



Risk Management Consultancy

2014 – YEAR IN PERSPECTIVE



As we approach the back end of 2014, we at AGR look back on an eventful year that has seen flashpoints and previously unforeseen risks emerging in almost all of the countries within which we operate. With growth returning slowly to Europe, North America, and other developed economies, the emerging markets of Asia continue to provide the greatest opportunities for growth for our clients. This being the case, the most astute companies will recognize and incorporate into their growth strategies the fact that the greater opportunities in this region come with greater levels of risk. Whereas in traditional developed economies a stable political framework can be largely taken for granted, 2014 has witnessed a number of examples of the ways in which those doing business in Asia frequently need to be adaptable and to manage their risks within more volatile landscapes.



*General Prayut Chan-Ocha, Thailand's Prime Minister and former Chief of the Armed Forces*

Of all the countries within which we operate, Thailand has seen the most political upheaval this year as the army felt compelled to intervene in a tense political stand-off and oversee a change of personnel in the country's government. Historically-speaking, Thailand's political elite and business leaders have tended to be heavily intertwined. It is a country where relationships count, and retaliation against businesses deemed to be aligned to opposing factions is not unheard of. Our Team had previously worked with a number of international companies operating in Thailand to help them position themselves so as to ensure that their interests would not be too adversely affected by any political change. We advised that businesses operating in Thailand without any interest in influencing the political

environment nonetheless need to be mindful of the associations that they keep and how such associations may be perceived by others. As such, detailed [stakeholder analysis](#) is essential when considering going into business with local partners or hiring local staff. In addition to traditional public records checks and detailed paper and online media searches, we make use of a strong array of connections with the political and business domains in order to ascertain the histories, associations and reputations of any prospective partner. Given that political occurrences in Thailand are perennially unpredictable, we can help you to avoid being seen as partisan and thus to ensure that your business interests do not risk becoming subject to political interference later down the line.



*Striking garment workers in Phnom Penh, January 2014*

In January, fired up by promises by the opposition party to double the country's minimum wage, thousands of workers from garment factories in and around Phnom Penh took to the street to demand higher wages and protest about their working conditions. Manufacturing in Cambodia's most productive industry was brought to a halt during the protests, which only subsided after five protesters had been shot dead in the streets. Cambodia is a popular sourcing destination with high growth potential, though political tension and social unrest create both operational and reputational risks for foreign businesses operating there. As in the other countries within which we offer our services, AGR has a team of risk management professionals based in-country and fluent in local languages that are best-placed to identify current and future risks specific to the local environment.

Before investing or expanding in Cambodia, traditional background checks into local partners and/or managers should be accompanied by **detailed considerations of social trends** which can be indicative of the probability of any troubles ahead.

Through our monitoring of local media and extensive network of contacts within the business community we are able to offer advice upon employer practices or attitudes amongst employees which could develop into issues later down the line. Furthermore, we can assist you in ensuring compliance with regulatory standards – both those set by the government of the host country and those prescribed by international norms (such as standards set by the International Labour Organization).

To ensure such compliance not only protects you against reputational damage but equally lessens the likelihood of operational disruption through collective action. Whilst preventative solutions are by far preferable, where issues are escalated we are able to provide crisis management services to mediate between opposing parties and minimize operational disruption and reputational damage.

Vietnam is traditionally more politically stable, though unpredictable events can nonetheless create new risks for businesses operating in the country. This point was evidenced emphatically in May when thousands of Vietnamese took to the streets following incidents with China. Most dramatically, on May 13<sup>th</sup> as many as 20,000 protesters chanted anti-Chinese slogans and attacked factories (pictured below) that they believed to be Chinese-owned in Binh Duong province, a highly industrialized area just north of Ho Chi Minh City that is home to many foreign-owned factories. 21 people died in the clashes and the cost of damage to property reached millions of dollars.



*A factory in Binh Duong set ablaze during events in May*

Foreign companies doing business in Asia can take three valuable lessons from May's events in Vietnam.

- Firstly, the riots emphasize how seemingly distant geopolitical or social events can create legitimate concerns for foreign enterprises. Even if business is conducted in good faith and companies maintain good relationships with local communities, it is nevertheless important to maintain awareness of current affairs and foresee how these may affect your operations.
- A second and related point is that perceived associations carry just as much risk as associations in reality – Korean factory owners in Binh Duong will have been surprised to have been caught up in the violence, having not recognized that angry demonstrators may not take the time to distinguish between factories of Chinese and Korean ownership.
- A third observation is the speed at which dormant hazards can develop into genuine security issues - whilst this territorial dispute between China and Vietnam has been a point of discontent for many years, few would have predicted such a sharp spike in tension that translated rapidly into a security risk for foreign companies.

Such events cannot always be foreseen, yet they can be planned for. At AGR we emphasize preventative solutions to security risks. We employ a robust methodology to ensure that you have secure measures in place so as to minimize your vulnerability to unexpected occurrences. We provide two core security services – consulting and auditing. **Security consultancy** is best suited to the preliminary stages of a project, where you may be seeking to understand the potential security risks around a prospective investment. Whilst we can cover top-level country risks and recommendations on how to best isolate or spread security risks throughout your investment portfolio, we're also able to advise on highly localized security risks and technical questions such as how to best incorporate security objectives into a construction blueprint. For example, international companies considering setting up in the Savannakhet Special Economic Zone (the first of its kind in Laos and strategically located for easy access from Cambodia, China, Thailand and Vietnam) may consider our services so as to integrate security considerations into their investment from the very beginning.



*Savannakhet's strategic position*

Our specialized **security auditing** team is best suited to existing operations. We conduct interviews with security staff to assess their understanding of security procedures and preparedness for a variety of different scenarios. We can undertake covert stress-tests to ensure that procedures are adhered to and provide staff experience of dealing with potential threats. Any modern security system must include provisions for a secure network with only the right people accessing digital information, and we bring in people from our IT division to identify any weaknesses in your network. Our accessible reports can be provided in local languages as well as English and French. Additionally, we will conduct an on-site presentation for management and security staff and make one of our analysts available to answer any questions. We can work with you to implement our recommendations quickly and efficiently, ensuring that your business is best-placed to protect itself against external disruption no matter what challenges you may face.

