



■ Loo Choon Chiaw

“WE HAVE BEEN TRULY FLYING THE SINGAPORE FLAG”

SINGAPORE: Your Gateway to Asia, Q&A with Loo Choon Chiaw, Managing Partner of LOO & PARTNERS

ALB1: To what extent is Singapore handicapped by its size and the lack of natural resource in its economic development?

LCC1: God in His wisdom has decided that Singapore, a small city state (it was once called the “little red dot” by a politician from a neighboring country, when the bilateral relationship between Singapore and that country was slightly strained), with a land area of approximately 700 square km and without a hinterland should also go without any natural resources. These are givens, which Singapore cannot run away from. As a born optimist looking at the half-filled glass of water, I always focus on the long-term opportunity available to Singapore, rather than agonising over the short-term challenge of the limit of its size or its lack of inherited wealth. Looking from a positive angle, Singapore should thank God in freeing it from the negative impact of natural wealth, be it, what the economists call the ‘Dutch Disease-dynamics’ or environmental damage associated with the exploitation and production of natural resources. From Day One, Singapore has been forced to survive from crisis to crisis, and attain its wealth creation and accumulation by the determination and sheer hard work of its Government and people working together as a team despite its inherent limitations.

ALB2: Can Singapore, with all its limitations, really play a role in the era of globalisation, where the global economy is constantly changing?

LCC2: There has not been any suggestion from any expert renowned in the subject that the changes in the global economy currently under way will seriously undermine Singapore’s competitive position. In the present context, small may indeed be beautiful in that Singapore will be able to react speedily to any major and unexpected change in the global market, which is becoming more frequent these days. Indeed, where there is any fundamental change in the global market, Singapore cannot just sit idly, but must be prepared to adjust to that change decisively and swiftly.

ALB3: Has Singapore been successful in its drive to become a knowledge-based, innovation-driven economy?

LCC3: *The Global Competitiveness Report 2012/2013* published by the World Economic Forum ranked Singapore as the second-most competitive economy in the world and classified it as an innovative-driven economy and placed it in the same league as the United States, Finland, Sweden and Switzerland. Singapore has achieved a steady transition towards a knowledge-based and an innovation-driven economy, an aspiration outlined in the *Report*

of the Economic Review Committee 2003. The requisite infrastructure has been firmly in place. It has been successful in attracting foreign scientific talents, however, it will take a while for the results of the scientific research to be translated into new products or services of any significant scale. In this connection, we must be reminded of an ancient Chinese saying <好的开始是成功的一半>, a good beginning is half way to success.

ALB4: Is Singapore an attractive Foreign Direct Investment (FDI) location?

LCC4: As a FDI location, Singapore remains highly attractive to foreign companies who invest in high-tech and capital intensive industries. However, Singapore, as observed in the *Singapore Competitiveness Report 2009* produced by the Asia Competitiveness Institute and published by the Lee Kuan Yew School of Public Policy has been increasingly moving beyond just being a host of FDIs, and is becoming an important source of FDIs, especially for other parts of Asia. In this context, Singapore has increasingly been recognised as a jurisdiction of choice to foreign investors who intend to effect a FDI via an investment holding vehicle incorporated in Singapore.

ALB5: Why Singapore?

LCC5: Any foreign investor who is considering effecting a FDI into Singapore or into the Asian region through Singapore will ask the following questions: (1) will the FDI be protected in or through Singapore, (2) is Singapore business friendly, (3) does Singapore have a favourable tax regime, (4) will the FDI enjoy the benefits of any avoidance of double taxation agreement (DTA) entered into between Singapore and the host jurisdiction of the foreign investor or the jurisdiction where the FDI is to be located or both, and (5) will the FDI enjoy the benefits of any free trade agreement (FTA) entered into between Singapore and the host jurisdiction of the foreign investor or the jurisdiction where the FDI is to be located or both.

ALB6: What investment protection can a foreign investor expect as regards its FDI in Singapore?

LCC6: As long as the host jurisdiction of the foreign investor has entered into an International Investment Agreement (IIA) with Singapore, the FDI in Singapore will be subject to investment protection. The benefit does not just stop there. Should the foreign investor decide to effect the FDI via a Singapore subsidiary into a jurisdiction with which Singapore has entered into an IIA, the FDI will also be protected thereby according to the terms of the IIA. Basically, as regards the



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FDI, there will not be any unlawful expropriation and that adequate and effective compensation must be paid in a prompt fashion. Thus, should a PRC investor effect a FDI in Myanmar via its Singapore subsidiary, the PRC investor's investment in its Singapore subsidiary will be protected from any unlawful expropriation in Singapore by virtue of the IIA entered into between the PRC and Singapore. Furthermore, the PRC investor's FDI in Myanmar, via its Singapore subsidiary, will be similarly protected in view of the ASEAN Comprehensive Investment Agreement entered into by all the ASEAN States in 2012, under which both Singapore and Myanmar are member states.

ALB7: Can you elaborate on Singapore's business friendliness and how favourable its tax regime is?

LCC7: Singapore has consistently been ranked as one of the world's most business friendly countries in international surveys. It has strong international trading linkages, very low level of corruption and excellent and advanced infrastructure. All sectors of industry and commerce are encouraged. It allows 100% foreign ownership in most sectors of the economy. A local subsidiary of any foreign investor is entitled to most of the tax concessions and privileges that are available to a company wholly owned by Singapore citizens. Singapore offers relatively low corporate taxes, currently stands at 17%. It has no capital gains tax. Specific tax incentives and exemptions are available to targeted companies, eg, to any company that performs the function of a regional or business headquarters.

ALB8: How extensive is Singapore's DTA network and how will the foreign investor benefit from it?

LCC8: Singapore has an extensive network of DTAs with more than 70 countries across the globe. The key benefits of a DTA are the avoidance of double taxes and lower withholding taxes on certain payments made by the Singapore subsidiary to the foreign investor (assuming that it is located in a jurisdiction which has entered into a DTA with Singapore), for instance, interest or dividend, which will minimise the overall tax burden of the foreign investor.

ALB9: How extensive is Singapore's FTA network and how will the foreign investor benefit from it?

LCC9: As an integral part of its trade architecture, Singapore has been working toward a comprehensive network of FTAs. The FTA network aims to position Singapore as an integrated manufacturing centre in the region; promote research and development in its knowledge-based economy and boost its services hub. A FTA is basically a legally binding agreement between two or more countries to reduce or eliminate barriers to trade, and facilitate the cross border movement of goods and services between the territories of the parties. Since the signing of its first FTA under the ASEAN Free Trade Area (AFTA) in 1993, Singapore's network of FTAs has expanded to cover 18 regional and bilateral FTAs with 24 trading partners. Singapore's FTAs have been instrumental in helping Singapore-based businesses strengthen cross-border trade by eliminating or reducing import tariff rates, providing preferential access to services sectors, easing investment rules, improving intellectual property regulations, and opening government procurement opportunities. The addition

of the European Union, the world's largest trading bloc of 500 million consumers, which is expected to become effective in 2014, would significantly enhance Singapore's current network of FTAs covering 18 regional and bilateral agreements with 24 trading partners, including ASEAN, China, India, Japan, South Korea and the United States. The Singapore subsidiary of a foreign investor will clearly derive benefits under the provisions of the applicable FTA.

ALB10: As a specialist boutique practice in the corporate field, what has been keeping your firm busy these days?

LCC10: Our banking practice colleagues have been very busy with the increase in instructions on aircraft and vessel financing. Our private wealth practice colleagues are acting for more family offices from Europe. Our corporate practice colleagues have been kept busy with an increase in instructions from funds, including compliance. In view of the uncertainties in the global financial market, some IPO projects which we were working on have been put on hold. We are focusing more on cross-border M&As at the moment. As I have highlighted earlier, Singapore does have much to offer as a host of high-tech and capital intensive FDIs and a source of FDIs into Asia. We have been busy advising our clients, both local and foreign, who are undertaking FDIs into Asia, in particular into ASEAN, to take full advantage of the comprehensive framework which is available in Singapore, and assisting each of them to establish the most appropriate deal structure in the light of all the relevant circumstances. In this regard, we have been truly flying the Singapore flag in promoting Singapore: the Gateway to Asia.

WE ARE OUR CLIENTS' PARTNER

We regard ourselves as our clients' strategic partner when tackling their daily challenges. No stone shall be left unturned in our daily search for the most effective legal solution to meet the special needs of each of our clients.

OUR MEMBERS ARE OUR ASSETS

In Loo & Partners, every individual (no matter what position he or she occupies) is a member of our team and an asset to the firm. We are constantly searching for persons with the requisite qualities to join our team.

WE ARE A LOCAL FIRM WITH REGIONAL CAPABILITIES

We strive as follows:

- To be the best amongst our peers
- To attract and retain committed team members
- To enable each member to attain his or her full potential
- To be our clients' strategic partner in tackling their daily challenges
- To implement changes necessary to serve our clients better, increase efficiency and reduce costs
- To maintain a level of profitability that sustains growth, funds further investments to enhance our overall capabilities and provides fair rewards to members