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“ONE BELT ONE ROAD 《一带一路》： THREATS VS OPPORTUNITIES? WHEN GOD CLOSSES A DOOR, HE OPENS A WINDOW!”

Discussions with Loo Choon Chiaw, Managing Partner of
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ALB1: Broadly speaking, what are the implications of OBOR to Singapore?

LCC1: One Belt One Road (“OBOR”) (or 《一带一路》 in Chinese) is a tactical and comprehensive initiative conceived and proposed by China. It aims to promote connectivity and cooperation among countries primarily in Eurasia. The initiative comprises two components, namely, the land-based ‘Silk Road Economic Belt’ and the oceangoing ‘Maritime Silk Road’. Ignoring its apparent political and security objectives, OBOR has provided a gloss to the Chinese Government’s ‘reaching out’ (or 《走出去》 in Chinese) policy, which encourages Chinese enterprises to go abroad in search of resources, new markets, technologies and investment opportunities. There are obvious threats and challenges which Singapore must address by reason of OBOR. Singapore, strategically, located along the Malacca Straits, has been benefiting from the busy shipping traffic passing between the Andaman Sea and the South China Sea. With the implementation of OBOR, the location of Singapore will lose its significance and become irrelevant as maritime traffic can skip the port of Singapore. Despite the potential threat that movements of goods will forgo Singapore when they are in transit between China and Europe, I firmly believe that, ‘when God closes a door, he opens a window’. Singapore, in the long run, will stand to benefit from improved trade and capital flows as well as the opening up of new markets as OBOR gains traction. Opportunities abound if Singapore plays its cards right.

ALB2: Please elaborate on those opportunities.

LCC2: Being the most economically advanced country in the Southeast Asian region according to the World Economic Forum’s Global Competitiveness Report 2014-2015, and ranked the world’s most successful economy in a recent survey conducted by Legatum Institute, a London-based think tank, Singapore is likely to

enhance its position as an international player when the implementation of OBOR comes to fruition. As one of the region’s leading financial centres and business hubs, Singapore’s key industries can play an useful role when the PRC enterprises look to invest in the region and proceed toward internationalisation. The benefits presented by OBOR will be multiplied manifold upon a further integration of the Southeast Asian countries under the ASEAN Economic Community (AEC) framework. To put the issue in context, ASEAN, when viewed as a composite group, constitutes the seventh-largest economy in the world, with a combined GDP of US\$2.5 trillion in 2014. According to ASEAN-US Business Council, the ASEAN’s combined GDP could rise fivefold to US\$10 trillion and would become the fourth largest single market in the world by 2030, after the EU, US, and China.

ALB3: Are you referring to the business opportunities which Singapore can capture as a Foreign Direct Investment (FDI) location to the PRC enterprises?

LCC3: Yes and no. While Singapore remains an attractive FDI destination, it has been moving beyond just being a host of FDIs and is fast becoming an important source of FDIs, namely, as a jurisdiction of choice of foreign investors who plan to effect investments in another jurisdiction via an investment holding vehicle incorporated in Singapore. Briefly, as long as the host jurisdiction of a foreign investor has entered into an international investment agreement (“IIA”) with Singapore, the foreign investor’s FDI in Singapore (the “Singapore FDI”) will be subject to investment protection. The benefit goes on. Should the foreign investor decide to invest in another jurisdiction, via the Singapore FDI, with which Singapore has entered into an IIA, the Singapore FDI will also be protected according to the relevant terms of the IIA. For instance, if a PRC investor intends to invest in a ASEAN State, the PRC investor will be entitled to investment protection

for its investment in Singapore and that ASEAN State respectively, if the investment is effected by an investment holding vehicle incorporated in Singapore by virtue of the existing IIA between China and Singapore, and the ASEAN Comprehensive Investment Agreement entered into by all the ASEAN States in 2012. For the sake of completeness, one must also bear in mind the extensive network of double taxation agreements ("DTAs") which Singapore has entered into with 76 countries across the globe, and the comprehensive network of free trade agreements ("FTAs") which Singapore has entered into with 31 of its major trading partners. The Singapore FDI will be able to take full advantage of the DTA and FTA framework.

ALB4: What are the key areas under OBOR which Singapore can play a prominent role?

LCC4: Singapore can play a role in the infrastructure developments sector, including the energy, resources, power generation and port infrastructure. Such mega projects will need funding. Singapore's banking and finance sector can take a lead in funding such projects. For example, the Bank of China (Singapore branch) has issued a four-year SGD500 million senior unsecured bond listed on the Singapore Exchange ("SGX"), as part of the bank's multi-tranche, multi-currency bond offering to support OBOR-related projects, including the proposed building of the Eurasian Land Bridge connecting China to Russia and Central Asia, as well as the maritime links through major seaports.

ALB5: What are the potential risks in financing such huge infrastructure development projects under OBOR?

LCC5: Political risks must be carefully assessed before any investment is made in any OBOR project as such a project would be one strongly supported by and closely identified with the government of the day. Any major political shift will spell trouble for the project. This point can be illustrated by the example of the Colombo Port City Project, a reclamation real estate project the size of Monaco, which was progressing in full steam when the former Prime Minister Mahinda Rajapaksa was in power, but was suddenly halted after the Sri Lanka's General Election in January 2015, when the new Prime Minister Maithripala Sirisena took office. Sovereign risk must also be addressed. Venezuela is struggling to repay its billion dollars of loan to China, its largest creditor as the oil price plummets and its economy flounders. The safety and security aspect of the project likewise cannot be underestimated. To illustrate, as part of OBOR, China will build 81,000 kilometers (about 50,000 miles) of high-speed railway, more than the

current world total, involving 65 countries. The Kashgar-Gwadar economic corridor project attempts to link Pakistan with Xinjiang, which located in northwestern China, with a network of railways, highways and pipelines to transport oil and gas to Xinjiang. The proposed railways, highways and pipelines will pass through some of the world's most dangerous and conflict-ridden territories. Who will ensure and enforce security in those territories? In addition, the ongoing dispute over the South China Sea is certainly not conducive to the OBOR initiative.

ALB6: Since we are on the subject of infrastructure developments, how do you view the Chinese-led Asian Infrastructure Investment Bank which Singapore is one of the founding countries?

LCC6: A parallel may be drawn between the Asian Infrastructure Investment Bank ("AIIB") and the Asian Development Bank ("ADB"), which was established in 1966 with Singapore as one of its founding members. As of 31 December 2014, Singapore has contributed US\$523 million to the ADB in terms of capital subscription and funding, and in consideration thereof, enterprises and consultants from Singapore have been awarded US\$1.35 billion worth of procurement contracts. Singapore was wet behind the ears, indeed it was its first year of nation building, when it first joined the ADB. Over the years, the rookie has progressed and attained a developed nation status. Many of its enterprises have also accumulated expertise in managing international projects of substantial size and complexity. With the ADB's experience which Singapore has accumulated for nearly five decades, it will be in a strong position to help its enterprises capture the vast business opportunities available in connection with the management and funding of international projects administered by the AIIB.

ALB7: As a specialist boutique practice in the corporate and financial space and in the light of the prevailing uncertainties in the global economy, what has been keeping your firm busy these days?

LCC7: We have been blessed with a loyal and diverse clientele and have been kept reasonably busy. Let me hasten to add that we would like to kept even busier! Our banking practice colleagues have been receiving instructions from new banks which are setting up branch offices in Singapore, ranging from the preparation of template documentation to the review of responses to the Monetary Authority of Singapore ("MAS") pertaining to governance and compliance issues. There has also been an increase of instructions on vessel and aircraft financing. The presence of new family offices from Europe and the

region has also provided a regular flow of instructions to our private wealth practice colleagues. Our corporate colleagues have received more instructions on compliance advice from funds and the latter's strategic investments in start-ups. In the light of the uncertainties in the global financial markets, a handful of the Singapore IPOs which we were working on have been put on hold. Our corporate team is currently focusing on several IPOs and cross-border M&As.

ALB8: Will the scheduled visit by President Xi Jinping have any impact on the OBOR initiative?

LCC8: The upcoming state visit by President Xi Jinping will without doubt further enhances the existing close ties between China and Singapore. The proposed upgrade of the China-Singapore Free Trade Agreement (CS-FTA) will deepen the economic partnership between China and Singapore, which will in turn strengthen Singapore's position as the jurisdiction of choice of the PRC enterprises for their proposed FDIs into the other ASEAN States under the OBOR initiative. When that happens, business opportunities await the Singapore enterprises and in turn, their legal advisors.

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 funds further investments to enhance our overall capabilities and provides fair rewards to members