webarchive.archive.unhcr.org/20230530184137/https://www.refworld.org/docid/58f9ca5fc.html>
- “Intention to add Cambodia to the List of Beneficiary Developing Countries.” From the President of the United States of America, June 3, 1997. <https://babel.hathitrust.org/cgi/pt?id=pur1.32754067535611&seq=1>.
- Johnson, Gareth. “Cambodia Plans \$4 Billion Upgrade for its First High-Speed Railway Line.” *Cambodian Investment Review*. (2023). <https://cambodiainvestmentreview.com/2023/01/30/cambodia-plans-4-billion-upgrade-for-its-first-high-speed-railway-line/>.
- Knight, Phillip. “Nike in the Global Economy.” Filmed 1998. C-Span, 9:38. <https://www.c-span.org/video/?105477-1/nike-global-economy>
- Kotoski, Kali. “Railway Project Veers Off Track as Toll Exits.” *Khmer Times*, December 22, 2014. <https://www.khmertimeskh.com/53348/railway-project-veers-off-track-as-toll-exits/>
- Law on Investment of the Kingdom of Cambodia - Od Mekong Datahub.” Law on investment of the Kingdom of Cambodia - Laws OD Mekong Datahub, October 15, 2021. https://data.opendevdevelopmentcambodia.net/laws_record/law-on-the-investment-of-the-kingdom-of-cambodia.
- O’Neill, Daniel. “Playing Risk: Chinese Foreign Direct Investment in Cambodia,” *Contemporary Southeast Asia* 35, no. 2 (2014): 173-205. <https://search-ebshost-com.proxy1.lib.trentu.ca/login.aspx?direct=true&db=afh&AN=97628246&site=ehost-live>.

“Policy Influence.” Alstom, June 2023.

https://www.alstom.com/sites/alstom.com/files/2023/07/04/Policy_influence_Transparency_Document_EN.pdf

Practical Guide Intellectual Property - HBS law, n.d. <https://www.hbslaw.asia/images/Insights/Practical-Guide-Intellectual-Property.pdf>.

Rashid, Yahya. “Analysis of delay factors and their effects on construction projects,” *Management science letters* 10, no.6 (2020): 1198-1204.

Rainsy, Sam. “Repression, Debt, Corruption and Human Trafficking: Hun Sen’s Cambodian Legacy.” – The Diplomat, January 30, 2023. <https://thediplomat.com/2023/01/repression-debt-corruption-and-human-trafficking-hun-sens-cambodian-legacy/>.

Ritchie, Craig. “The Cambodian rail system.” *Crime, media, culture* 4, no. 3 (2008): p. 387-394.

Siegmann, Karin. “Soccer Ball Production for Nike in Pakistan.” *Economic and Political Weekly* 43, no. 22 (2008): 57-64.

Tanaka, Kiyoyasu. "The European Union's reform in rules of origin and international trade: Evidence from Cambodia." *The World Economy* 44, (2021): 3025-3050. <https://doi-org.proxy1.lib.trentu.ca/10.1111/twec.13108>.

Tillett, Andrew. “Warning to Developing Countries over Chinese Hacking.” *Australian Financial Review*, November 8, 2023. <https://www.afr.com/politics/federal/warning-to-developing-countries-over-chinese-hacking-20231108-p5eief>.

U.S Department of Labor. *2021 Findings on the Worst Forms of Child Labor: Cambodia*. (United States: Bureau of International Labor Affairs, 2021).
https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2021/cambodia.pdf

“U.S. Relations With Cambodia.” U.S. Department of State, June 16, 2021. <https://www.state.gov/u-s-relations-with-cambodia/>.

“WJP Rule of Law Index.” World Justice Project, n.d. <https://worldjusticeproject.org/rule-of-law-index/>.

“World Bank Climate Change Knowledge Portal.” Vulnerability | Climate Change Knowledge Portal, n.d. <https://climateknowledgeportal.worldbank.org/country/cambodia/vulnerability>

Yu, Hong. “Riding on the BRI Train: Issues Relating to China’s Strengthening Ties with Cambodia.” SpringerLink, January 1, 1970. https://link.springer.com/chapter/10.1007/978-981-99-9633-9_6#Sec4.

End Notes

- ¹ Gareth Johnson. "Cambodia Plans \$4 Billion Upgrade for its First High-Speed Railway Line." Cambodia Investment Review. (23 May, 2023). <https://cambodiainvestmentreview.com/2023/01/30/cambodia-plans-4-billion-upgrade-for-its-first-high-speed-railway-line/>
- ² Craig Ritchie. "The Cambodian rail system." Crime, media, culture 4, no. 3 (2008): p.388.
- ³ Kail Kotoski. "Railway Project Veers Off Track as Toll Exits." Khmer Times, December 22, 2014. <https://www.khmertimeskh.com/53348/railway-project-veers-off-track-as-toll-exits/>
- ⁴ Gareth Johnson. "Cambodia Plans \$4 Billion Upgrade for its First High-Speed Railway Line." Cambodian Investment Review. (2023). <https://cambodiainvestmentreview.com/2023/01/30/cambodia-plans-4-billion-upgrade-for-its-first-high-speed-railway-line/>.
- ⁵ Railway Technology. "Cambodia to spend \$4bn in Phnom Penh-Poipet rail overhaul." Railway Technology. (25 January 2023). <https://www.railway-technology.com/news/cambodia-phnom-penh-poipet-rail/?cf-view>
- ⁶ Johnson. "Cambodia Plans \$4 Billion Upgrade for its First High-Speed Railway Line."
- ⁷ Ibid.
- ⁸ Ibid.
- ⁹ Laura Beckworth, "Cambodia's resilience agenda: Understanding how local institutions and actors accept, contest and accommodate an externally driven approach," *Geoforum* 128, (2022): 129, <https://doi-org.proxy1.lib.trentu.ca/10.1016/j.geoforum.2021.12.015>.
- ¹⁰ Ibid., 131.
- ¹¹ Kiyoyasu Tanaka, "The European Union's reform in rules of origin and international trade: Evidence from Cambodia," *The World Economy* 44, (2021): 3025, <https://doi-org.proxy1.lib.trentu.ca/10.1111/twec.13108>
- ¹² Tanaka, "The European Union's reform in rules of origin and international trade," 3026.
- ¹³ Tanaka, "The European Union's reform in rules of origin and international trade," 3047.
- ¹⁴ "Commission Decision (EU) 2023/1810 of 19 September 2023," *Official Journal of the European Union* 234 (2023): 190, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023D1810>.
- ¹⁵ Daniel O'Neill, "Playing Risk: Chinese Foreign Direct Investment in Cambodia," *Contemporary Southeast Asia* 35, no. 2 (2014): 185, <https://search-ebSCOhost-com.proxy1.lib.trentu.ca/login.aspx?direct=true&db=afh&AN=97628246&site=ehost-live>.
- ¹⁶ Ibid., 174.
- ¹⁷ Linda Calabrese and Yue Cao, "Managing the Belt and Road: Agency and development in Cambodia and Myanmar," *World Development* 141 (2021): 4, <https://doi.org/10.1016/j.worlddev.2020.105297>.
- ¹⁸ Ibid.
- ¹⁹ Ibid.
- ²⁰ Ibid., 5.
- ²¹ "Policy Influence," Alstom, June 2023, 4, https://www.alstom.com/sites/alstom.com/files/2023/07/04/Policy_influence_Transparency_Document_EN.pdf
- ²² Evi Fritriani, "The Trump Presidency and Indonesia: Challenges and Opportunities," *Contemporary Southeast Asia* 39, no.1 (2017): 58, <https://search-ebSCOhost-com.proxy1.lib.trentu.ca/login.aspx?direct=true&db=afh&AN=122878187&site=ehost-live>.
- ²³ "U.S. Relations With Cambodia," U.S. Department of State, June 16, 2021, <https://www.state.gov/u-s-relations-with-cambodia/>.
- ²⁴ Ibid.
- ²⁵ "Expired on December 31, 2020 - Pending Congressional renewal," Generalized System of Preference, U.S. Customs and Borders Protection, last modified March 22, 2021, <https://www.cbp.gov/trade/priority-issues/trade-agreements/special-trade-legislation/generalized-system-preferences>
- ²⁶ "Intention to add Cambodia to the List of Beneficiary Developing Countries," from the President of the United States of America, June 3, 1997, 5, <https://babel.hathitrust.org/cgi/pt?id=pur1.32754067535611&seq=1>.
- ²⁷ Sebastien Goulard, "The Impact of the US-China Trade War on the European Union," *Global Journal of Emerging Market Economies* 12, no.1 (2020): 60, <https://doi-org.proxy1.lib.trentu.ca/10.1177/0974910119896642>.
- ²⁸ Ibid., 65.

-
- ²⁹ Council for the Development of Cambodia. *Special Briefing: Law on Investment*, 2022, 4, <https://cdc.gov.kh/wp-content/uploads/2022/04/20220114-Law-on-Investment-English-Version-443pm.pdf>.
- ³⁰ “Law on Investment of the Kingdom of Cambodia - Od Mekong Datahub.” Law on investment of the Kingdom of Cambodia - Laws OD Mekong Datahub, October 15, 2021. https://data.opendevelopmentcambodia.net/laws_record/law-on-the-investment-of-the-kingdom-of-cambodia.
- ³¹ Ibid.
- ³² Ibid., pg. 8
- ³³ Practical Guide Intellectual Property - HBS law, n.d. Pg. 9 <https://www.hbslaw.asia/images/Insights/Practical-Guide-Intellectual-Property.pdf>.
- ³⁴ Ibid. Pg. 12
- ³⁵ Ibid. Pg. 16
- ³⁶ Ibid. Pg. 16
- ³⁷ “Enforcing IP Rights in Cambodia: Available Customs Measures.” Tilleke & Gibbins, n.d. <https://www.tilleke.com/insights/enforcing-ip-rights-in-cambodia-available-customs-measures/>.
- ³⁸ Ibid
- ³⁹ Tillett, Andrew. “Warning to Developing Countries over Chinese Hacking.” Australian Financial Review, November 8, 2023. <https://www.afr.com/politics/federal/warning-to-developing-countries-over-chinese-hacking-20231108-p5eief>.
- ⁴⁰ “WJP Rule of Law Index.” World Justice Project, n.d. <https://worldjusticeproject.org/rule-of-law-index/>.
- ⁴¹ Ibid
- ⁴² “Cambodia’s Microfinance Sector Hit by Predatory Lending Claims.” Nikkei Asia, November 11, 2023. <https://asia.nikkei.com/Business/Finance/Cambodia-s-microfinance-sector-hit-by-predatory-lending-claims>.
- ⁴³ Sam Rainsy. “Repression, Debt, Corruption and Human Trafficking: Hun Sen’s Cambodian Legacy.” – The Diplomat, January 30, 2023. <https://thediplomat.com/2023/01/repression-debt-corruption-and-human-trafficking-hun-sens-cambodian-legacy/>.
- ⁴⁴ Ibid
- ⁴⁵ “Alstom Pleads Guilty and Agrees to Pay \$772 Million Criminal Penalty to Resolve Foreign Bribery Charges.” Office of Public Affairs | United States Department of Justice, December 29, 2014. <https://www.justice.gov/opa/pr/alstom-pleads-guilty-and-agrees-pay-772-million-criminal-penalty-resolve-foreign-bribery>.
- ⁴⁶ Derks, Hans. “THE FRENCH COLONIAL SCENE IN SOUTHEAST ASIA.” In *History of the Opium Problem: The Assault on the East*, ca. 1600-1950, Pg. 398. Brill, 2012. <http://www.jstor.org/stable/10.1163/j.ctv4cbhdf.28>.; “Cambodia.” University of Minnesota, n.d. <https://cla.umn.edu/chgs/holocaust-genocide-education/resource-guides/cambodia>.
- ⁴⁷ Yu, Hong. “Riding on the BRI Train: Issues Relating to China’s Strengthening Ties with Cambodia.” SpringerLink, January 1, 1970. https://link.springer.com/chapter/10.1007/978-981-99-9633-9_6#Sec4.
- ⁴⁸ Ibid
- ⁴⁹ Ibid
- ⁵⁰ Rainsy, Sam. “Repression, Debt, Corruption and Human Trafficking: Hun Sen’s Cambodian Legacy.” – The Diplomat, January 30, 2023. <https://thediplomat.com/2023/01/repression-debt-corruption-and-human-trafficking-hun-sens-cambodian-legacy/>.
- ⁵¹ “Floods Pose Significant Risk to Education and Healthcare in Cambodia.” World Bank Blogs, n.d. <https://blogs.worldbank.org/en/eastasiapacific/floods-pose-significant-risk-education-and-healthcare-cambodia>.
- ⁵² Gareth Johnson. “Cambodia Plans \$4 Billion Upgrade for its First High-Speed Railway Line.” Cambodian Investment Review. 2023. <https://cambodiainvestmentreview.com/2023/01/30/cambodia-plans-4-billion-upgrade-for-its-first-high-speed-railway-line/>.

-
- ⁵³ Asian Development Bank. *Lessons Learned From Compliance Reviews of the Asian Development Bank (2004-2020)*. (Philippines: Asian Development Bank, 2021). <https://www.adb.org/sites/default/files/publication/677206/ocrp-lessons-rehabilitation-railway-project-cambodia.pdf>.
- ⁵⁴ Hour Hum. "Cambodia's land compensation issues persist." The UN Refugee Agency. (2017, January 11).
- ⁵⁵ Yahya Rashid. "Analysis of delay factors and their effects on construction projects," *Management science letters* 10, no.6 (2020): 1201.
- ⁵⁶ Alstom. "Alstom's third quarter 2023/24: good commercial momentum and Free Cash Flow guidance reaffirmed for FY 2023/24." Alstom. (24 Jan, 2024).
- ⁵⁷ Ibid 11.
- ⁵⁸ U.S Department of Labor. *2021 Findings on the Worst Forms of Child Labor: Cambodia*. (United States: Bureau of International Labor Affairs, 2021). 1. https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2021/cambodia.pdf
- ⁵⁹ Ibid.
- ⁶⁰ Ibid.
- ⁶¹ Karin Siegmann. "Soccer Ball Production for Nike in Pakistan." *Economic and Political Weekly* 43, no. 22 (2008): 58.
- ⁶² Knight, Phillip. "Nike in the Global Economy." Filmed 1998. C-Span. <https://www.c-span.org/video/?105477-1/nike-global-economy>
- ⁶³ Global Initiative Against Transnational Organized Crime. *Branches of Illegality: Cambodia's illegal logging structures*. (Switzerland: Global Initiative Against Transnational Organized Crime, 2022): 17. <https://globalinitiative.net/wp-content/uploads/2022/09/Cambodia-Logging-Report-web-v2.pdf>.
- ⁶⁴ Ibid 17.
- ⁶⁵ Stephen Bauld. "The importance of maintaining proper files." *Journal of Commerce* 11, no. 89 (2016): 1.
- ⁶⁶ Ibid.