



Overview of Japanese Investment in Southeast Asia

Infrastructure Development in Myanmar and Cambodia

17 October 2012

Tokyo, Japan



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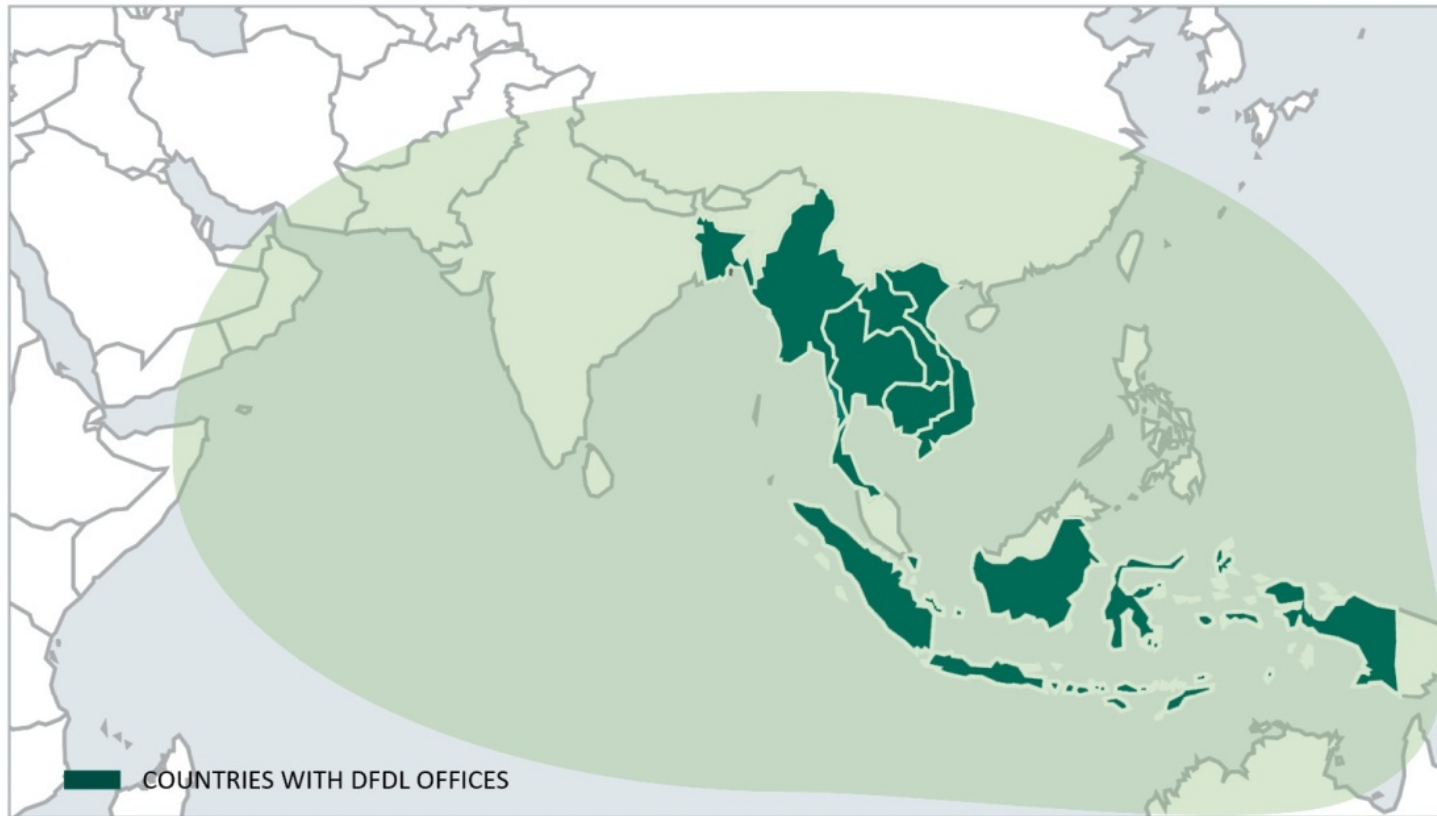
Introduction to DFDL

“Pioneers in Frontier Markets”

In 1994, DFDL was built on the foundations of a unique vision:

- to build an integrated legal and tax services firm of an international standard,
- with in-depth knowledge of the Mekong Region (now SE Asia),
- while providing specialized and personalized advisory services to the international business community.
- Our Strategy: Not “Go where our Clients Go”, But Go BEFORE you Go.

Leveraging off its more than 17 years pioneering practices in the Mekong region, DFDL continues to build on its reputation for being the first choice for in emerging markets across SE Asia and beyond.



DFDL PEOPLE

- 250 staff
- 120 + advisers
- 9 regional partners
- 6 country partners

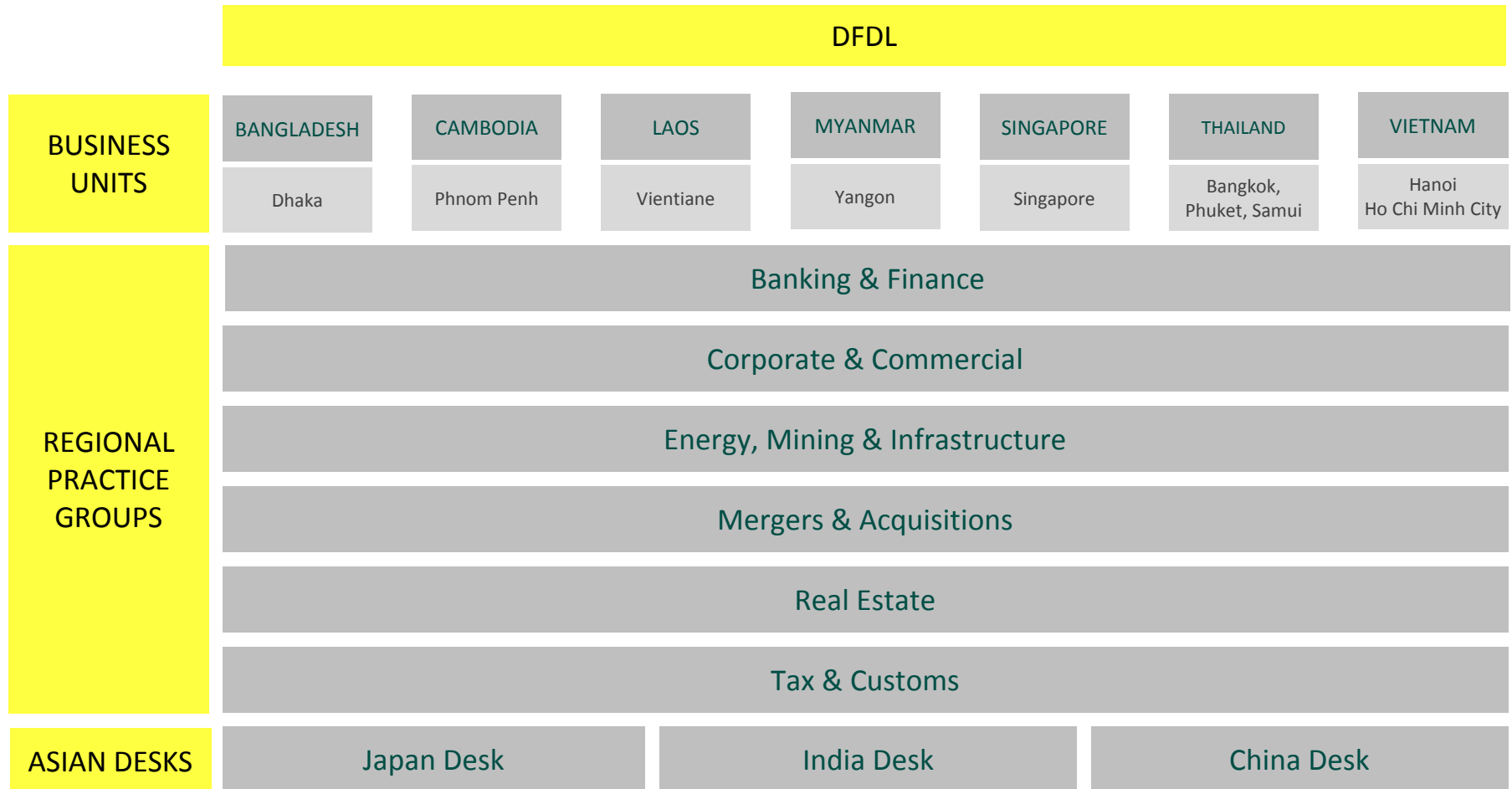
INTERNATIONAL PRESENCE

- Established in 1994 in the Mekong region
- 8 countries: Bangladesh, Cambodia, Indonesia, Myanmar, Laos, Singapore, Thailand and Vietnam
- 11 offices: Dhaka, Phnom Penh, Jakarta*, Yangon*, Vientiane, Bangkok, Koh Samui, Phuket, Ho Chi Minh City, Hanoi, Singapore

CAPABILITIES

- Full-service Legal & Tax services firm
- Extensive experience of local business cultures
- Advisers with international experience
- Core expertise: Banking & Finance, Energy, Mining & Infrastructure, Real Estate, M&A, Corporate & Commercial, Tax & Customs, Senior local and international laws capacities

* In collaboration with local partners



- Assisting Japanese clients on their investments in frontier markets
- Japanese clients no longer need to use local firms to deal with Southeast Asian issues
- Excellent understanding of Japanese business culture coupled with in depth knowledge of local markets
- DFDL advisers have substantial experience working with Japanese clients
- Regional information sharing – client’s businesses, service preferences, etc. known throughout all DFDL offices

- Bank of Tokyo Mitsubishi - UFJ
- Cast Itoga Law
- Itochu Metals Corporation
- Hino Tsusho Co., Ltd
- JICA
- Kyowa Hakko Kirin
- Jaido
- Maruhan Japan Bank
- Kanematsu Corporation
- Mitsubishi UFJ Securities
- Mitsubishi Motors Corporation
- Mitsui & Co., Ltd
- Miyaki & Yamazaki
- Mitsui Oil Exploration Co Ltd
- Obayashi Corporation NTT Communications
- Sumitomo Corporation
- Nittetsu Mining Co. Ltd
- Takahashi Patentstruction
- Yamaha Motor Co., Ltd
- Sojitz Corporation
- Sumitomo Mitsui Banking Corporation
- Mitsui Banking Corporation
- Tokio Marine & Nichido
- Suzuki Motors
- Yasiteru Miyamoto



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Today's speakers



Head of Japan Desk; Deputy Head of Banking & Finance

- 13 years of experience.
- Worked in the legal industry in Japan for 8 years and has had extensive experience in capital markets, structured finance and OTC derivatives at leading global law firms and investment banks in London and Japan and has worked on a broad range of banking and finance transactions.



Partner

Head of Myanmar Office

- James Finch's experience in the legal field spans three decades and has taken him to the Middle East, Latin America, the Caribbean and Asia. Within Asia, James has worked in Hanoi and in 1996 he moved to practice in Yangon, Myanmar.
- 16 years experience in Myanmar.
- He has advised on energy, hard minerals, corporate issues, tax, aircraft leasing, hotel development, banking and finance matters, among others in Myanmar.



Regional Director, Tax and Customs Practice Group

- Over twelve years' experience in Europe and Asia
- Previously headed the tax team of a “Big Four” firm managing a team of tax specialists.
- Specializes in providing regional international tax planning and consulting, cross border tax advisory services, corporate restructuring and reorganization and tax compliance advice.
- A regular speaker on current taxation issues in the region and his speaking engagements include European Chamber of Commerce, Chinese Chamber of Commerce, Australian New Zealand Business Association, Thai Tax Forum, Lao Stock Exchange (LSX), Cambodian Stock Exchange (CSX) and various DFDL sponsored events throughout the region including Thailand, Singapore and Laos.
- Member of the Association of Chartered Certified Accountants.



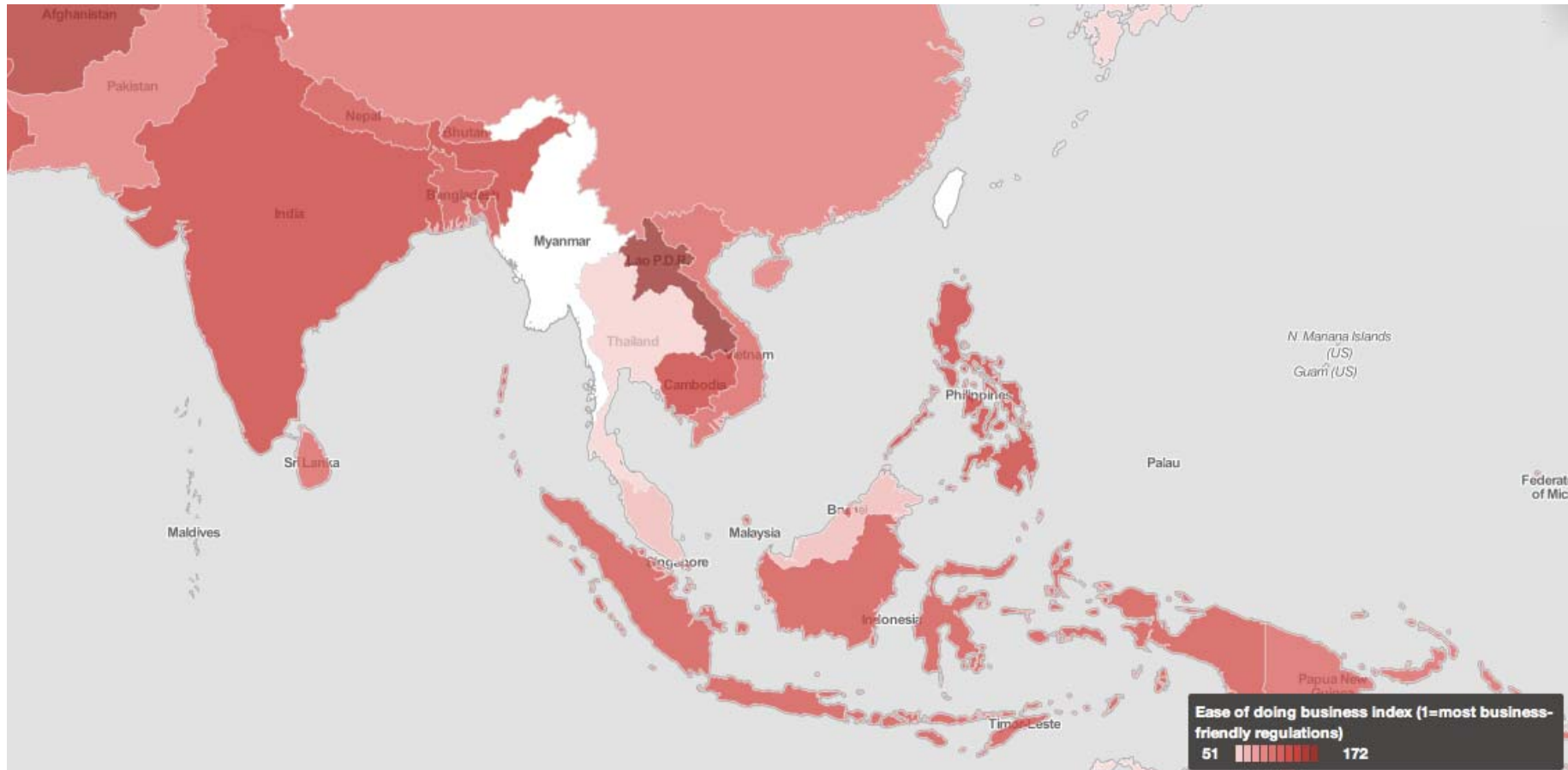
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Comparative Introduction to the Mekong Region

	POP (Mil)	GDP USD Per cap (2011)	GDP USD PPP (2011)	GDP Growth (2010)	GDP Growth (2011)	GDP Growth (2012)
Cambodia	15.1	852	2,215	6.0	6.1	7
Indonesia	241	3,509	4,666	6.2	6.5	6.1
Laos	6.5	1,204	2,658	7.9	8.3	8.4
Myanmar	62	832	1,324	5.3	5.5	6.0
Thailand	64	5,394	9,396	7.8	0.07	4.5
Vietnam	89	1,374	3,359	6.8	5.9	5.3

Key Characteristics

	System	GOVT	POLITICS	LAW
Cambodia	MKT (weak state)	Dem	3 main Many smaller	<ul style="list-style-type: none"> - Civil (FP/JP - Ger) - Com - Soc
Indonesia	MKT (strong state)	Dem	Multi party	<ul style="list-style-type: none"> - Civil (Dutch-Roman) - Islamic - Customary
Lao	PLAN	Soc	1 party	<ul style="list-style-type: none"> - Soc/civil
Myanmar	PLAN	Junta	1 party	<ul style="list-style-type: none"> - Common
Thailand	MKT (strong state)	Dem	Multi party	<ul style="list-style-type: none"> - Civil (German?)
Vietnam	PLAN (strong market)	Soc	1 party	<ul style="list-style-type: none"> - Soc/Civil



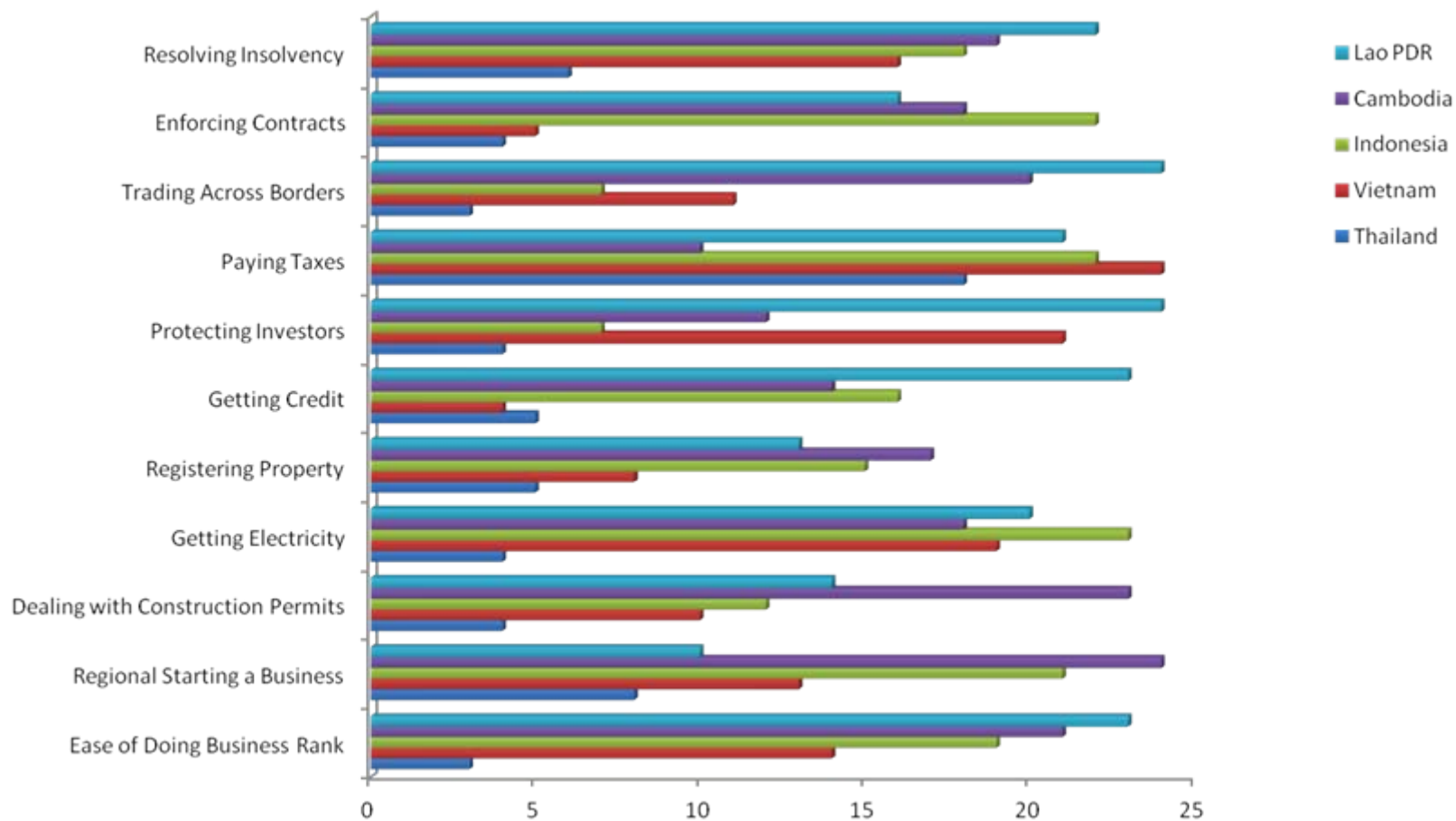
Ease of doing business presented as a map – lighter shades of red are easier

Jurisdiction	Regional Starting a Business (out of 24)	Global Starting a Business	Regional Ease of Doing Business	2012 Global Ease of Doing Business	2011 Global Ease of Doing Business	Change in Rank
Singapore	1	1	1	1	4	= 0
Thailand	8	78	3	17	16	↓ 1
Vietnam	13	103	14	98	90	↓ 8
Indonesia	21	155	19	129	126	↓ 3
Cambodia	24	171	21	138	138	= 0
Lao PDR	10	89	23	165	163	↓ 2

2012 Ease of Doing Business

Jurisdiction	Thailand	Vietnam	Indonesia	Cambodia	Lao PDR
Global Ease of Doing Business Ranking	17	98	129	138	165
Global Starting a Business	78	103	155	171	89
Dealing with Construction Permits	14 / 14	70 / 67	71 / 71	150 / 159	23 / 23
Registering Property	18 / 28	43 / 47	96 / 99	110 / 110	72 / 72
Getting Credit	64 / 67	21 / 24	116 / 126	96 / 98	152 / 166
Protecting Investors	12 / 13	172 / 166	44 / 46	74 / 79	182 / 182
Paying Taxes	94 / 100	129 / 151	134 / 131	51 / 54	122 / 123
Trading Across Borders	19 / 17	65 / 68	38 / 39	120 / 120	170 / 168
Enforcing Contracts	24 / 24	31 / 30	154 / 156	141 / 142	109 / 110
Resolving Insolvency	47 / 51	130 / 142	149 / 146	150 / 149	183 / 183

2012 Comparative Regional Ease of Doing Business





Ease of Doing Business (World Bank) YoY Comparison



Topic Rankings Cambodia	DB 2012 Rank	DB 2011 Rank	Change in Rank
Starting a Business	171	170	↓ -1
Dealing with Construction Permits	149	150	↑ 1
Getting Electricity	130	130	No change
Registering Property	110	111	↑ 1
Getting Credit	98	96	↓ -2
Protecting Investors	79	74	↓ -5
Paying Taxes	54	51	↓ -3
Trading Across Borders	120	120	No change
Enforcing Contracts	142	141	↓ -1
Resolving Insolvency	149	150	↑ 1



Establishing a Business

No.	Procedure	Time to Complete	Associated Costs
1	Deposit the legally required initial capital in a bank and obtain deposit evidence.	1 day	No charge
2	Check the uniqueness of the company name	5 days	USD 10
3	Have an abstract of the company organization documents (bylaws, memorandum, and articles of association) published in a recognized public newspaper	7 days	USD 15
4	Incorporate the company with the Commercial Register, maintained at the Office of the Clerk of the Commercial Court	25 days	USD 105
5	Make a company seal	1 day	USD 15
6	Have registration documents stamped and approved by Phnom Penh Tax Department	3 days	USD 49
7	Register the company for VAT and patent at the Real Regime Tax Office	13 days	USD 390
8	Notify the Ministry of Labor of the start of operations and hiring of employees	30 days	USD 250 (8-200 employees)
9*	Receive inspection from Labor Inspector	1 day included in procedure 8	Included in Procedure 8 *

* Can be undertaken simultaneously with another process.



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Investment Opportunities

Natural Resources

- Oil and Gas
- Mining
 - Gemstones
 - Iron ore
 - Phosphates
- Hydropower potential
- 443 km coastline
- 4.85 million hectares of unforested land
- Only 2.5 million hectares under cultivation

Growth Sectors

- Economic growth expected to reach around 6.5% in 2012
- Sectors to Watch in 2012
 - Agriculture
 - Banks and MFIs
 - Energy Infrastructure
 - Mining (Hydrocarbons & Minerals)
 - Tourism
 - Garment Exports
- Increased foreign investment targeting:
 - Agriculture; Tourism; Energy; Mining; Telecoms; new niche markets in 2012

Natural Resources

- A resource rich country
- Petroleum
- Timber
- Tin
- Antimony
- Zinc
- Copper
- Tungsten
- Lead
- Coal
- Some marble
- Limestone
- Precious stones
- Natural gas
- Hydropower

Growth

- Political changes since 2011
- Sanctions are suspended / being lifted
- Needs of the country - debt of USD 11B (-USD 3.7B); lack of infrastructure; high level of poverty and unemployment
- Budget was discussed for the first time in 2012 - deficit of some USD2.7B.
- 60 million Myanmar
- Tourism potential – limited industrial activity to date
- In this context government has been calling for foreign investment



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Key Assumptions to Avoid

But why do I need to make any assumptions about Local legal issues?

I'll just hire country legal experts to do this for me.



- YES!! But
- Strategic Decisions made before contacting country law experts, especially tax structuring
- Investment Structure discussed and sometime approved before contacting the country law experts
- Key documents drafted by in house lawyers or external home jurisdiction lawyers before engaging the country law experts
- So it is important to have some basic knowledge in place to
 - Make sure strategic decisions and basic deal structure reflects what can be done in the country
 - Make sure you understand the in-country experts (sometimes they make assumptions re: your understanding!! And don't explain fully – NOT DFDL of course!)

- Rule of law is an important concept; the Government is subject to the Rule of Law; laws are available (public) and Implemented; promises in Government contracts enforceable
- Corpus Juris exists; laws are known (published)
- Foreign Courts / Arbitration or local courts will uphold your rights
- The law treats foreigners the same as locals; Foreigners can own most / all assets
- Local Partners (or Government) know the law / requirements better than you
- Connections are key and connected partners are the best kind
- Legal systems are similar to each or and/or similar to Singapore

- **Rule of law is an important concept**
 - Rule of Law v Rule By Man
 - Existence of Corpus Juris
- **The Government is subject to the Rule of Law**
 - Promises in Government Contracts are binding on the Government; no need to look behind the curtain.
- **Publication and Implementation**
 - Laos & Cambodia: No “Official Journal” for publication yet
 - Promulgation v. Effective Date v. Implementing Decree v. Implementation
 - Example: Post Dated Law Phenomena (effective date before enacted)
 - Implementation issues: [HR; DESIRE; ABILITY; FUNDS]

Assumptions to Avoid

- Preference For Avoidance of litigation and compromise;
- Judicial Precedents provide valuable guidelines
- I can enforce by Foreign Court judgment
- I can enforce my Foreign Arbitration award
- If all else fails Local Courts will protect me
- Local Courts / Arbitral Tribunals are functioning
- Japanese/English language agreements will prevail
- Foreign governing law will prevail

- The law treats foreigners the same as locals;
- Foreigners can own most / all assets
 - Blocked Sectors: Defense, Import-Export, etc.
 - Foreign ownership restrictions; Retail, Distribution, Import-Export, Land Ownership, Natural Resources, Telecom
 - Restrictions on land ownership
- Corporate:
 - Foreign Business Law – Thailand only country with on
 - Local equity; Government equity participation
 - Management; Local Director, Local Board meetings, Local manager
 - Foreign director restrictions
- Labor: Foreign local ratio; WP and Visa

- Local Partners know Legal Issues better than Foreign partner
 - Local Partners May not know the law / requirements
 - rule of law weak
 - do things the local way
 - Trying to apply the law not useful
- Local Partner values legal documentation of an “international standard”
- Connected partners are the best kind

- It is important the business team has the right contacts
- A friend in Southeast Asia is not the same as a tomodachi in Japan
- It is more important that the business team know dynamics between relevant ministries. Any power struggles?
 - Contacting correct administrative bodies
 - Forming healthy Government relationships
- However the business team should avoid political contacts
 - Examples: Cambodia
- Anti-Bribery / Corruption: stiff laws in Cambodia now. Vietnam high level officials being targeted

Thank you



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