

DOING BUSINESS IN

SOUTHEAST ASIA

A Guide for Canadian Exporters and Investors



ABOUT THE GUIDE

Doing Business in Southeast Asia is intended to help you learn about the Southeast Asian marketplace and how your company can do business there. It concentrates on basic, practical information, but also refers you to dozens of other resources that will help you plan and carry out a Southeast Asian export strategy, starting with your initial readiness assessment and basic market research, and ending with product delivery and payment methods.

The Southeast Asia region is compelling because of the diversity of markets and opportunities. Canadian companies have a variety of entry points depending upon their business strategy and strategic advantage. However considerable investment in time and money is needed in order to establish the relationships and conduct the due diligence that is essential in determining how your company and its products align with what Southeast Asia and its consumers are seeking. The region is complex and there are many pitfalls for the inexperienced. But if you already have a solid foundation in exporting and are ready to commit to the Southeast Asian market, a venture there may work out very well for you.

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THE SOUTHEAST ASIA MARKET



Southeast Asia is often overshadowed by the BRIC (Brazil, Russia, India, China) markets in many economic discussions, but the region remains one of the most promising trade and investment prospects for Canada over the next decade. With a population of approximately 600 million, the Association of Southeast Asian Nations (ASEAN) offers a diversified consumer market rivalling that of India or China.

ASEAN consists of ten member countries that include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The level of economic development across these markets offers a variety of attractions for foreign business, including rich natural resources, low-cost skilled labour, and prospering and incited export oriented industries. ASEAN's Free Trade Agreement provides entry into the greater regional economy via intra-Asian trade, as well as preferred access to other markets through ASEAN's free trade agreement with China, India, South Korea, Japan, and Australia and New Zealand. The region is also home to renowned corporate groups with far-reaching global supply chains.

ASEAN functions as Canada's seventh-largest export destination, offering more than 15 per cent growth year on year. Canadian exports to the region totalled approximately \$4.6 billion in 2012 – double that of Canada's export trade with India and arguably more diversified than Canada's export trade with India or China. The member countries range from highly advanced nations like Singapore, with an International Monetary Fund (IMF) estimated purchasing power parity per capita GDP of US\$57,505, to emerging economies like Burma at US\$1,256.

While many western economies in 2012 are struggling with economic weakness, if not outright recession, Asian economies are showing resilience, having gone through their own financial crisis more than a decade ago. The Asian Financial Crisis that began in 1997 saw Southeast Asian countries forced to restructure their economies by lowering currency

values, ridding themselves of inefficient industries, adopting better financial controls, stemming government spending and abandoning restrictions on free market mechanisms, as well as becoming more open to greater foreign investment.

The IMF estimated that the share of the world economy contributed by advanced countries has plummeted over the past decade, from about three-quarters in 1998 to barely half in 2012. In contrast, the share by emerging economies, including most of Southeast Asia, has grown in importance to more than 40 per cent in 2012. While most ASEAN nations offer Canadian companies export and investment opportunities across a broad spectrum, this guide focuses on the most promising markets that Canadian firms may wish to explore.

Future Prospects

Export Development Canada (EDC) regards Southeast Asia as one of its high priority strategic regions, where economic growth and development will exceed the global average for the next several years. New opportunities will emerge throughout the region for Canadian direct investment and for the supply of goods and services into sectors of infrastructure, oil and gas, mining, agri-food, and information and communications technology.

In recognition of the importance of the region, and to facilitate Canada's growing trade and investment in Southeast Asia, EDC appointed a full-time, permanent representative to the region, based in Singapore. For contact information, please refer to page 47.

Tips for Doing Business in the Southeast Asian Market

The following is applicable to the ASEAN region in general. More specific information for individual countries is provided in their respective chapters.

- › Personal relationships are still crucial to doing business in most of the countries of Southeast Asia. The right connection can often be more important than basic economics for government and businesses.
- › Third parties, such as a local partner in a joint venture, are often more effective in conducting negotiations and interacting with local bureaucracies.
- › Negotiating is a natural habit and well-developed skill for many people in Southeast Asia. They regard the give and take of negotiations as a way to develop a business relationship and gauge interest. To help foster negotiations:
 - › Do not rush the process and do not show impatience at delays.
 - › Have a series of concessions handy that can be sacrificed to extract better terms on other matters.
 - › In some cultures, a contract is merely a reflection of a business relationship at a point in time – expect negotiations to potentially continue even after a contract is signed.
- › “Saving face” is extremely important in most Asian markets, so criticism and aggressive conduct can be very damaging to the relationship. Local partners or representatives are better suited to conveying disagreements.

- › Punctuality is very important in some ASEAN member countries, such as Singapore, but may not be as important in some other markets. This is cultural and should not be considered as rude.
- › There is a large Muslim population in Southeast Asia, so be aware of cultural norms such as a religious prohibition on pork and restrictions on alcohol consumption. Also, avoid crossing your legs or showing the soles of your feet, as this is considered to be an insult in many Asian cultures.
- › When scheduling market visits and meetings, be aware that Southeast Asia's numerous cultures require special attention be paid to religious, national and local holidays.
- › The presentation of gifts upon introductions is expected, but the process can be quite complicated:
 - › Do not make gifts of such items as alcohol, leather products, sharp objects (knives or scissors) or timepieces. Items or sets of items reflecting the number four should be avoided.
 - › Gifts should be wrapped, usually elaborately and in bright colours. They should not be unwrapped and examined until later, in private.
 - › Gifts should be presented with the right hand. Upon receiving a gift, make a polite refusal the first time and thereafter a gracious acceptance. Refusing a gift is taken as a sign that the recipient is not greedy, which bodes well for fair negotiations.



CAMBODIA



- › **Population:** 14,701,717 (July 2011 estimate)
- › **Official language:** Khmer 95 %, French, English.
- › **Main imports:** petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products.
- › **Canadian exports:** textiles, vegetable products, machines and mechanical products
- › **Largest import partners:** Thailand 26.5 %, Singapore 25.1%, China 15.3 % (2010).
- › **Climate:** Tropical; the southwest monsoon season runs from mid-May to mid-September and a drier and cooler northeast monsoon season from early November to March.
- › **Currency:** Cambodian riel (KHR)
- › **Time difference:** GMT + 7 hours. Cambodia does not observe Daylight Savings Time.
- › **Business hours:** Monday to Saturday: 8:00 a.m. to noon and 2:00 p.m. to 5 p.m.
- › **Government office hours:** Monday to Saturday: 7:00 a.m. to 5:30 p.m. Lunch and siesta from 11:30 a.m. to 2:00 p.m.

Compared to many of its advanced neighbours, Cambodia is relatively underdeveloped. Despite this, its centralized location, comparatively cheap labour and abundance of agricultural land make it a potentially attractive destination for foreign investors.

Cambodia is a member of ASEAN and joined the World Trade Organization in 2004. Growth between 2004 and 2007 was robust, at approximately 10 per cent per year, with the bulk of industrial revenue generated by the garment sector. Recent years have seen this growth rate drop with the expiration of the WTO Agreement on Textiles and Clothing in 2007. The country's textile industry now faces increased competition from other low cost producers. The Cambodian government aims to diversify the economy and is placing emphasis on other sectors that they hope will offer fresh opportunity for growth and employment. These include agriculture, tourism and mineral exploitation. The [Asian Development Bank](#) estimates Cambodia's growth rate to be 6.4 per cent in 2012 after posting 6.5 per cent growth in 2011.

Opportunities for Canadian Exporters and Investors

MINING

Cambodia has exploitable reserves of iron ore, tin, copper and gold, but the extent of its mineral wealth is largely unknown since much of the country remains unexplored. With untapped potential and a mining investment regime from the [Ministry of Industry, Mines and Energy](#) that allows for 100 per cent foreign ownership, Cambodia has attracted the interest of some of the largest international mining companies. Recent coal discoveries in commercial

quantities could provide Cambodia with an alternative to fossil fuel imports. Sand and gravel are being mined for use in reclamation projects in neighbouring countries like Singapore.

AGRICULTURE

Cambodia has extensive agricultural land capable of producing export quantities of rice, cotton and spices, as well as cassava and rubber. Farming is mostly practiced through traditional methods that rely on human labour and seasonal irrigation. As a result, yields are not as high as they could be. Attracting foreign investment is critical to this sector's development. Encouragingly, the [Council for the Development of Cambodia](#) (CDC) has been granting approval for significant levels of foreign investment into this sector. The largest amount of interest has come from neighbouring Vietnam, but companies based in Qatar and Kuwait, as well as China, have initiated local projects. As Cambodian agriculture shifts into more effective, large-scale mechanized farming, there will be an increasing demand for tilling, harvesting and processing machinery and equipment, as well as high quality seeds, fertilizer and advanced farming techniques. The [Ministry of Agriculture, Forestry and Fisheries](#) can provide more information.

TOURISM

With sites like the world famous Angkor Wat, Cambodia's tourism sector, supported by the [Cambodian Ministry of Tourism](#), offers extraordinary value for tourists that include luxury-loving resorts as well as eco-tourism. It has pristine beaches, a large number of uninhabited islands, vast jungles and rivers that together constitute some of the most beautiful and unspoiled habitats in the world. While Angkor Wat attracts a huge number of visitors, the rest of Cambodia has the potential to beckon the same interest.

Investors have begun to note the tourism potential of the country. According to statistics, 2008 saw 20 tourism projects, worth US\$7.78 billion, approved by the government. Due to the global financial crisis, investment in 2009 fell to some US\$3.98 billion for 13 projects, but officials indicate that levels are once again rising.

INFRASTRUCTURE

Cambodia's infrastructure is undeveloped, with regions lacking adequate power, water services and transportation links. China has signed cooperation agreements with Cambodia to provide substantial amounts of new funding over the next five years for infrastructure projects, including bridges, roads and hydropower dams. One of the more significant developments is new funding for the long proposed Singapore-Kunming RailLink, a network of new and refurbished rail lines traversing the Malay Peninsula, and connecting China's Yunnan Province to Singapore.

Cambodia's lower levels of skilled labour, combined with limited local sources of architecture, engineering, and construction expertise, means there is a high demand for these services from foreign companies. Companies that are able to include a skills and education training component in their project bids may add an advantage in negotiating.

Cambodia's infrastructure deficit will inhibit its development for some time, but upgrading power, water, and transportation facilities is a high priority of the state's [Rehabilitation and Development Board](#). More foreign investment might enable the Cambodian government to increase infrastructure spending. Build-Operate-Transfer (BOT) concessions are potential opportunities and would require engineering and construction services. To find out more about current opportunities, [Invest in Cambodia](#)

provides a twice-yearly review of the country's economic and investment climate, with updates and profiles of each major business sector. Funding from international financial institutions and foreign aid from the [World Bank](#), the [Asian Development Bank](#), and the Japanese and Chinese governments are playing a large role in financing large and small-scale infrastructure projects.

The Investment Environment

Cambodia has most sectors fully open to foreign investment. The exceptions are national airports, ports and electricity transmission. Land cannot be owned by foreigners, but leasing of private land is possible and rights are fully protected. Upon joining the WTO, Cambodia committed to enact new laws and regulations to comply with WTO commitments, but progress has been slow until recently. The Cambodian government has used BOT concessions to facilitate new investment in road and highway construction and development of provincial airports.

Compared to other countries in the region, Cambodia has not been a large recipient of foreign investment. Most of the investment flow over the last several decades has been in the low-skilled garment industry. Recently, Cambodia has seen a more rapid increase in foreign investment as tourism and agriculture draw increasing interest. China has become the biggest source of foreign direct investment, but there is also increased interest from other countries in Southeast Asia, including Vietnam and Thailand.

Establishing Your Presence in Cambodia

AGENTS AND DISTRIBUTORS

The use of an agent or distributor is common in Cambodia as they are familiar with local business practices and requirements, but exporters should be careful to establish qualifications and legitimacy. Legal assistance should be used to draft contracts to ensure termination rights and settlement of disputes. Consult the local [Cambodia Chamber of Commerce](#) and the [Phnom Penh Chamber of Commerce](#) for assistance in locating reputable agents and distributors.

REPRESENTATIVE OFFICE/BRANCH OFFICE

A representative office is commonly used to conduct market research, promote products and locate local sources for goods and products. A branch office is used for companies who want to do all of the activities of a representative office, as well as engage in trade and permitted manufacturing.

Investors who wish to access Cambodian investment incentives for promoted sectors must apply to the [Council for the Development of Cambodia](#) (CDC) and obtain a Conditional Registration Certificate upon approval of the application. Promoted sectors include agriculture and agro-processing industries, manufacturing, export-oriented industries, infrastructure, international standard hotels and environmental protection activities.

Finances and Taxation

FINANCES

Cambodia's banking system is rapidly developing, with the market's number of commercial banks and specialized financial institutions growing quickly. The regulatory regime is evolving, having gained more rigour and respect, but still has some way to go to meet international standards.

Ease of obtaining loans from commercial banks is improving, but borrowing is subject to high interest rates. Letters of credit are commonly used and are drawn on one of Cambodia's commercial banks, including foreign banks with branches in Cambodia.

Currently there are no foreign exchange restrictions, but banks are required to report transfers of US\$10,000 or more. Foreign investors are freely able to remit profits, earnings and capital upon dissolution of the company.

TAXATION

There is a standard corporate profit taxation rate of 20 per cent, but a preferential rate of 9 per cent is available for investments stipulated by the [Council for the Development of Cambodia](#). Check their investment portal [Invest in Cambodia](#) for details.

Cambodia's [Ministry of Economy and Finance](#) introduced a VAT (Value Added Tax) of 10 per cent in Jan. 1999. The VAT is applied to the "taxable value" of goods or services and applies to all stages of production. Registration for VAT is required when starting a business.

Legal Perspective

INTELLECTUAL PROPERTY (IP)

Cambodia's record on protecting IP rights is mixed at best. Although nominally in compliance with WTO commitments, the country's legal regime is moving slowly to enact required legislation. Infringement of IP is widespread so caution and efforts to mitigate such risk is required.

DISPUTE SETTLEMENT

The Cambodian judicial system is improving but lacks transparency. Decisions are regarded as inconsistent and subject to outside influence. Through the [Arbitration Council](#), a commercial arbitration system has been established and foreign parties have indicated they are happy with its speed and fairness, but it is still evolving.

LABOUR

Cambodia's labour market struggles to provide enough jobs to fill a rapidly growing labour force that is fed by a high birth rate. The population of educated and skilled labour in Cambodia is not large; most of the available labour lacks post – secondary education or skills training. Other than in the garment industry, there are no minimum wage laws and the labour code, while providing rights to organize and bargain collectively, faces issues of enforcement. Labour disruptions, although not widespread, are often basic attempts to enforce legal rights.

Delivering to Cambodia

DOCUMENTATION AND LABELLING

Imported goods into Cambodia require a declaration form together with the following:

- › Bill of lading
- › Commercial invoice
- › Packing list
- › Insurance form
- › BIVAC's report of findings where applicable, and
- › Other documents as applicable, such as licenses and certificates of origin.

A fee of US\$40 is charged for lodgement.

Regulated products must be registered with the Industrial Standards Department and must carry a label or mark issued by the [Institute of Standards of Cambodia](#) (ISC). Consult the ISC for more information.

Although not all imported goods need labelling, foodstuffs are required by the Ministry of Commerce to have labels in accordance with standards set by [Camcontrol](#), the Ministry's responsible division, as follows:

- › Name of goods
- › Producer name and address
- › Source
- › Quantity
- › Batch number and production date
- › Expiration date
- › Ingredients
- › Directions for use (as applicable), and
- › Licensing authority (where required for local products).

TARIFFS AND DUTIES

Cambodia has a tariff band that provides for a rate of 0 per cent on exempt goods such as medical and educational materials, 7 per cent for primary products and raw materials, 15 per cent for capital goods like machinery and equipment, and raw materials in cases where Cambodia has similar products. There is a tariff of 35 per cent for finished products, alcohol, petroleum products, vehicles and precious metals and stones. Consult the [General Department of Customs and Excise of Cambodia](#) for more details.

STANDARDS

Cambodia's principal standards body is the [Institute of Standards of Cambodia](#) (ISC). Other national bodies administer standards within specific areas of expertise, such as the Ministry of Health and the Ministry of Agriculture, Forestry and Fisheries. The Ministry of Industry, Mines and Energy is working to develop product certifications to conform to the requirements of ISO/IEC Guide 65.

INDONESIA



- › **Population:** 245,613,043 (July 2011 estimate)
- › **Official language:** Bahasa Indonesia plus some English and local dialects.
- › **Main imports:** machinery and equipment, chemicals, fuels and foodstuffs.
- › **Canadian exports:** fertilizers, woodpulp and paper products, cereals, mechanical products, aerospace products.
- › **Largest import partners:** China 15.1 %, Singapore 14.9%, Japan 12.5%, U.S. 6.9% (2010).
- › **Climate:** Tropical; a southeast monsoon season runs from June to September and a northwest monsoon season from December through March.
- › **Currency:** Indonesian rupiah (IDR)
- › **Time Difference:** GMT + 7 hours. Indonesia does not observe Daylight Savings Time.
- › **Business hours:** Monday to Friday: 8:00 or 9:00 a.m. to 4:00 or 5:00 p.m.
- › **Government office hours:** Monday to Friday: 8:00 a.m. to 4:00 p.m.

Indonesia, Southeast Asia's largest economy, is a vast archipelago stretching from the Indian Ocean to the Pacific Ocean. It was able to buck the international trend and continue growing during the 2007–2008 global financial crisis, thanks to the robust domestic consumption undertaken by its more than 243 million citizens. A combination of fiscal stimulus, monetary policy and benefits stemming from the rise in commodity prices in 2010 allowed Indonesia to enjoy a healthy GDP growth of 6 per cent after posting 4.5 per cent in 2009. The World Bank estimates that Indonesia should see growth in 2012 of 6.1 per cent after posting growth of 6.4 per cent in 2011.

Economic reforms, along with improvements in political and economic stability and a strengthened capital market, have enabled Indonesia to move to the forefront of ASEAN in attracting large amounts of foreign investment. Indonesia is now viewed as having such substantial prospects for growth that it ranks alongside the economies of Brazil, Russia, India and China in the next wave of economic superpowers.

Canada and Indonesia have historically shared a strong trade relationship. In 2010, Canada exported \$1 billion worth of goods and services to Indonesia, while importing more than \$1.25 billion from the country. Exports and investment in the mining sector are of particular note, as Canadian mining companies are playing an important role in developing Indonesia's mineral wealth. The total stock of Canadian foreign direct investment in Indonesia was \$2.8 billion in 2010, up some 47 per cent since 2007.

For an overview of the Indonesian government, public services, regulations and trade opportunities, see the [National Portal of the Republic of Indonesia](#) and the [Ministry of Trade](#).

Opportunities for Canadian Exporters and Investors

Indonesia is Canada's largest export market in Southeast Asia, buying large quantities of Canadian bulk products such as wood pulp, cereals and fertilizer, as well as manufactured goods like mining equipment and machinery and telecommunications technology. With Indonesia forecasted to continue making great economic strides, there are now an expanding number of industrial sectors where Canadian exporters and investors can seize fresh opportunities. These include infrastructure, shipping and ports, agri-food, oil and gas, mining and power.

INFRASTRUCTURE

Despite Indonesia's economic advances, its infrastructure remains under-developed and lags significantly behind many of its neighbours and competitors. Market analysts, including those from Morgan Stanley, Goldman Sachs and the Asian Development Bank, note that inadequacies in Indonesia's infrastructure increases the cost of production, shipping and transportation across the country and limits regional growth. For example, less than half of Indonesia's population has access to the electrical grid and almost a third lacks piped water. Its road density is one of the lowest in Southeast Asia and the number of railway lines is a third of Thailand's, despite Indonesia being twice as large. With growing industrial development and a rapidly increasing population spread among many islands, Indonesia requires infrastructure upgrades in transportation, power generation and transmission, as well to water systems, sanitation and telecommunications.

By 2014, Indonesia plans to build 20,000 kilometres of roads, add 15,000 megawatts of power generation, and double spending on ports and airports. These are infrastructure segments that tie in well to Canada's supply and technology strengths. The [Indonesian Investment Coordinating Board](#) (BKPM) forecast that Indonesia would need US\$150 billion between 2011 and 2014 to address its development goals. With the rapid growth of the country's exports and domestic economy, other observers such as Morgan Stanley have noted that Indonesia now has the capacity to increase infrastructure expenditures to as much as US\$250 billion between 2011 and 2015.

Land acquisition issues affect infrastructure sectors where large tracts of land are required. Complex procedures and negotiations with minority land owners hold up the land acquisition process and add significantly to the cost and timing. The Land Acquisition Law, passed in December 2011, is expected to significantly reduce uncertainties around land acquisition and encourage private sector investment in infrastructure in collaboration with government under a PPP arrangement.

SHIPPING AND PORTS

Indonesian port capacity is severely limited: it is unable to meet current demand, let alone future needs. Outdated vessels with small cargo capacity, limited refrigeration and moribund logistics systems for loading and unloading of goods comprise a large part of the island shipping infrastructure. The [Indonesian Development Planning Agency](#) (BAPPENAS) has set a plan to expand container terminals to increase capacity. As many as 41 new ferry links and 60 river terminals are to be constructed, along with the renovation of a further 25 ferry links and 17 river terminals. Construction and dredging equipment will be in high demand, as well as the engineering services needed to carry out this port expansion.

To improve access to water transport in Eastern Indonesia, innovative new ships, trucks and water buses will be brought into operation. Increased use of roll-on, roll-off transport ferries, which can carry goods, vehicles and passengers, is anticipated. Opportunities exist for Canadian exporters to supply machinery and equipment to be used in these operations, as well as to provide logistical services to handle traffic and speed up transport.

AGRICULTURE, FOOD AND BEVERAGE

Canadian agricultural exports to Indonesia have been a bright spot in recent years. Exports of wheat, cereals, seeds, dairy products and root vegetables have all experienced year-over-year increased volumes. Indonesia's market for raw products, as well as processed foods, should steadily expand as appreciation for new tastes and purchasing power evolves across the country's rapidly urbanizing population. Supermarket retail shopping and convenience food purchases are destined to become a larger part of the Indonesian consumption habit.

The expansion of the country's food and beverage market is expected to continue in the coming years as a result of steady economic growth and rising income. It is a huge market – worth some US\$51 billion in 2010. Canadian exporters should note that with Indonesia's largely Muslim population, food products that satisfy Halal requirements will perform better.

The [Indonesian Ministry of Agriculture](#) has an objective to ensure Indonesia becomes a major producer and exporter of several crops, including rice, sugar, coffee, maize and palm oil. This opens up new opportunities for Canadian suppliers of machinery and equipment for harvesting, food processing and storage, as well as refrigeration and packaging.

Canadian investors should take note that Indonesia has raised foreign limits in the agricultural sector, allowing foreigners to hold up to 49 per cent of companies in the plantation industry. Until recently, Indonesian agriculture was dominated by small family holdings with comparably low productivity and reduced efficiencies. The industry as a whole suffers from a lack of crucial inputs, such as high yield seeds and harvesting and processing equipment and technology. Opening the sector to more foreign investment allows for the introduction of more efficient, large-scale plantations, increased mechanization and advanced farming techniques, all of which Canadian investors should have the experience to provide.

OIL AND GAS

Although, Indonesia was once a member of OPEC, its exports have declined as production capacity has been diverted to address domestic demand. Most of Indonesia's mature wells are beyond peak production. As long as the price of oil remains high enough to make it economically viable, Indonesia's goal is to rehabilitate older and closed wells and apply advanced oil recovery technologies and equipment to increase output. The country also wishes to promote more deep-water exploration activity.

Indonesia is in a much better position when it comes to natural gas, since it has significantly larger reserves. The country has lagged behind others in its use of natural gas, in part due to its geographic composition of thousands of islands, which makes distribution difficult and expensive. The government has announced plans to develop three Liquefied Natural Gas (LNG) terminals in Medan, West Java and East Java, as well as distribution networks and infrastructure in the area.

Indonesia imported US\$1.1 billion of oil and natural gas equipment in 2010 and will likely import increasing

amounts in the future. Opportunities expound for Canadian exporters of oil and natural gas equipment and expertise, including drilling equipment, well test and monitoring instruments, and engineering and geophysical services. Find more information at [PERTAMINA](#), the state oil and gas company, and [BPMigas](#), the Indonesian Executive Agency for Upstream Oil and Gas.

MINING

With large reserves of coal, nickel, tin, gold and copper, Indonesia's mining sector is poised for rapid growth. Indonesian imports of mining equipment amounted to US\$1 billion in 2010 and industry surveys forecast that the market should increase 10 per cent by 2012. Canadian mining and engineering companies have an established presence in Indonesia, where they enjoy a good reputation for high environmental standards and equitable practices. Companies selling to the market should not only target Indonesian mining operations, but also many of the firms providing mining services on a contract basis. Opportunities may also be found arising from a new requirement by the [Ministry of Energy and Mineral Resources of the Republic of Indonesia](#) that Indonesian mining companies must build smelting plants to process mined ore.

Recent changes to mining laws have opened the sector somewhat to foreign investment, but the conditions imposed to acquire licensing and operation approvals are not necessarily ideal. Foreign companies can obtain a license through open tender and can hold 100 per cent of shares. However, successful bidders are required to divest 51% ownership to local Indonesian interest after a mine has been in production for five years, and be complete after 10 years. Local governments and community groups have also been given a greater role in the granting of permits and licenses and in providing oversight of

operations. The lack of resettlement mechanisms for relocating people from areas designated for mining has delayed projects and frustrated mining companies. There is a draft Land Acquisition Act under consideration that could ease difficulties.

Indonesia is the second largest coal exporter behind Australia. Coal production is a high priority of the government to boost exports and to fuel domestic power production to meet 2014 energy targets. Recent reports indicate that Indonesia is considering a ban on low-quality coal exports after 2014, to encourage upgrading the heating value of low-rank coal and to create more value-added production in Indonesia. Canadian investors interested in entering the Indonesian mining sector can expect to work with sophisticated and experienced state authorities such as the [BKPM Indonesia Investment Coordinating Board](#), and will have to meet increased standards for environmental assessments, remediation plans and community coordination.

POWER

The Indonesian government has estimated that the country's power sector alone will need new investment of US\$50 billion to address chronic shortages. Much of this new funding would go toward equipment, engineering and technical expertise and services. In 2010, the country imported some US\$809 million worth of electrical power equipment, mostly from China, Singapore, the U.S. and Europe. This is a competitive market, but Canadian companies may be able to make inroads to supply transformers, electrical parts, clean technologies and components.

Part of the sector's planned investment is to come from the Indonesian state-owned power company, [PT Perusahaan Listrik Negara](#) (PLN), which embarked on a two-phase "Crash Program" to increase power generation, transmission and distribution capacity across the country's island network. With the first

phase of the Program largely completed in mid-2011, a second phase is set to begin in 2012. The US\$17.3 billion second phase sets a target of 10,000 MW of new electrical generation by 2018, with renewable energy projects given priority. The Program includes several new power plants to be built by PLN. The government, under the Indonesian Directorate General of Electricity, [Ministry of Energy and Mineral Resources](#), has also established a US\$1 billion Green Investment Fund for renewable energy projects.

The Investment Environment

Most segments of the Indonesian economy are fully open to foreign investment but there are some areas, such as telecommunications and agriculture, where limitations still exist. The 2007 Investment Law establishes general investment guidelines and a [Negative Investment List](#), revised in 2010, that communicates limits on foreign participation in certain sectors. The [Indonesia Investment Coordinating Board](#), or BKPM, is responsible for reviewing and approving most investment proposals. It also promotes investment opportunities, which includes engaging in matchmaking services. Canadian investors interested in Indonesia should consult the BKPM website to access Indonesia's Investment Guide, regulations and policies on investment and the necessary licensing applications. The [Canadian Trade Commissioners Service](#) in the market can assist with navigating the investment process.

Establishing Your Presence in Indonesia

AGENTS AND DISTRIBUTORS

Official rules state that exporters wishing to sell in the Indonesian market are required to appoint an Indonesian agent or distributor who is registered

with the Directorate of Business Development and Company Registration at the [Indonesian Ministry of Trade](#). Initial agency/distribution contracts are typically six months or more in length and cancellation can be a difficult and complex process. In the Indonesian market, agents and distributors are absolutely necessary to navigate cultural nuances and inconsistent government procedures. There are many arrangements that can be made with agents and distributors, many of whom will represent more than one manufacturer at a time.

REPRESENTATIVE OFFICE

For initial entry into the Indonesian market, Canadian companies may wish to consider establishing a representative office that more closely resembles a liaison office. Only an official legal entity can open a representative office. The appointment of an Indonesian national or an expatriate is necessary, and the office is restricted from activities such as signing sales contracts, collecting payment, carrying out transactions and other related business activities.

Reputable legal counsel can help navigate the process for obtaining legal entity status in Indonesia.

CORPORATE PRESENCE

More experienced foreign investors often enter the market by establishing an Indonesian limited liability company (known as a "PMA"). Although going it alone as a wholly Canadian-owned entity is an option, experienced observers and investors advocate that small- to medium-sized companies work with an Indonesian partner to assist in dealing with Indonesia's complicated bureaucracy. Investors in the extractive and oil and gas sectors should note that local levels of government have significant input into the decision-making process and establishing relationships and open communications with local officials and associations is very important.

Finances and Taxation

FINANCES

Indonesia has a healthy, stable banking system with domestic and international commercial banks operating throughout the country. The Indonesian rupiah (Rp) is freely convertible but trade-related foreign exchange functions can only be carried out by banks possessing investment-grade ratings from well-known rating agencies. There are no restrictions on the repatriation of capital or profits, although these transactions must be reported.

TAXATION

Indonesia's [Ministry of Finance](#) has gradually reduced the level of corporate tax applicable to foreign companies, dropping the rate to 25 per cent in 2010. Additional discounts may be available for small and medium enterprises and for investment in targeted sectors and industries. Consult with [BKPM](#) and Indonesian tax professionals to determine the applicable rules for your investment.

Legal Perspective

Indonesia's efforts to combat graft and corruption have had some success, chiefly through the [Indonesian Corruption Eradication Commission](#) (KPK), the state entity responsible for the campaign. As the benefits of foreign investment become more apparent and rising affluence undermines the reliance on illicit activity, corruption should become less of an issue. The regulatory environment is seen as vague and confusing but there are increased efforts by the Indonesian government to revise the regulatory regime and to bring clarity and transparency to rules and regulations.

INTELLECTUAL PROPERTY (IP)

Piracy and counterfeiting is persistent in Indonesia. Infringement of software and media copyrights is problematic, along with the copying of pharmaceuticals and consumer goods. Foreign and domestic investors complain that the regulatory regime lacks substance, enforcement is inadequate, and the judicial system is ineffective. The United States put Indonesia on its Special 301 Priority Watch List in 2009. Foreign investors and exporters should maintain a constant vigilance to safeguard their IP rights and prevent infringement.

Foreign businesses with no legal presence in Indonesia must use an Indonesian lawyer or agent to register their IP with authorities. The government authority for registration of IP rights is the [Directorate General of Intellectual Property Rights](#).

LABOUR

The Indonesian labour force is plentiful and comparatively cheap by world standards, but there is a notable shortage of workers with the education and skills needed to meet industrial demand. Labour laws are complex and onerous, with severe restrictions on worker termination, the use of expatriate and contract personnel and outsourcing. Despite a signed contract, demands to renegotiate employment terms are common and Indonesian courts often ignore written agreements in order to side with local parties. Labour protests have effectively defeated efforts of the Indonesian government to amend laws to better attract foreign investment.

Delivering to Indonesia

DOCUMENTATION AND LABELLING

All goods imported into Indonesia are subject to verification of documents and physical inspection.

Importers must be registered with the [Directorate General of Customs and Excise](#) (DGCE) and prepare a Customs Declaration Form (PIB) with the following accompanying documents:

- 1) commercial invoice
- 2) certificate of origin
- 3) airway bill or bill of lading
- 4) packing list, and
- 5) letter of insurance.

Please note that the Directorate General of Customs and Excise website is not available in English or French. More information can be obtained from the [Ministry of Finance](#).

Additional documents may be required for particular types of goods such as food, drugs, agricultural goods and chemicals.

TARIFFS AND DUTIES

Indonesia has a very complex tariff system, with rates varying widely from zero to more than 100 per cent on different categories of goods and points of origin. The ASEAN Free Trade Agreement provides for tariffs of between 0 and 5 per cent with the exception of goods on an Exclusion List. A value-added tax (VAT) of 10 per cent is also applied to most imported goods and products. Canadian exporters should consult with qualified Indonesian experts.

STANDARDS

Indonesia's developing trade with other countries has resulted in a greater adherence to established production standards for products and services. The [National Standardization Agency of Indonesia](#) is responsible for providing guidance on the development and application of national standards.

LAOS



- › **Population:** 6,477,211 (July 2011 estimate)
- › **Official language:** Lao plus some French and English.
- › **Main imports:** Machinery and equipment, vehicles, fuel and consumer goods.
- › **Canadian exports:** Machinery and mechanical appliances; electrical equipment, audio and visual equipment.
- › **Largest import partners:** Thailand 65.6%, China 14.6%, Vietnam 6.6% (2010).
- › **Climate:** Tropical; with a monsoon season from May to November and a dryer season from December to April.
- › **Currency:** Laotian kips (LAK)
- › **Time Difference:** GMT + 7 hours. Laos does not observe Daylight Savings Time.
- › **Business hours:** Monday to Friday: 8:00 a.m. to noon and 1:00 p.m. to 4:00 p.m.
- › **Government office hours:** Monday to Friday: 8:00 a.m. to 11:30 a.m. or noon and 1:00 p.m. to 5:00 p.m.

Laos is a landlocked country surrounded by Vietnam to the east, Thailand to the west, Cambodia to the south and China and Burma along its northern border. The country is making a very gradual transition to a free market economy, seeking to expand its trade and investment activity. Its small economic base and limited domestic market of just 6.8 million people means Laos lags considerably behind its neighbours in development.

Subsistence agriculture employs most of the Laotian labour force and provides the bulk of its gross domestic product. The country has substantial undeveloped mineral resources. In addition, there is notable timber and hydroelectric potential in the market's heavily forested and mountainous regions. Laos saw robust GDP growth of 8 per cent in 2011, spurred by new investment in mining and hydropower. China has begun to increase its investment in Laos in recent years. As part of the Greater Mekong Subregion (GMS) program, Laos seeks to transform itself from a land-locked nation to a land-linked country by working with China, Cambodia, Myanmar, Thailand and Vietnam, thus taking advantage of its strategic location at the heart of the Mekong Region.

Trade between Canada and Laos is very limited. Exports from Canada amounted to less than \$2.7 million in 2010 and focused on supply to the mining and telecom sector. Canadian imports from Laos registered \$8 million, and were comprised almost exclusively of cloth and garments.

Opportunities for Canadian Exporters and Investors

HYDROPOWER

Laos sees itself as a regional energy supplier. Rich hydro resources and low domestic demand allow for energy exports. Hydro production has doubled in the last few years, enabling Laos to become a net exporter of electricity, mainly to Thailand. Much of the export revenue generated by these exports is being dedicated to development and infrastructure. Various projects are under construction such as the Xekaman I Electricity Project, which will add 322 MW when completed by 2014. This construction is part of a multi-stage project that could see as much as 2,000 MW of generating capacity added to the country. In addition, the US\$3.5 billion Xayaburi hydroelectric project on the Lower Mekong River, awaiting resolution of environmental issues, could add 1,260 MW of additional export capacity.

The potential in Laos's energy sector will see demand for equipment, parts and components for electrical generation, monitoring and transmission. There is also the need for engineering and construction services and expertise in environmental assessment and remediation.

MINING

Higher global commodity prices have boosted interest in mining development in Laos, with mineral production rising 19 per cent in 2010. Copper and gold are the major exports but there are also sizable deposits of silver, bauxite and coal. Laos's mineral potential is perhaps the least known in Southeast Asia, but it exhibits similar geological characteristics to nearby countries where mining activity has been expanding exponentially in recent years.

The [Department of Geology and Mines](#) estimates that there are currently 152 local and international mining companies operating in the country. In addition to the demand for mining and processing equipment, there is also a need for geophysical, metallurgical and environmental assessment services.

Investors should note that Laos has a moratorium in place on new mining exploration permits while it develops new implementation standards. This is part of a promised update to its Mining Law, scheduled for 2012-2013. Interested exporters and investors should regularly check for updates with the Department of Geology and Mines.

TOURISM

Laos saw more than 2.5 million visitors enter the country in 2010, attracted to the beauty of its lush and rugged terrain and affordable prices. As an industry, tourism ranks second only to mining for foreign revenue. The [Ministry of Tourism](#) has tried to differentiate Laos from its regional competitors by promoting its undeveloped interior and natural environment as an advantage for eco-tourists. About 21 per cent of the country has been set aside for habitat conservation and preservation, along with the addition of some 14 national parks.

ENVIRONMENT

Unfortunately, Laos has seen significant environmental degradation due to overzealous timber cutting and poor mining practices of the past. Opportunities exist in the environmental sector, including remediation services, forestry management, treatment of mining tailings and wastewater. Check with international development agencies for donor-funded projects.

Laos is heavily dependent on international development assistance. Multilateral agencies, including the [World Bank](#) and the [Asian Development Bank](#), are promoting projects in the education, health, energy and the agriculture sector, as well as providing assistance in several infrastructure developments. Opportunities include advisory consultancies, tenders and the supply of expertise and technical services. More information about opportunities is available through the [Ministry of Planning and Investment - Investment Promotion Department](#).

The Investment Environment

Laos joined ASEAN in 1997 and has begun the process of applying to join the WTO. While the country welcomes foreign investment, its infrastructure is antiquated and there is little real industrial capacity. Laos lacks a well-developed commercial law code that can help stimulate private sector development and facilitate trade. With perceived high levels of corruption, the market scores poorly in international surveys for transparency and ease of doing business.

To attract interested investors, incentives from the government are available for foreign investment in certain promoted areas. These include agriculture and forestry services, industrial activities using modern technology, environmental and biodiversity initiatives, infrastructure and tourism. There is no restriction on foreign investors repatriating profit and income but, in practise, large amounts of foreign currency can be difficult to obtain from the domestic banking system. The [Laos Department of Domestic & Foreign Investment](#) offers an online comprehensive business guide, start-up procedures, country overview, sector information and more.

Establishing Your Presence in Laos

AGENTS AND DISTRIBUTORS

While there are many import-export companies in Laos willing to act as an agent or distributor, few are able to handle wide representation or distribution because of the lack of a well-developed road system in Laos. For more information, check with the [Lao National Chamber of Commerce and Industry](#).

CORPORATE PRESENCE

Foreign investors can invest in Laos through a business investment contract, a joint venture or a 100 per cent-owned enterprise. A representative office may be established in order to collect information, carry out feasibility studies and coordinate activities for the purpose of applying for investment. The [Canadian Trade Commissioner Service](#), out of Bangkok, Thailand, can help guide Canadians interested in exploring Laos.

Finances and Taxation

FINANCES

Laos does not have a well-developed banking system and there are only a few domestic and foreign banks. The domestic banks are regarded as weakly capitalized with a high degree of non-performing loans. Canadian exporters and investors should make every effort to conduct trade and investment activity on the basis of letters of credit drawn on known, established banks.

TAXATION

Laos provides approved foreign investors with an incentive tax rate of 20 per cent, lower than the general tax rate of 35 per cent. Another incentive involves lowered duties of 1 per cent on imports of capital equipment and spare parts.

Legal Perspective

INTELLECTUAL PROPERTY (IP)

Laos allows for the registration of trademarks with the Science, Technology and Environment Organization. However, Canadians should consult with highly experienced legal counsel.

DISPUTE SETTLEMENT

The Laos Foreign Investment Law provides for disputing parties to seek arbitration either before a Laotian arbitration body or a foreign equivalent. Parties are advised to seek the services of a foreign arbitration body, as Laotian arbitration authority is not seen to be effective.

LABOUR

Labour is very inexpensive in Laos, compared to the rest of Southeast Asia. The Lao government has announced it will raise wages sometime in the near future to help workers cope with rising costs of living. Unions can be formed, but only under the control of the Lao Federation of Trade Unions. Skilled and educated workers are not readily available in Laos, which is a major obstacle to economic development.

Delivering to Laos

DOCUMENTATION AND LABELLING

Imported goods require 3 copies of a customs declaration form together with the following:

- › A cargo control or transport document (3 copies)
- › A carrier advice notice (2 copies)
- › An invoice (2 copies)
- › Relevant permits and authorizations (2 copies), and
- › Certificates of origin (2 copies).

TARIFFS AND DUTIES

Laos does not impose tariffs on foreign investors who are importing machinery and equipment or raw materials to be used for production. Tariffs are charged on a variety of other imported goods, ranging from 3 to 10 per cent, and Canadian exporters should seek advice from freight forwarders and [Lao Customs](#) for updated information.

STANDARDS

Laos allows imported goods to enter the country based on the certification standard of the country of export.

MALAYSIA



- › **Population:** 28,728,697 (July, 2011 estimate)
- › **Official language:** Bahasa Malaysia. Other languages such as English and various Chinese dialects are also spoken.
- › **Main imports:** Electronics, machinery, petroleum products, plastics, vehicles, iron and steel products and chemicals.
- › **Canadian exports:** Fertilizers, aerospace parts and products, mechanical appliances and electrical equipment.
- › **Largest import partners:** China 12.6%, Japan 12.6%, Singapore 11.4%, U.S. 10.7% (2010).
- › **Climate:** Tropical; a southwest monsoon season runs from late May to September and a northeast monsoon season from November to March.
- › **Currency:** Malaysian ringgits (MYR)
- › **Time Difference:** GMT + 8 hours. Malaysia does not observe Daylight Savings Time.
- › **Business hours:** 9:00 a.m. to 5:00 p.m. Monday to Friday with Saturday as either a full or half day. Some states may operate differently with Thursday as a half day and Saturday a full day.
- › **Government office hours:** Monday to Friday: 8:00 a.m. to 5:00 p.m. except for the states of Kedah, Kelantan and Terengganu where offices are open Sundays to Thursday: 8:00 a.m. to 4:45 or 4:30 p.m.

Malaysia has been blessed with a natural bounty of mineral and agricultural resources, yet it has also become a manufacturing and exporting centre for high tech goods and electronics. The country has a diversified industrial mix that includes manufacturing, petrochemical industries arising from significant reserves of oil and natural gas, and an agricultural sector producing large quantities of the world's rubber and palm oil supply.

While many consider the country to possess the trappings of a free market economy, Malaysia is also known for its close alliance between business and government. Strong policy direction comes from the state and is aimed at fostering economic development and guiding the flow of investment towards target sectors. Periodic “Ten Year Plans” communicate state-coordinated incentives aimed at developing Malaysia's export capacity in key sectors, and propel the economy upward in manufacturing value chains. The current Plan, announced in 2010 and titled “[Vision 2020](#) – the Economic Transformation Program”, envisions a future Malaysia built on advanced services and knowledge-based industries. In the near term however, Malaysia is experiencing a shortage of the skilled labour required to fulfill its ambitious agenda.

The government has identified 12 National Key Economic Areas (NKEAs) that form the core of the Economic Transformation Program (ETP). The government is actively promoting and encouraging

investments in these 12 NKEA, providing a dedicated focus and fast-track mechanisms for resolving disputes and bottlenecks. The 12 NKEAs are:

- › Oil, Gas and Energy
- › Palm Oil
- › Financial Services
- › Tourism
- › Business Services
- › Electronics and Electrical
- › Wholesale and Retail
- › Education
- › Healthcare
- › Communications Content and Infrastructure
- › Agriculture
- › Greater Kuala Lumpur/Klang Valley.

Canada's export trade with Malaysia is weighted towards industrial machinery, natural resources, fertilizer, aerospace parts and electrical goods. In 2010, exports to Malaysia totalled some \$786 million, as compared to \$2.29 billion of imports from Malaysia. Canadian foreign investment in Malaysia totalled \$488 million in 2010. The [Tenth Malaysia Plan 2011–2015](#) outlines the government's plan to become a high-income nation and build an environment that fosters economic growth, while the [Malaysian Investment Development Authority](#) features information and contacts for investing in Malaysia.

Opportunities for Canadian Exporters and Investors

As a manufacturing centre for electronics and light industry, Malaysia imports raw materials, as well as electrical parts and industrial components. The oil

and gas and agriculture sector are traditionally heavy importers of goods and services used to maintain and expand production. Malaysia's goal of advancing up the value chains of its established industries requires imports of specialized technologies and expertise. Canadian companies can therefore look to a variety of opportunities in Malaysia. Sectors of focus include oil and gas, aerospace and agri-food. Canadian companies should also take a serious look at Malaysia's growing information and communications technology sector. The industry presents good potential to Canadian companies in the ICT sector, especially those focused on the supply of wireless networks and services, broadband networks, telecom equipment and security applications.

OIL AND GAS

Malaysia has notable oil and gas reserves with approximately 4 billion barrels of oil proven to date. These reserves are vested in Malaysia's state oil and gas company, [Petronas](#), which holds exclusive exploration and production rights in the country. A fully integrated oil company, Petronas operates across the full spectrum of petroleum activities, from upstream exploration, production and refining to downstream marketing and distribution. Not surprisingly, foreign oil and gas companies have a large presence in Malaysia. Foreign investment is encouraged through production agreements with Petronas.

Malaysia's oil fields are maturing, so Petronas is investing heavily to enhance oil production in existing wells and to develop new offshore discoveries. It is becoming a major player in global exploration activity, including in Canada, where it has invested in shale gas fields. Petronas is also lobbying for ownership rights in the South China Sea.

Leveraging its industry know-how, Malaysia aims to become a regional hub for services related to oil and gas. The [Malaysian Oil & Gas Services Council](#) (MOGSC) is the state body charged with coordinating domestic service providers, as well as attracting foreign companies. Its goal is to develop Malaysian subsea engineering expertise and the manufacturing capacity of the country to supply equipment and machinery to the global oil and gas sector.

Canada has signed a collaboration agreement with MOGSC, to promote Malaysia as a hub for oil and gas services in exchange for opening the door to Canadian suppliers of machinery, equipment, engineering and educational/training services. Companies that can demonstrate deep water and ultra-deep water capability, blowout preventer systems and technology to extend mature well production are positioned for success.

AEROSPACE

Malaysia's government wants to position the country as the Southeast Asian centre for aircraft maintenance, repair and overhaul (MRO). Globally, the market for MRO was worth approximately US\$46 billion in 2011 and is expected to reach more than US\$58 billion by 2019. The Asia Pacific market is the most rapidly growing segment, with a forecasted share worth US\$21 billion by 2021, almost two-thirds of which will reside outside of China.

Malaysia faces stiff competition from Singapore, but it can offer advantages for investors to manage their cost structures and reduce expenses. Sector promoters also point to economy-of-scale benefits presented by the resident airlines, Malaysia Airlines and AirAsia. Both airlines are rapidly upgrading their fleet of aircraft. In addition to the two national carriers, the Royal Malaysian Air Force operates various types of

combat aircraft as well as cargo, search and rescue and small transport craft. MRO services also target the country's oil sector, which requires a large fleet of helicopters and smaller craft servicing oil fields and offshore platforms.

A notable proportion of Canada's exports to Malaysia are aerospace parts and machinery. The [Malaysian Aerospace Council](#) was established in 2001 to provide a national level steering body dedicated to the development of the country's aerospace industry. An expansion of Malaysia's MRO capability will increase demand, including the need for more specialized machinery that addresses a wider variety of aircraft, comprehensive engineering, design services and critical testing. Canadian firms should note that providing extensive after-sales services and training can make the difference in winning contracts, particularly as Malaysia is experiencing shortages of skilled workers.

AGRICULTURE, FOOD AND BEVERAGE

Although Malaysia's tropical climate and rugged, hilly terrain is ideal for rubber and palm oil production, the country does not grow a wide range of crops. It is a net importer for much of its requirement of rice, grains, fruits and vegetables. Canada is one of the major global food producers that has a solid beachhead in the Malaysia agri-food market. Over the past five years, Canadian exporters have successfully increased their sales of products such as wheat, grains, soybeans and oilseeds.

With urbanization and increasing disposable incomes, Malaysia's demand for convenience foods, processed commodities, health and organic foods is rapidly growing. It is a demand that the country's food and beverage sector is unable to service. The dearth of ingredients and lack of facilities and

technology to transform food inputs into ready-to-use products is a significant challenge. Canadian agri-food producers should look to opportunities to supply breakfast cereals, frozen vegetables and packaged/frozen food. There are also prospects with health foods and nutraceuticals, niche sectors that are growing rapidly as concerns over health increase amongst Malaysia's middle class.

Canadian agri-food exporters should also note that more than 60 per cent of Malaysia's population is Muslim, driving a strong market for Halal products. There can be significant differences between countries on Halal standards; research and the flexibility to adjust to national distinctions are very important for companies sourcing ASEAN markets. More detailed information can be found at [Department of Islamic Development Malaysia \(Jakim\) – Halal Certification](#).

Foreign ownership of agricultural land is restricted. Only certain commercial-scale, agricultural land uses are permitted. There is no restriction on foreign investment in the fisheries industry in general, but approvals are limited by project size and there is usually a need for a local equity stake in order to obtain government approvals.

The Investment Environment

To attract foreign investment, Malaysia seeks to distinguish itself from its neighboring nations by offering liberal foreign ownership limits in the manufacturing sector. To help Malaysia achieve its objective in becoming an Asian regional hub, it also provides incentives encouraging investment. This includes attracting foreign operational headquarters, regional distribution centres and international procurement centres. Malaysia has also opened its financial sector and fostered the growth of Islamic finance in order to act as a centre of Islamic banking.

Foreign companies seeking to invest in industries favoured for development by the Malaysian government are able to negotiate preferential terms and get assistance in navigating regulations and policies. Despite the best efforts of the Government of Malaysia, foreigners wanting to establish a presence in the market can face the need for numerous approvals and a regulatory bureaucracy that can be costly. Investors are encouraged to avail themselves of government-offered services to reduce these burdens wherever possible.

One particular challenge that foreign investors must face is the country's complex requirements surrounding the ownership and participation by ethnic Malays (Bumiputra) in the economy. This can include the need to take on Bumiputra equity partners and staff. Policies on the matter vary greatly by ministry. While there has been some liberalization of the rules in recent years, domestic legal counsel is strongly encouraged when developing a market entry business plan.

In 2009 Malaysia started its process of liberalizing certain key service sub-sectors and encouraging foreign investment by removing Bumiputra equity requirements. The sub-sectors include health and social services, tourism, freight transport and salvage, and business and computer services. Opening these sub-sectors to foreign investment is intended to encourage greater competitiveness by attracting more professionals and technology that will allow Malaysian services to compete internationally.

The [Malaysian Industrial Investment Development Authority](#) (MIDA) evaluates all investment proposals with shareholders' funds at or above MYR2.5 million, or engaging 75 or more full-time employees, to ensure they meet the government's goals and objectives.

Establishing Your Presence in Malaysia

AGENTS AND DISTRIBUTORS

Companies unfamiliar with Malaysia are advised to engage the services of an agent or distributor to enter the market for the first time. Agents or distributors can make obtaining permits and licenses an easier process, market products and services more effectively, and handle after-sales services more quickly. Malaysia is not a signatory of the WTO Government Procurement Agreement (GPA). Foreign companies do not share the same access to bid on government tenders as domestic firms.

REPRESENTATIVE OFFICE/REGISTERED COMPANY

Foreign companies seeking on-the-ground presence are advised to conduct significant due diligence. In general, all standard forms of ownership structure are permitted in Malaysia (sole proprietorship, partnership, a limited liability company, a registered branch) but the Malaysian market place is complex. Legal and tax experts should be consulted from the outset when planning any investment.

Investors are required to register with the [Companies Commission of Malaysia](#) (CCM). Once approved, the foreign company must provide the CCM with the following:

- › A certified copy of its Certificate of Incorporation (or equivalent)
- › A certified copy of its Charter, Statute or Memorandum and Articles of Association or other documents setting out its constitution
- › A list of directors, including specific information regarding them

- › A memorandum of appointment or power of attorney authorizing a Malaysian or a person residing in Malaysia to accept services or notices on behalf of the company, and
- › A statutory declaration by the agent of the company in the proscribed form.

Finances and Taxation

FINANCES

The export of goods to Malaysia can be financed through cash advances, on open account or a letter of credit issued by banks in Malaysia. In-country financing is available through the domestic banking sector, which has undergone consolidation in recent years to nurture larger and more internationally competitive domestic banks. Payment for imports and exports must be paid for in foreign currency, fully accessible, as the Malaysian ringgit (MYR) cannot be sent or received abroad. While there are no restrictions around the repatriation of profits and dividends, there are regulations around foreign exchange dealings. This is governed by the Exchange Control Act of Malaysia (ECM), which is prescribed by the central bank of Malaysia, Bank Negara Malaysia (BNM). The ECM has provided an online [Guide to the Foreign Exchange Control Rules](#).

TAXATION

Resident and non-resident companies pay a corporate tax at a general rate of 25 per cent on income earned or received in Malaysia. A tax of 5 per cent is charged on professional services, together with a sales tax of between 5 to 10 per cent on most manufactured goods, with the exception of certain food products. At the same time, there are various incentives and exemptions available depending on the sector and type of investment.

The Legal Perspective

INTELLECTUAL PROPERTY (IP)

As a member of the World Trade Organization (WTO), Malaysia has made important strides in enhancing its laws and regulations regarding IP. Enforcement and prosecution has not kept pace, however. Copyright infringement and counterfeit production do exist, so precaution is advised. The police do not have the necessary resources to readily investigate and combat all IP infringement. Many consumer products and digital wares can be found being illegally sold on Malaysia's streets and markets. The [Intellectual Property Corporation of Malaysia](#) and the [Malaysian Intellectual Property Association](#) are good resources to tap into for protecting IP in the market.

DISPUTE SETTLEMENT

Malaysia is a signatory of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States. It is also a signatory of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

While Malaysian courts are seen as accessible to foreigners, they can be costly, slow and bureaucratic. Consult a reputable Malaysian lawyer before deciding whether arbitration or pursuit via the courts is the preferred course for settlement of a dispute.

LABOUR

National unions and coordinated labour actions are officially discouraged, ensuring widespread Malaysian labour peace. Disputes are primarily settled through negotiation or by referral to arbitration. Note that the volume of existing cases is severely backlogged and the actions of parties remain restricted pending a hearing.

Malaysia does not set national standards for wages in the manufacturing sector, allowing wages to vary between regions and cities as well as by industrial sector. Employees and employers must pay into the Employee Provident Fund; rates vary depending on the age of the employee.

Malaysia imposes strict rules regarding hiring and firing, enforcing affirmative action policies in favour of the Bumiputra. The government monitors companies, foreign and domestic, for ethnic balance. Malaysia now has adopted an immigration-friendly policy towards professionals, which especially encourages Malaysians who reside overseas to return to the country. It welcomes skilled workers and professionals. The [Malaysian Development Authority – Human Resources](#) outlines the minimum conditions of employment, including normal work hours, paid leave and payment for overtime.

Delivering to Malaysia

DOCUMENTATION AND LABELLING

Malaysia has made effort to automate its customs clearance process at the Kuala Lumpur International Airport and in Port Klang. In general, a C1 import form is submitted to the [Royal Malaysian Customs Department](#) for all arriving goods. Import documentation will include:

- › Delivery order
- › Packing list
- › Original invoice
- › Bill of lading
- › Import licenses (depending on type of goods), and
- › Certificate of origin (if preferential duty treatment is being sought)

An import licence is required for some agricultural products such as meat, eggs, dairy products, wine, cereal flours and seafood. Licences may be obtained from the [Department of Veterinary Services Malaysia](#) or the [Fisheries Development Authority of Malaysia](#) (LKIM).

Labelling in English or Bahasa Malaysia is usually mandatory for most imported goods and should identify the importing agent. Halal food imports have very strict labelling requirements. Halal meat has to be certified by a Malaysian-approved Islamic organization. It is also advisable to obtain certification for non-meat products, including snacks, dairy and bakery goods, as Halal products demand higher value. Products should carry a Halal certificate as described by the [Department of Islamic Development Malaysia \(JAKIM\) – Halal Certification](#) to ensure proper valuation.

TARIFFS AND DUTIES

Malaysia is a member of ASEAN and the ASEAN Free Trade Agreement. Goods from non-ASEAN countries have to pay higher tariffs and duties, which can be as much as 200 per cent on products such as luxuries, for example. Specifics may be obtained from the [Royal Malaysian Customs Department](#).

ATA Carnets are accepted in Malaysia for the temporary import of goods.

STANDARDS

Malaysia belongs to the World Trade Organization's Standards Code for technical barriers to trade. It operates a government-owned company, [SIRIM Berhad](#) (previously known as the Standards and Industrial Research Institute of Malaysia), to develop standards and provide quality-certification services.

THE PHILIPPINES



- › **Population:** 101,833,938 (July 2011 estimate)
- › **Official language:** Filipino (based on Tagalog) and English plus various dialects.
- › **Main imports:** Electronics, mineral fuels, machinery and transport equipment, iron and steel, textile fabrics, grains and chemicals.
- › **Canadian exports:** Mineral ores, slag and ash, cereals, meat and meat products and by-products.
- › **Largest import partners:** Japan 14.1%, China 13.6%, U.S. 9.9%, Singapore 9.3%, and Thailand 6.5% (2010).
- › **Climate:** Tropical marine with a northeast monsoon season from November to April and a southwest monsoon season from May to October.
- › **Currency:** Philippine pesos (PHP)
- › **Time Difference:** GMT + 8 hours. The Philippines does not observe Daylight Savings Time.
- › **Business hours:** 8:00 a.m. to 5:00 p.m. Monday to Friday.
- › **Government office hours:** Monday to Friday: 8:00 a.m. to 5 p.m.

The Philippines is one of the largest markets in Southeast Asia. Its population of 94 million people occupies a small percentage of the more than 7,100 islands that make up the archipelago. It is a newly industrialized country with an eclectic mix of economic, geographic, social and political factors that give it vast potential. The Philippines has a free market economy, is blessed with abundant natural resources that include large reserves of gold, copper, nickel, chromite and zinc, and has a skilled and educated population. It is highly westernized, with English as one of the two official languages (Tagalog, or Filipino, is the other). The country's consumers are open to new trends and styles and seek out new products and goods. Politically, the constitutional republic has made tremendous strides in establishing democratic institutions, instituting economic reforms and upgrading the regulatory environment.

Bilateral trade between Canada and the Philippines amounted to more than \$1.5 billion in 2010, with Canadian imports of \$889 million compared to exports of \$683 million. Currently, the Philippines is Canada's largest agri-food export market in Southeast Asia. Canadian direct foreign investment in the Philippines is not large at just \$341 million, but the Philippines is recognized as offering many investment opportunities. The large number of Filipinos who live and work in Canada can be leveraged to help create closer bonds and familiarity with each country's strengths and capabilities.

Opportunities for Canadian Exporters and Investors

Leading sectors of opportunity in the Philippines are agri-food products, extractive industries, information technology and infrastructure. Other sectors that are not discussed in detail in this Guide but that may warrant exploration include education, healthcare, consumer products and tourism. The [Department of Trade & Industry Philippines](#) website features buyer-supplier matching databases.

AGRICULTURE, FOOD AND BEVERAGE

While the agricultural sector in the Philippines is not as important as it once was, it is still a significant contributor to the economy. Fifteen per cent of the country's gross domestic product comes from agricultural activity and the sector employs almost 35 per cent of the population. Major commodities include sugarcane, cassavas, coconuts, rice, corn, bananas, pork, beef and fish. Agricultural production is characterized by low productivity, small farms with limited economies of scale and outdated infrastructure. Although agricultural reforms will not proceed as fast as foreign investors would like, the rapid increase in the Philippine demand for processed and pre-packaged food should encourage more modern farming techniques. Canadian exporters should explore the market's developing appetite for modern agricultural equipment, high yield seeds and fertilizers.

The Philippine food and beverage market is rapidly evolving, adapting to the habits of a youthful urbanized population with growing disposable income. Canadian agri-food exports to the Philippines have been a positive story, with the Philippines featuring as the third-largest export destination in the ASEAN

region. Wheat and frozen meat products constitute the bulk of Canadian agri-food exports to date, but Canadian exporters should note the increasing demand for a variety of processed food products, particularly healthier low-fat, light and low-sodium alternatives as well as snack foods, canned and preserved foods and frozen products. The [Philippine Department of Agriculture](#) has general information, investment opportunities and invitations to bid, while the [Philippine Department of Agrarian Reform](#) features information on reform programs, news and research.

EXTRACTIVE INDUSTRIES

The mining sector in the Philippines is poised for a major expansion. The Philippine Mining Act of 1995 allowed 100 per cent foreign equity in mining projects, but it was delayed by legal wrangling until 2004. Taking advantage of the recently opened sector, the Philippine government also streamlined approvals for mining permits, reducing the process to months instead of years. However, it can still take years to bring a mine into operation and only now are several large-scale projects at or near production. Many more are sure to follow, as Philippine deposits are ranked third in the world for gold, fourth for copper, fifth for nickel and sixth for chromite. The [Philippine Department of Environment and Natural Resources](#) includes more information about laws and policies, governance and an eLibrary of resources.

Canadian mining investors have bid for dozens of permits, translating into the potential of investment in the billions of dollars in the Philippine mining sector. The Philippines has established strict conditions for the granting of permits and mining agreements, requiring extensive environmental assessments,

environmental protection and enhancement programs, as well as community services and social development programs. These are requirements that Canadian mining companies have become experienced and adept at providing throughout their global operations.

There is increased demand for equipment and machinery used in mining and mineral extraction, engineering and technical services, as well as training and education programs, all of which Canadian exporters should be well-positioned to supply. Visitors to the [Mines and Geosciences Bureau – Department of Environment and Natural Resources](#) website will find a wealth of information and resources.

Exporters and investors should be prepared for a challenging environment in the Philippine mining sector. Competition is fierce as Australian, Chinese and American interests are spending heavily to gain a foothold. Jurisdictional disputes between levels of government can delay projects. Indigenous groups have asserted ancestral domain rights in many instances and it can take some time to verify claims or negotiate access. Notwithstanding good environmental records by many Canadian mining companies and acceptable environmental impact studies, the potential still exists for activists to raise objections to projects. Security is also a major issue for potential mining projects in places such as the southern island of Mindanao. Information on how to deal with issues can found at the [Canadian Trade Commissioner Service](#) and the [Chamber of Mines of the Philippines](#).

INFORMATION TECHNOLOGY

Supported by the [Philippines Commission on Information and Communications Technology](#) and the [Department of Trade & Industry Philippines](#), the information technology (IT) has soared as a key economic sector in the Philippines, making the country one of the top locations for IT-enabled services. At least 500,000 Filipinos are now employed in call centres, back office support, medical and legal transcription, engineering design, and new digital media development, making IT a leading Philippine economic engine worth US\$9 billion annually.

Maintaining these services and upgrading systems to accommodate heavier data traffic requires continuous spending on equipment, machinery, technical services and software. Although the sector is highly competitive, with industry giants from the United States, Japan and South Korea dominating, there are opportunities for Canadian manufacturers and exporters of PABX, desktop systems, IP handsets, network trunks, cabling systems, and high-end servers, as well as software for customer relationship management, systems management and data warehousing.

Key competitive advantages to winning contracts are competitive pricing and financing alternatives. Suppliers must be accredited by the Philippine regulatory agency, [National Telecommunications Commission](#) (NTC). Canadian investors should be aware that the Philippines encourage joint venture arrangements; however, there is a 40 per cent equity limit for foreign companies, so choosing and managing the right domestic partner is critical. Those interested in partnerships can find more information at the [Computer Manufacturers Distributors and Dealers Association of the Philippines](#), the [Business Processing Association of the Philippines](#) (BPAP), and the [Philippine Long Distance Telephone Company](#).

INFRASTRUCTURE

With an independent [National Economic and Development Authority](#) (NEDA), the Philippine government recognizes that the country's inadequate infrastructure is a bottleneck that's stalling more rapid economic development. Infrastructure spending as a percentage of gross domestic product is only a third of what other ASEAN countries undertake. There is an urgent need to provide a cost-effective, adequate supply of power, improve the transportation network, and address concerns regarding the lack of potable water and inadequate sanitation systems in areas such as the massive urban centre of Manila. Outside of urban centres, there are concerns surrounding irrigation for farmers and the country's vulnerability to floods and storm waters from typhoons. Upgrading the Philippine infrastructure will require tens of billions of dollars over the next decade, creating opportunities for Canadian expertise in engineering, construction and equipment supply across a broad spectrum. Initiatives are described in the [Philippine Development Plan 2011-16: Accelerating Infrastructure Development](#).

POWER

Core to creating a modern Philippine power sector is extending the renewable energy network, which already contributes a third of the country's electric supply. The Philippines has extensive renewable energy potential with ideal wind and solar conditions, as well as abundant hydro and biomass resources. Through the Philippine renewable energy law, the government's [Philippine Department of Energy](#) aims to achieve 60 per cent renewable energy generation by 2017. At the same time, the government has opened the conventional energy sector to more foreign and domestic investment by privatizing some of its electrical generating assets.

TRANSPORTATION

As a nation of islands, the Philippines is heavily reliant on a network of roads, rail, ports and airports to connect its disparate communities and conduct economic activity. This network is largely old, slow and inadequate, causing a drag on economic development. There are some government measures that have improved the infrastructure system. These include increased private sector participation through Build-Operate-Transfer (BOT) programs in toll roads, rail and airports, which have led to more competition, lower costs and better services. However, these improvements have been uneven and far less than what is needed. The [Philippine Department of Public Works and Highways](#) (DPW) allocates funding to road construction, which should represent opportunities for Canadian suppliers.

The government has unveiled a [Public Private Partnership](#) (PPP) program that will invite private investors to take on construction, operation and maintenance of infrastructure and development projects usually undertaken by the government, in exchange for regulatory risk insurance and guarantees of reasonable returns. The PPP program has developed partnerships with the Asian Development Bank, the Australian Government AusAid Agency, and the Canadian International Development Agency (CIDA) to facilitate foreign investor interest. Detailed information is available at [Arangkada Philippines: A Business Perspective](#).

The Investment Environment

Foreign investment is officially welcomed in the Philippines. The government has established a [Board of Investments](#) and has designated certain areas as free trade zones in Mactan, Baguio and Cavite, which have had great success in becoming major international producers in the export of electronics and telecommunications equipment. Foreign investors are mostly treated the same as Philippine companies, with certain exceptions.

There are many structural and environmental issues that discourage foreign investment from entering the Philippine market. Foreign nationals are not allowed to own land, a measure that has caused difficulties for mining in particular, a sector that should be a bright spot in the Philippine economy. The [Department of Trade & Industry Philippines – Foreign Investment Negative List](#), under the Philippine Foreign Investment Act, precludes foreign activity in defence and national security, as well as public health and safety, mass media and small-scale mining. Foreign investors can take only minority stakes in many major infrastructure projects such as toll roads, highways and port development. The banking sector is only partially opened to foreign participation, with just 10 banks allowed to open a limited number of new branches. Limitations such as these only add to issues that frustrate foreign investors, including corruption, an inconsistent regulatory regime and a judicial system known for its slowness. Still, with the right precautions and due diligence, Canadian companies can find many successful ventures in the Philippines.

Establishing Your Presence in the Philippines

AGENTS AND DISTRIBUTORS

There is no requirement to use the services of an agent or distributor in the Philippines, but it is highly recommended as commercial trade is not as well-organized or regulated. Exporters should obtain legal assistance to draft contracts and terms, including standard items such as contract length, termination rights, obligations, territorial rights and commission rates.

BRANCH AND REPRESENTATIVE OFFICES

Importers or foreign investors can open a branch office to carry out business but must provide a minimum of paid-in capital of US\$200,000, unless the new office's activities relate to advanced technology or it employs 50 or more personnel. For the purposes of doing research, market studies or product promotion or quality control, a foreign business may open a representative office but all costs of the office must be covered by the foreign business. Branch offices and representative offices must be registered with the [Philippine Securities and Exchange Commission](#) (SEC).

JOINT VENTURES

Joint ventures are usually considered partnerships, with exception of joint ventures in the infrastructure sector, where foreign investors are limited to a maximum of 40 per cent ownership interest. Information and the ability to perform online registrations and other transactions are offered at The [Philippine Securities and Exchange Commission \(SEC\)](#), and the [Department of Trade and Industry](#) provides an overview of doing business and investing in the Philippines.

Finances and Taxation

FINANCES

The [Philippine banking system](#) is considered stable and strong. Exporters and foreign investors can select from a variety of the commercial banks in the Philippines, including 19 commercial banks that can also perform investment banking.

There are no foreign exchange controls in the Philippines but parties bringing foreign currency in or out of the Philippines in amounts greater than US\$10,000 must declare its source and purpose. Foreign investors must obtain a Central Bank registration document to allow for the purchase of foreign exchange in order to repatriate capital and remit profits, dividends and earnings. Shipping documents or similar documents must be provided upon payment for trade-related transactions.

TAXATION

Canada and the Philippines have a double taxation treaty, avoidance of fiscal income treaty and a bilateral investment treaty. Canadian enterprises are considered resident foreign corporations if they are doing trade or business in the Philippines, and are taxed at a 30 per cent rate. They may also be subject to local business taxes, depending on where their business is conducted. Exporters and investors should also be aware that the sale of most goods and services is subject to a value-added tax of 12 per cent.

The Legal Perspective

INTELLECTUAL PROPERTY (IP)

Any legal entity wishing to import goods and services into the Philippines should register its copyrights, trademarks, and patents with [Intellectual Property Philippines](#), in order to be able to enforce its rights. The Philippine system of registration is compliant with the WTO Trade-Related Intellectual Property Rights (TRIPS), but enforcement is not rigorous and the judicial system is slow and inconsistent in resolving disputes. Violations of IP are common so it's important to be vigilant and assertive in protecting rights.

DISPUTE SETTLEMENT

The Philippine judicial system is often seen as inefficient and lacking in impartiality. The length of time before cases are heard by courts puts undue pressure on disputing parties to reach an out-of-court settlement. Commercial contracts should include arbitration as an alternative to legal action to settle disputes. Arbitration is much faster and more flexible, and parties are free to choose the arbitrator. An arbitration decision is final if so stipulated in the commercial contract.

LABOUR

The Philippine labour market is low-cost and consists of an educated work force that has a high rate of English speakers. The country is a signatory to all International Labor Organization (ILO) conventions on the rights of workers, but enforcement has not been uniformly consistent. Although unions and national federations are protected in the country's constitution, the rate of unionization is comparatively

low, at less than 5 per cent. Minimum-wage rates are set regionally but breaches are common. There is a lack of regulatory capacity to enforce health and safety standards and payment of social security fees. Free-trade zones operate under the same set of labour laws and rules as the rest of the country but unions have not had great success in organizing in these areas. Labour codes, downloadable forms and other information is available at the [Department of Labor & Employment](#).

Delivering to the Philippines

DOCUMENTATION AND LABELLING

The Philippines divides imported products into three categories:

- 1) Freely importable commodities which are not regulated or do not require prior approval to import.
- 2) Regulated commodities needing clearances/ permits from relevant government agencies, as well as from the [Philippine Central Bank](#).
- 3) Prohibited commodities that are banned from import. Refer to the Philippine [Bureau of Customs](#), the [Bureau of Import Services](#) [Department of the Trade and Industry](#) and the [Philippine Department of Agriculture](#) for details.

Exports to the Philippines require the following documents:

- › Commercial invoice
- › Bill of lading or air waybill
- › Certificate of origin (upon request)
- › Packing list
- › Special certificates for proscribed goods (drugs, firearms, etc.), and
- › Commercial invoice of returned goods or supplemental valuation.

The Philippines requires labels for products such as jewelry, prepared and processed foods, beverages, pharmaceuticals, clothing, consumer goods and food and food products that contain genetically modified ingredients. The [Consumer Act of the Philippines](#) sets out the law related to consumer protection and labelling requirements. The Act and other related regulations can be found on the Department of Trade & Industry website.

TARIFFS AND DUTIES

As an ASEAN member, the Philippines has committed to dropping its [tariffs](#) within a range of 0 to 5 per cent on most goods and services traded within the ASEAN Free Trade Area. It has also begun implementing preferential rates with China, South Korea, Australia and New Zealand as required in the Free Trade Agreements that ASEAN has signed with those countries. For non-ASEAN countries, goods and services imported into the Philippines are usually subject to a simplified average tariff rate of 6.3 per cent, with the exception of manufactured and agricultural goods that are considered in competition with local production. These include automotive parts and components and agricultural

staples like rice, corn, pork, chicken meat, sugar and coffee. Canadian exporters and foreign investors should research what additional goods and services may be subject to higher than average rates.

ATA Carnets are not accepted for processing of goods as temporary imports into the Philippines. A Temporary Importation Bond (TIB) is used for goods consigned for temporary import or used exclusively in trade shows, demonstrations, etc.

STANDARDS

Inspections are mandatory for imported goods that are subject to Philippine national standards such as cosmetics, medical equipment and devices, household appliances and electrical parts. Consult the [Philippine Standards and Conformance Portal](#) for a full list of products that must conform to Philippine standards.

SINGAPORE



- › **Population:** 4,740,737 (July 2011 estimate)
- › **Official language:** Mandarin, English, Malay and Tamil.
- › **Main imports:** Machinery and equipment, mineral fuels, chemicals, foodstuffs and consumer goods.
- › **Canadian exports:** Mechanical appliances, plastic and plastic articles, electrical machinery and equipment, optical and medical instruments, nickel and nickel articles.
- › **Largest import partners:** Malaysia 11.7%, U.S. 11.5%, China 10.8%, Japan 7.9% (2010).
- › **Climate:** Tropical maritime with distinct climate regions. A northeastern monsoon season runs from November to April and a southwestern monsoon season from May to October.
- › **Currency:** Singapore dollars (SGD)
- › **Time Difference:** GMT + 8 hours. Singapore does not observe Daylight Savings Time.
- › **Business hours:** Monday to Friday: 9:00 or 9:30 a.m. to 5:00 or 5:30 p.m.
- › **Government office hours:** Monday to Friday: 8:00 a.m. to 5 p.m.

A small cluster of islands off the southern tip of the Malay Peninsula, Singapore has developed an advanced, modern economy, far in excess of what one would expect from a country of only 5 million inhabitants and a limited land base. Much of Singapore's development is a result of its commitment to fostering a free-market economy within a framework of state-directed economic development. Today, Singapore is known for having the most open economy in the world for international trade and investment, with a competitive, entrepreneurial culture and zero tolerance for corruption and graft.

Singapore's economy is heavily reliant on global trade. Despite its small size, the country is an important refiner of petroleum and chemicals. It is also known as a global leader in electronics manufacturing, including the production of semiconductor wafers and advanced integrated circuits. Its port is one of the busiest in the world and its foreign exchange trading centre is the fourth largest in volume behind only London, New York and Tokyo.

Rising intra-Asian trade in recent years has afforded Singapore continued growth, compensating for lower demand stemming from economic downturns in Europe and North America. Forward-looking, Singapore continues investing in building a knowledge-based economy, focusing on high-margin sectors such as electronics clean tech, information technology, pharma and medicine, and petrochemicals to maintain its position as a global leader. General information and contact information is accessible at [Singapore Government Online](#).

Canadian exporters and investors should note that Singapore is a highly advanced market with cutting edge business practices and attitudes. Commercial activity embraces modern technology to its fullest. A great deal of business can be conducted over the web without the face-to-face meetings and personal interaction required of commercial relationships in other markets. Professionalism, punctuality and the highest level of transparency and accountability are the hallmarks of Singapore business dealings.

Opportunities for Canadian Exporters and Investors

ELECTRONICS

Singapore is home to the world's top three semiconductor wafer foundries, the top three assembly and test companies and a host of leading electronics manufacturers. The sector contributed approximately 7 percent of the country's GDP in 2010, with manufacturing output valued at over US\$70 billion. As a trading economy, Singapore imports the bulk of its required electronic parts and components and exports the assembled results such as printers, cell phones, optical devices, tablets and gaming consoles. Production of electronics is expected to soften in the near term as a result of the recent global economic downturn. To offset this, Singapore is investing heavily in research and development of future technologies and product development that include photonics, nanotechnology and micro-electronic mechanical systems.

As a market for Canadian exports, Singapore has an increasing demand for high-quality advanced semiconductor inputs, storage and electronic modules, capacitors, integrated circuits and peripheral components. The [Singapore Manufacturers'](#)

[Federation](#) offers services to support market expansion strategies, and the non-profit [Association of Electronics Industries in Singapore](#) is the only industry association representing the electronics business in Singapore.

OIL AND GAS AND PETROCHEMICALS

Without significant oil and gas reserves of its own, Singapore has managed to build one of the top three oil export refining centres in the world. It is the Asian supply hub for refined oil and a wide array of chemical and petrochemical products. Jurong Island, located to the southwest of the main island of Singapore, processes 1.2 million barrels of oil a day. Not surprisingly, it acts as the Asian base for refining and R&D for more than 90 global leaders in the petrochemical industry, including ExxonMobile, Shell, Dupont, Sumitomo Chemicals and Mitsui Chemicals.

A next generation of petrochemical refining on Jurong Island is already being developed with cracker refineries, integrating new technologies developed by ExxonMobile and Shell. The facilities process feedstock into low sulphur, cleaner-burning fuels and also allows for processing into higher-value chemicals. Additional cracker refineries are planned for 2012, doubling Singapore's production of ethylene, an achievement that the [Singapore Economic Development Board](#) believes will lead to more downstream investments in the chemical industry.

Jurong Island, with its critical mass of petrochemical companies, presents the opportunity for Canadian exporters to showcase equipment and technology for use across the globe, and not just in Singapore's oil and gas industry. The [Institute of Chemical and Engineering Sciences](#) features information about research groups, programs and innovations.

SCIENCES

As part of its ongoing transition to a knowledge-based economy, Singapore has steadily expanded its research and development capacity across a broad spectrum of environmental and life sciences and technology disciplines. A significant portion of Canada's exports to Singapore, almost 8 per cent, has been in optical, medical, scientific and technical devices and instrumentation. This includes equipment, components and software for monitoring, measuring and testing in laboratories, schools and universities, hospitals and clinics, as well as research and development facilities. The Agency for Science, Technology, and Research, known as [A*STAR](#), includes some 22 research institutes whose goal is to raise Singapore's level of scientific achievement. In 2010, more than US\$11 billion was spent by the Singapore government on R&D. Almost three-quarters of this funding was divided between Singapore's main research agency, the [National Research Foundation](#) and A*STAR. Singapore is also the home of [The Idea Factory](#), a company that helps businesses innovate.

CLEAN TECHNOLOGY

Environmental science has been established by Singapore as a priority sector, positioning the country as a leading global centre for research, innovation and commercialization of clean technology. Part of this strategy is the opening of CleanTech Park, an eco-business park designed to attract scientific talent and foreign investment. Expansion of the Park will occur in phases, with the final phase set for completion in 2030.

The government of Singapore has also begun an initiative to create a more energy-efficient and sustainable country. Investing more than \$692 million

spread over a five-year period until 2014, the projects include solar energy, transportation, and R&D in green technologies.

Canadian environmental and clean tech firms should note that the Singapore government, has created an [Economic Development Board](#) for Environment and Water, and wants to turn the country into a test bed for new technologies, moving forward on programs for electric vehicles and smart grids, as well as testing innovations for solar energy.

INFORMATION TECHNOLOGY

Singapore is at the forefront of future information technology development. Revenue of the country's infocomm industry saw a growth of 12 per cent in 2010, to reach \$55 billion. The hardware segment remained the largest contributor, followed by software and telecom services. More than half of the revenue was attributed to export activity. Singapore's Master ICT strategy aims for the development of an Intelligent Nation by 2015 (iN2015). iN2005 sets objectives that include tripling infocomm export revenue to \$47 billion and achieving a 90 per cent home broadband usage.

In addition to public sector initiatives, Singapore is home to an array of private sector information technology and telecom companies. Opportunities exist in mobile technologies, broadband and next generation applications, digital media, communications security, and e-commerce solutions and services. The country's largest mobile telecom provider, [SingTel](#), publishes calls for tender regularly on its website, and both [Singapore infocomm Technology Federation \(SiTF\)](#) and [Infocomm Development Authority of Singapore](#) provide a wealth of information and resources.

PHARMACEUTICALS AND BIO-MEDICAL TECHNOLOGY

Singapore's post industrial development strategy sees heavy investment in pharmaceutical and bio-medical technology services. At the centre of the country's medical research is [Biopolis](#), a campus that co-locates public sector research institutes with corporate labs in a cooperative and collaborative environment. For pharmaceutical and biotechnology companies, this represents an opportunity to reduce R&D costs, speed product development timelines and exchange non-competitive information and research data.

Singapore has attracted leading biotech and pharma companies including AstraZeneca, Bayer, Boehringer-Ingelheim, Bristol Myers Squibb, Genzyme, GlaxoSmithKline, Merck and Roche. There are seven research institutes and five research consortia focusing on clinical sciences, genomics, bioengineering, molecular/cell biology, bioimaging and immunology. Key attractors that bring foreign investment into Singapore include the market's electronics industry, contract manufacturing services, integrated research, logistics services and top standards in technology manufacturing. The Singapore government plans on spending more than US\$2.8 billion over the next five years to grow the market's biomedical R&D sector. The [Biomedical Science Industry Partnerships Office](#) has a mandate to actualize academic and industry partnerships that contribute to Singapore's economic development and healthcare, and is a key source of information.

The Investment Environment

Singapore imposes restrictions on foreign investment in only a few sectors, chiefly financial services, professional services and the media. All other sectors are considered open. As a place to do business, Singapore is known for its safety, cleanliness and the marked lack of corruption and graft that can characterize business activity in many other countries. Its investor-friendly approach makes doing business in the country as easy, quick and convenient as possible. The government provides [e-guides for setting up a business](#), information resources and e-links for the process of registering a business.

The [Economic Development Board](#) is the government's primary agency that plans and executes strategies to make Singapore a compelling global hub for business and investment across manufacturing and internationally traded services. A variety of tax and financial incentives are available to companies investing in R&D and developing new technologies.

Establishing Your Presence in Singapore

AGENTS AND DISTRIBUTORS

Exporters usually first enter the Singapore market through the services of an agent or a distributor. Finding one in Singapore is not difficult, as the market has a long history as an entrepôt and there are scores of aggressive companies present with broad experience. As the domestic market is comparably smaller than its regional neighbours, many agents or distributors may seek to represent Canadian exporters across a broader territory. The [Canadian Trade Commissioner Service](#) can assist in finding potential agents and conducting required due diligence.

REPRESENTATIVE OFFICE

More experienced Canadian companies who want to embark on an established presence in Singapore may choose to first open a representative office. Typically a representative office has limited functions; it can only conduct market research and feasibility studies and act as a liaison on behalf of the company, and it cannot carry out commercial activities, engage in transactions or ship and store goods in Singapore.

CORPORATE PRESENCE

Singapore, under its Companies Act, allows for most forms of ownership structure including branch office, private limited company, sole-proprietorship, limited partnership and limited liability partnership. The Companies Act requires a foreign investor opening a branch office to appoint two local agents to act on its behalf. Local agents are considered to be anyone who is a Singaporean citizen, a permanent resident, or has obtained a pass to act as an agent.

There is no legal requirement or legal advantage to forming a joint venture, as local and foreign investors are treated equally. With a strong intellectual property regime in Singapore, licensing is also a reasonable alternative to having a physical presence for some companies. The [Singapore Economic Development Board](#) is the lead government agency for planning and executing strategies to enhance Singapore's position as a global business centre, and delivers solutions to create value for investors and companies. You can also find more information at the [Accounting and Corporate Regulatory Authority](#), which is the national regulator of business entities and public accountants and can facilitate business entity development.

Finances and Taxation

FINANCES

Singapore's banking system is strong, stable and well-capitalized, with abundant experience catering to foreign businesses. Most large international banks and financial institutions have branch offices in Singapore and there are many local and international banks with experience in trade finance, foreign exchange and underwriting. There are no substantive restrictions on remittances, capital exchanges or repatriation of earnings. The regulatory framework is transparent and efficient.

TAXATION

Singapore has one of the lowest corporate tax rates amongst advanced economies, with a rate of just 17 per cent. Taxes are usually applied only to income (earned in Singapore or earned elsewhere but received in Singapore). Canada and Singapore have signed a double taxation tax treaty which provides for the sharing of information for tax purposes between the two countries. Canadian investors and exporters should note that Singapore, like Canada, has a goods and services tax (GST). Singapore applies a GST of 7 per cent to goods and services in Singapore and on the importation of goods into the market.

The Legal Perspective

INTELLECTUAL PROPERTY (IP)

Singapore has the strongest IP regime in Southeast Asia, with lower levels of piracy and counterfeiting compared to its neighbours. Laws and regulations are fully compliant with Trade Related Aspects of Intellectual Property Rights (TRIPS). Enforcement is deemed to be better than what has been experienced in neighbouring markets, but there is still room for improvement.

The [Intellectual Property Office of Singapore](#) is responsible for advising on the country's IP laws and acts as the registrar for patents, trademarks and other IP. Registration can be applied for online through the Property Office's website. The site also allows a search of its databases for trademarks, patents and designs already registered.

LABOUR

Singapore's labour laws are tailored for the flexible conduct of business and trade. Companies are able to freely hire and fire with required notice. About 18 per cent of the labour force is unionized but labour relations are known for being amicable and cooperative. Despite a legal right to strike, there has been no official strike in the market since 1986. Even though there is no minimum-wage limit, most unionized and non-unionized companies follow the recommendations of the [National Wages Council](#), a tripartite body of government, union and employer representatives.

Delivering to Singapore

DOCUMENTATION AND LABELLING

All imported goods require an IN Permit, available online through TradeNet, Singapore's online system that makes for a rapid and efficient customs-clearance process. Goods that are brought into Singapore for export to other ASEAN nations must obtain a Transshipment Permit, also available through Singapore Customs [TradeNet](#).

All pre-packaged food products imported into Singapore require labels detailing:

- › the name of the product
- › country of origin
- › ingredients, including any known to cause hypersensitivity, and
- › the expiry date.

Additional labelling requirements apply to specialized food products. Singapore's [Agri-Food & Veterinary Authority](#) (AVA) is responsible for the testing of imports of meat and poultry, applying standards much higher than international norms.

TARIFFS AND DUTIES

Singapore is a free port, allowing 99 per cent of imports to enter duty-free. The exceptions are for alcohol products, tobacco, motor vehicles and petroleum products. All imported goods are subject to the goods and services tax of 7 per cent. To find out more about taxation and customs regulations, see [Inland Revenue Authority of Singapore](#) and [Singapore Customs](#).

STANDARDS

Singapore's national standards program is administered by SPRING, a body that includes representation from industry, government agencies and academic institutions. This body sets standards to enhance Singapore's competitiveness and to ease trade. Wherever possible, Singapore's standards match international ones in order to facilitate access to other markets and minimize barriers to trade. A wide range of standards and consumer safety regulations, including labelling, can be found on the [SPRING](#) website.

THAILAND



- › **Population:** 66,720,153 (July 2011 estimate)
- › **Official language:** Thai, English and various dialects.
- › **Main imports:** crude oil, machinery and parts, electrical equipment and parts, chemicals, iron and steel products, electrical parts and components (2010).
- › **Canadian exports:** Woodpulp paper and paper by-products, fertilizers, electrical machinery and equipment, mechanical equipment, precious metals and stones, and cereals.
- › **Largest import partners:** Japan 20.8%, China 13.3%, U.S. 5.9%, Malaysia 5.9%, U.A.E. 4.7% and South Korea 4.4% (2010).
- › **Climate:** Tropical; a southwest monsoon season runs from mid-May to September and a northeast monsoon season from November to mid-March.
- › **Currency:** Thai baht (THB)
- › **Time Difference:** GMT + 7 hours, Thailand does not observe Daylight Savings Time
- › **Business hours:** Monday to Friday: 9:30 a.m. to 5:30 p.m. Some businesses may also open Saturdays until 2:00 p.m.
- › **Government office hours:** Monday to Friday: 8:30 a.m. to 4:30 p.m.

As Southeast Asia's second-largest economy, Thailand has free-market regulations, pro-foreign investment policies and strong export-oriented industries. A constitutional monarchy, Thailand has experienced long periods of steady growth. Despite bouts of political instability, it has built an economy with developed infrastructure, a strong education system and a diverse mix of industries that includes electronics, automotive, agro-industry and tourism. Thailand's strong fundamentals have enabled it to withstand many challenges over the years, ranging from internal political unrest to natural disasters.

Canada and Thailand enjoy a robust trade relationship, albeit heavily weighted in Thailand's advantage. In 2010, exports from Canada were valued at \$652 million, while imports from Thailand amounted to \$2.4 billion. Canada's major exports to Thailand include paper and wood pulp, fertilizers, and electrical machinery and equipment, while Thailand's major exports to Canada are electronics and mechanical goods, as well as plastics, rubber and food products. Canada's stock of direct investment in Thailand in 2010 amounted to \$890 million, mostly in the electronics, manufacturing and financial services sectors.

Opportunities for Canadian Exporters and Investors

AUTOMOTIVE

Thailand is a leading automotive manufacturing centre in Asia. It produced more than 1.6 million vehicles in 2010, half of which were produced for export. Production in 2012 is expected to increase to 2 million.

Most global manufacturers have assembly operations in Thailand including GM, Ford, Toyota and Nissan. The Thai government offers support for expanding capacity in trucks and fuel efficient vehicles.

Foreign investors should be aware that the ASEAN Free Trade Area (AFTA) effectively abolished tariffs in auto parts in 2010. This should result in a large increase in regional trade in vehicle parts and components, lower assembly costs and an increase in the competitive advantage of Thailand's economy of scale. Although Japan is a dominant force in the automotive industry in Thailand, there are always opportunities for supply and investment in automotive parts, tooling, design and engineering services, testing, and logistics support. The [Thailand Automotive Institute](#) provides industry information, research, advice and product testing. The [Thai Autoparts Manufacturers Association](#) can also be a source of information and contacts; please note that most of this website is in Thai.

AGRICULTURE, FOOD AND BEVERAGE

Thailand is one of the few net exporters of food in Southeast Asia. In 2010 it ranked as the 12th largest food exporter in the world, and is second only to China in Asia. Its natural biodiversity and agricultural productivity enables it to grow an abundant variety of grains, fresh fruit and vegetables. It is a world leader in exports of rice, cassava, and fresh and canned fruits, as well as in harvesting and processing fish and seafood products. Thailand has more recently become a large exporter of chicken meat and live-stock. Although flood waters have historically been beneficial for irrigation and fertilization, recent flood waters have been devastating to Thailand's economy, including agriculture farming activities and industrial production. More extensive and comprehensive water control systems may be needed to address water management issues in the future.

Canada exports large quantities of fertilizer to Thailand's agriculture industry, and these levels that are expected to grow in tandem with Thailand's agricultural expansion. Equipment and machinery for harvesting and food processing are always in demand, as is the need for refrigeration, storage and packaging. Food products that conform to standards according to The [Halal Standard Institute of Thailand](#) are an advantage, since Thailand ranks first for Halal exports amongst ASEAN nations. More information on processing and standards can be found at the [Thai National Food Institute](#).

Business partnerships resulting in the introduction of food products to Thailand have the potential to leverage that success into sales across the ASEAN region. This is a market of more than 600 million people, many of whom are developing more sophisticated tastes and a greater appreciation for fast foods and convenience packaged-food products.

Canadians that can bring skills and technology to the production and processing of food, while deploying high standards of health and safety, will find a welcome environment in Thailand. More than ever, the Thai market is open to new food experiences, different tastes and Western styles. Key sub-sectors are processing, storage, refrigeration, packaging and shipping. More information, news and business directories can be found at The [Thai Packaging Association](#) and the [Thai Food Processors' Association](#).

INFORMATION TECHNOLOGY

The mandate of the Thai government's [Electrical and Electronics Institute](#) is to develop and promote the country's electrical and electronic industry, and electronic parts and components is a major Thai industrial sector, making Thailand a key player in the global electronics market. Thailand ranks first in the world in the production and export of hard

disk drives and is one of the global leaders in exports of integrated circuits and semiconductors. Fujitsu, Seagate, Philips and LG, as well as other brand names, have production, testing, assembly, and research and development facilities in Thailand. Disruptions in manufacturing due to natural disasters have raised questions about the concentration of production in Thailand, but the Thai industry will fight hard to maintain its global leadership and prove it is a reliable producer of electronic products.

Canadian exporters and investors should note that the Thai electronics industry relies on large imports of raw materials, parts and components for its finished products. Excellent opportunities exist for manufacturers to establish a local presence and become part of the extensive supply chain for the sector. State-of-the-art quality, continuous innovation, after-sales service and competitive pricing are keys to becoming part of the supply chain.

The Investment Environment

Thailand continues to have one of the more liberal foreign investment regimes in Southeast Asia. The country encourages foreign direct investment that can advance the economy, foster employment and realize ROI on tech transfer. The government has divided the country into zones with varying degrees of investment incentive. Thailand tries not to depend on any single country as a source of investment, but China, Singapore and South Korea have played prominent investor roles in recent years. Metal, machinery and transport equipment experience the most investment activity, followed by electronics, infrastructure and chemicals.

Investors are strongly encouraged to consult the [Thailand Board of Investment](#) for details on restricted and encouraged industries, sector opportunities, and investment application procedures.

Establishing Your Presence in Thailand

All regular forms of business organization are legal in Thailand, including an agent, distributor, representative office, registered limited company and joint venture.

AGENTS AND DISTRIBUTORS

Although there is no legal requirement for the use of local agents or distributors for the sale of goods to Thailand, it is a preferred market entry strategy due to the value placed on personal relationships. An agent or distributor can provide market knowledge and access to an established network of contacts, which can make for a successful entry into the Thai market.

REPRESENTATIVE OFFICE

Companies that want to establish a representative office must first establish themselves as a legal entity by registering with the Thai Ministry of Commerce and obtaining a corporate tax identification number. A representative office is restricted to certain types of activities such as market research and providing quality control and warranty support for products by its foreign headquarters, and it cannot engage in revenue-generating business transactions.

JOINT VENTURES/LICENSING

Thai law treats joint ventures as a contract matter between parties, with each joint venture partner maintaining their separate legal identity. Contracts usually cover issues of funding support, technology transfer and training. More information can be found at the [Canadian Trade Commissioner Service](#), the [Embassy of Canada in Thailand](#), and the [Royal Thai Embassy in Canada](#).

Finances and Taxation

FINANCES

The banking system in Thailand is considered sound, with enforcement of rules on capitalization and risk management. Foreign exchange transactions must be done through commercial banks or authorized financial companies such as money changers or companies granted foreign exchange license by the Ministry of Finance. Repatriating investment funds or repaying foreign loans is freely permitted, but must be accompanied with supporting documents. A prime point of contact for investment information is the [Thailand Board of Investment](#).

TAXATION

To encourage more direct investments by foreign investors into Thailand, the Ministry of Finance is phasing in gradual reductions in the corporate tax rate. The 2011 rate of 30 per cent is being reduced to 23 per cent in 2012, with a further reduction to 20 per cent in 2013. A value-added tax (VAT) of 7 per cent applies to goods and services imported into Thailand and sold within Thailand. The VAT also applies to the value added at every stage of the production process, from importers to producers to wholesalers or retailers. More information about taxation can be found at The [Revenue Department – Thailand](#).

Thailand provides a package of incentives for investors, which may include exemptions of import duties on certain categories of imported goods, permits to bring in skilled workers into certain investment-promoted sectors, exclusive rights and guarantees of non-competition for special investment, tax exemptions for locating in special economic zones, lower taxes for the production of products new to Thailand, and exemptions from import

duties on raw materials and components used in the production of electronic goods. Details on Thailand's foreign investment policies are administered and communicated by the [Thailand Board of Investment – Investment Promotion Incentives](#).

Legal Perspective

The judicial system is considered independent, even if it is characterized by delays and complexity. Thai business law is mostly governed by the commercial code, but Thailand also has a system of civil laws to cover non-business activity, as well as a separate bankruptcy law to govern insolvency.

Despite the success of business activity in Thailand, corruption is an issue for investors and exporters. Thailand has established the [Office of National Anti-Corruption Commission](#) (NACC) as an independent body that coordinates state efforts against corruption.

INTELLECTUAL PROPERTY (IP)

With its [Department of Intellectual Property](#), Thailand has laws concerning IP and is in compliance with the WTO Agreement on Trade Related Aspects of Intellectual Property (TRIPS). However, it has not been consistent in updating the laws or in extending them to cover emerging intellectual property issues such as digital media and broadcasting rights. Pirating and IP infringement is an ongoing issue, and enforcement and prosecution is considered lax and ineffective. To ensure IP assets are protected as well as possible, Canadian companies are encouraged to consult with a reputable IP law firm prior to selling or investing in the market.

LABOUR

Thailand has a generally peaceful labour environment with infrequent strikes and labour action. The Thai labour code has been updated to reflect international standards defining a 48-hour work week, limits on overtime and hazardous work, provisions for paid holidays and a prohibition on labour involving children less than 15 years of age.

Thailand sets a minimum wage for different areas of the country, but most Canadian exporters and foreign investors will usually be looking for employees that have a developed skill set and can command more competitive salaries. The education and skill level of Thai labour has risen in recent years but there is still a shortage of highly skilled workers. The [Thailand Board of Investment – Labor Costs](#) provides a survey of average labour costs for different professions and positions.

Delivering to Thailand

DOCUMENTATION AND LABELLING

Thailand requires import licenses for 26 categories of imported goods, including raw materials, petroleum, textiles, pharmaceuticals and agricultural products. Items that do not require import licenses may still need documentation to comply with applicable Thai standards. Customs clearance requires an import entry form together with standard shipping documents such as:

- › commercial invoice
- › packing list
- › bill of lading/air waybill, and
- › letter of credit.

Using the services of a freight forwarder is highly recommended.

The Thai Food and Drug Administration requires imported food products to carry a label displaying the product name, description, net weight or volume, date of manufacture and date of expiry. Labels must also identify the manufacturer and product registration number and should be printed in the Thai language. Some special food products and commodities must obtain prior label approval from the Thai [Food and Drug Administration](#), accompanied by a certificate of food analysis issued by the government or an approved body of the country of origin.

TARIFFS AND DUTIES

Most goods imported into Thailand are subject to an import duty, which vary widely depending on the type of good. Reference should be made to the Thai [Ministry of Commerce](#) for a list of which imported goods carry duties. Some import goods are also subject to an excise tax, such as petroleum products, beverages, electrical equipment, perfume and cosmetics, crystal, passenger vehicles and yachts. In addition, certain commodities and goods intended for export carry a duty.

STANDARDS

The Thai Ministry of Industry administers national standards through the [Thai Industrial Standards Institute](#) (TISI). TISI also provides accreditations of certification bodies through the [National Accreditation Council of Thailand](#) (NAC).

VIETNAM



- › **Population:** 90,549,390 (July 2011 estimate)
- › **Official language:** Vietnamese. English, French and various dialects are also encountered.
- › **Main imports:** Machinery and equipment, petroleum products, steel products, textile and garment inputs, electronics and plastics (2010).
- › **Canadian exports:** Mechanical appliances, iron and steel products, fertilizers, food products and by-products, and seafood.
- › **Largest import partners:** China 23.8%, South Korea 11.6%, Japan 10.8%, Taiwan 8.4%, Thailand 6.7%, Singapore 4.9% (2010).
- › **Climate:** Monsoon seasons in the north with a tropical climate in the southern regions. Monsoon season runs from May to September,
- › **Currency:** Vietnamese dong (VND)
- › **Time Difference:** GMT + 7 hours. Vietnam does not observe Daylight Savings Time.
- › **Business hours:** Monday to Friday: 8:00 a.m. to 5:00 p.m. Many businesses also open 8:00 a.m. to 11:30 a.m. on Saturdays.
- › **Government office hours:** Monday to Friday: 7:30 or 8:00 a.m. to 4:30 p.m. Office are closed during lunch usually from 11:30 a.m. to 1:30 p.m.

Vietnam is seen as the new growth story of Southeast Asia. A one-party socialist state, it has embarked on a Chinese model of state controlled free market reformation, opening itself to foreign investment as a low-cost alternative to China and other neighbours. The country has natural advantages, including a large land base that's comparable in size to Germany, and a substantial and generally young, skilled and educated population of more than 85 million. Vietnam has been a member of ASEAN since 1995 and the WTO since 2007.

Large amounts of foreign investment have flowed into Vietnam over the last five years, attracted to the country's low-cost labour, large domestic market and considerable natural resources. Only Singapore received more foreign investment between 2009 and 2010. Major international companies also see Vietnam as a centre for regional operations. Intel, the world's biggest chipmaker, opened a US\$1 billion testing facility in Ho Chi Minh City in 2010 that employs 4,000 people, and noted that Vietnam was chosen because of its proximity to customers, its reliable power and water supply, and its skilled workers.

Forecasts by Goldman-Sachs and PricewaterhouseCoopers have touted Vietnam as a future economic leader. Goldman-Sachs has predicted the Vietnamese economy will become the 17th largest in the world by 2025, and PricewaterhouseCoopers estimated that Vietnam will be fastest growing of emerging economies by 2025 as well. Vietnam was largely able to avoid the global downturn in 2009, but more recently high inflation and a chronic trade deficit has led to a significant depreciation of its currency.

Canada exported some \$247 million worth of merchandise goods to Vietnam in 2010 while importing more than \$1.17 billion in return. Canadian direct foreign investment in Vietnam has lagged in comparison to other countries, amounting to less than \$90 million. However, Vietnam's rapid development and demand for industrial goods and services to support its growth in manufacturing should attract greater Canadian interest.

Opportunities for Canadian Exporters and Investors

Vietnam's economic prospects, intensified efforts to upgrade its infrastructure and large market with increasing purchasing power make it an attractive destination for Canadian exporters and investors. Agriculture and agri-food, power, and oil and gas are seen as primary markets.

AGRICULTURE AND AGRI-FOOD

Vietnam's fertile soil has enabled it to become the world's second largest exporter of rice, one of the leading exporters of coffee and cashews, and a major producer of sugar, rubber and cotton. It has been able to achieve this without the widespread application of advanced farming techniques, mechanization, or high yield seeds and fertilizers. It has the potential to further expand its profile as a food and agricultural producer in livestock, dairy and cotton, but will need significant imports of equipment and agricultural supplements. Substantial amounts of foreign investment are also necessary to develop large-scale farms, construct modern irrigation and water control systems, and build the facilities to process commodities to meet Vietnam's rising demand for processed and pre-packaged foods. Information and the planned strategies to meet these goals are outlined at the [Ministry of Agriculture and Rural Development](#) website.

Vietnam recognizes agriculture's export potential and the [Vietnam Trade Promotion Agency](#) has targeted it as an encouraged investment sector. It has begun to open the sector to foreign investment and established tax incentives to attract interest and speed development. There are many opportunities for Canadian exporters and investors to play a large role supporting Vietnam's modernization drive.

Vietnam's rapidly rising urban population has developed greater appreciation for a wide variety of higher quality processed and packaged food. Sales of processed food products are growing 10 to 15 per cent per year. The agri-food sector is very competitive, however, and countries like the United States and Australia are already very active in the market.

POWER

With abundant rivers and rainfall, Vietnam has significant hydro resources. It has been able to invest in new hydro projects, increasing total capacity to almost 20,000 MW. Hydro accounts for 36 per cent of the country's power generation. Thermal generation, mainly coal, oil and gas fired plants, account for the balance. Vietnam's domestic demand is increasing annually by 15 per cent, driven by high growth in industrial output and consumer demand from a more affluent middle class. Vietnam's draft Master Plan VII has estimated that an additional 4,100 MW will be needed per year on average from 2011 to 2015.

The Master Plan envisions a combination of restructuring Vietnam's electricity transmission and distribution monopoly ([Electricity of Vietnam](#), or EVN), liberalizing the power market, building a more energy-efficient grid, and putting more resources into renewable energy development. Some 13,766 MW of power capacity is under construction in Vietnam, including 20 hydro stations and nine thermal plants.

Additional plans call for the construction of two nuclear plants capable of generating 2,000 MW each, at an estimated cost of US\$6 billion. EVN estimates that the build-out of Vietnam's electric power system will require an expenditure of US\$40 billion by 2015.

Canadian exporters and investors should note the tremendous opportunities available in such a rapidly developing sector. Information about opportunities can be found at the [Vietnam Trade Promotion Agency](#) and the [Ministry of Planning and Investment](#).

OIL AND NATURAL GAS

Vietnam is the third largest oil producer in Southeast Asia. It exported 15 million tons of crude in 2010, earning US\$9.2 billion in revenue. The state has identified the sector as being a high priority for development.

Estimated reserves stand at some 5 billion barrels of oil and 24.1 trillion cubic feet of natural gas. While natural gas production shows steady growth, oil production from maturing fields is expected to decline, so there is a degree of urgency in Vietnam to find and exploit new fields. The state-owned oil company, [PetroVietnam](#), is actively exploring in Malaysia, Mongolia and Algeria, but the bulk of its exploration activity has been in the South China Sea – territory which is also claimed by China and Malaysia. Increased activities in the country's oil and gas industry have created a voracious demand for imported technology, services and equipment.

Vietnam's "Master Plan Toward 2015 and Vision to 25" for its oil and gas sector sees a need for investment of some US\$203 billion to achieve national goals. PetroVietnam is forecasted to contribute almost 40 per cent, approximately US\$81 billion. Procurement and investment in the sector is governed by the

2008 Petroleum Law, the 2011 Petroleum Bidding Regulation and the 2009 Decree 15. Together these regulations stipulate the entities allowed to operate in the oil sector, but give PetroVietnam the primary role in any exploration activity. Canadian oil companies such as Talisman are active in the region, however, and other Canadian investors could find opportunity in exploration and drilling operations, and in downstream developments. Examples of these include the US\$1 billion extension of the Dung Quat Refinery, the US\$7 billion Ngho Son Refinery and the US\$4.5 billion Long Son Petrochemical Complex.

The Investment Environment

Vietnam business activity for foreign investors and domestic business is governed by the 2006 Investment Law and the Law on Enterprises, which stipulates the appropriate corporate vehicle for investment goals. The advent of a level playing field has done much to provide clarity and predictability for long-term planning. At the same time, Vietnam has only lately stepped up its pace in complying with WTO rules and standards.

Industrial manufacturing, real estate construction, tourism and consumer goods are all sectors that have attracted large amounts of foreign investment. With the increase in capital inflows comes rising concerns over endemic risks and difficulties. Vietnam is noted for its high levels of corruption, a confusing tangle of red tape and a lack of financial transparency. Its myriad assortment of state-owned enterprises (SOE) contribute about 38 per cent of GDP and provide direct competition to foreign and domestic private companies. Despite official goals of privatizing such SOEs, progress is slow and uneven.

Establishing Your Presence in Vietnam

AGENTS AND DISTRIBUTORS

The government requires most foreigners to appoint an agent or distributor to distribute goods directly in Vietnam, unless they have obtained an investment license. A Vietnamese agent will be responsible for market intelligence, promotions, pursuing leads, and conducting after-sales service, but the actual transaction still needs to be conducted between the supplier and the buyer, including taking on the risk of non-payment. In contrast to an agent, a distributor buys the goods from the foreign supplier and resells them within Vietnam. A distributor can also act as an agent and usually seeks to combine the role in high-value transactions.

REPRESENTATIVE OFFICE/BRANCH LICENSE

A representative office can only engage in market research and assessment of the marketing and sales efforts of its overseas home office. It cannot generate revenue or engage in trading, selling of goods or professional services. It also is unable to sub-lease property or act as a renter.

A branch office is the preferred route to carry out business transactions. Licensing is required from the Vietnamese [Ministry of Industry and Trade](#) and is usually issued in the city or province where the branch office is to be established.

Finances and Taxation

FINANCES

Vietnam's banking system requires considerable work to bring it up to the level of the country's regional competitors. Most domestic banks are weakly capitalized and the [State Bank of Vietnam](#) lacks independence in crucial matters. Foreign commercial banks are allowed to operate in Vietnam under license but they are limited in the number of branches they can open. Although Vietnam does not have foreign exchange controls, the central bank has announced a number of monetary policies to curb soaring foreign credit and strengthen Vietnam lending, making access to dollar loans more difficult.

TAXATION

For most business activity, the basic corporate income tax rate set by The [Ministry of Finance](#) is 25 per cent. There are also preferential rates of 10 to 15 per cent for operations in special economic zones, low income areas and targeted sectors marked as development priorities by the government. A higher tax rate applies to the oil and natural gas sector and in natural resources, ranging from 32 to 50 per cent. Exporters and foreign investors should note that a value added tax (VAT) of 10 per cent applies to the sale of goods and services in Vietnam. Vietnam and Canada signed a double taxation and prevention of fiscal evasion treaty in 1997.

Legal Perspective

INTELLECTUAL PROPERTY (IP)

Vietnam is a signatory to several international conventions on IP, including the WTO Trade-Related Aspects of [Intellectual Property Rights](#) (TRIPS), the Bern Convention for Protection of Literary and Artistic Works, and the Madrid Agreement Concerning the International Registration of Marks. Nevertheless, the proliferation of widespread copying and counterfeiting in Vietnam points to challenges in enforcement and the effectiveness of the judicial system. Foreign companies must be vigilant and actively protect their rights by registering all IP with the appropriate authority. Copyrights, patents and trademarks should be registered with the [National Office of Intellectual Property of Vietnam](#). Be sure to consult experienced legal counsel.

DISPUTE SETTLEMENT

Enforcement of contract terms in Vietnam's courts is difficult. The judicial system is underdeveloped and lacks the training and resources to effectively adjudicate contractual disputes. Parties will usually self-negotiate rather than refer matters to the courts. Another option is to submit disagreements to Vietnam's system of independent arbitrators, under the Commercial Arbitration Ordinance, which can issue enforceable awards.

LABOUR

Vietnam is known for its industrious and low-cost workforce, which is largely young and well-educated, with a literacy rate of 94 per cent. There is a constitutional right to unionize and strike, but there is only one national union and authorities have the ability to intervene to halt strikes. The labour market in

Vietnam has numerous stresses, including a substantial migrant workforce moving from the countryside to urban centres, a majority of workers employed in unregistered businesses, and a shortage of quality positions to meet demand.

Delivering to Vietnam

DOCUMENTATION AND LABELLING

Goods exported to Vietnam are subject to customs declaration within 30 days. Declarations must be made in triplicate copies issued by the [Vietnam General Department of Customs](#) and accompanied by:

- › Import declaration form
- › Import license (if any)
- › Commercial contract
- › Commercial invoice and packing list (if any)
- › Bill of lading
- › Certificate of origin (where applicable), and
- › Payment of duties and taxes.

Goods exported to Vietnam for the purpose of trade shows, exhibitions and similar events are not subject to tariffs, duties or taxes, but must be returned within 30 days of the end of the trade event. Specialized goods must be examined by the relevant Vietnam agency. For example, mineral goods must be examined by the Ministry of Heavy Industries, live animals and animal feed by the Ministry of Agriculture and Rural Development, and pharmaceuticals by the Ministry of Health Care.

Vietnam's [Ministry of Science and Technology](#) is responsible for state management over labelling. Raw materials, fresh food products, processed foodstuff and construction materials do not require labels. All other goods should carry a label that identifies the name of the good, the name and address of the traders responsible for the good, the origins of the good and any other information that is required by law. Labels should either be in Vietnamese or should be accompanied by a sub-label in Vietnamese that sets out the obligatory information.

TARIFFS AND DUTIES

Vietnam is gradually changing its tariff structure to meet its WTO and ASEAN Free Trade Area commitments. Most imported goods now carry a much lower rate than previously imposed. The tariff rate varies between products, but because Canada receives Most Favoured Nation status as a WTO member, our goods carry a Preferential Duty Rate. Canadian exporters should consult [Vietnam Customs](#) for the rate applied to a specific good. Canadian investors in Encouraged or Special Encouraged Investment sectors can import raw materials and component parts without paying duty, so long as these goods are used in production in the deemed Special sectors. Goods for scientific research and the development of technologies new to Vietnam are also exempt from duty. Please consult Vietnam Customs and legal authorities.

STANDARDS

Vietnam's national standards body is the [Directorate for Standards, Metrology and Quality](#) under the Ministry of Science and Technology. Although Vietnam has come a long way in developing its standards system, there is still a large degree of inconsistency. Some standards are set according to national requirements, some by regulating agencies and some are subject to both levels of authority.

SOLUTIONS FROM EDC



EDC is always pleased to consider providing support for new business in the Southeast Asia market. If you're considering a venture there, be sure to contact us and find out how our risks mitigation, bonding and financing solutions can help you. Up-to-date information about these solutions is always available on our website at **www.edc.ca** to learn more.

Risk Mitigation

Your accounts receivable are among the most important assets you have on your books. But what will happen to your company if those assets vanish because a customer can't or won't pay? That can be a special hazard if you're selling into a foreign market, or to an unfamiliar overseas buyer. But you can protect yourself from such losses with EDC's insurance solutions, no matter whether you need coverage for a single deal or multiple projects. EDC can also insure you against a wide variety of political threats ranging from breach of contract to expropriation. Even better, once you have EDC's insurance in place, your financial institution may be willing to provide you with extra working capital because it knows its losses will be covered even if you aren't paid. For Canadian investors with receivables being generated by wholly-owned, overseas affiliates, be sure to talk to EDC about potential coverage of those assets.

Bonding and Guarantees

Your customer or supplier will sometimes ask to provide a sum of money to be held in trust, called a bond. These bonds are issued by a bank on your behalf. If your customer or supplier decides that you aren't meeting the terms of your agreement for any reason, they can 'call' your bond, which means your bank has to automatically pay your buyer or supplier. Because of that risk, banks usually demand collateral, which can tie up your operating line or cash. To avoid tying up your cash, EDC can provide your bank with a guarantee so that they can get their money back if a bond is called.

If a bond is called, you will have to reimburse EDC or the financial institution that had to pay the buyer or supplier on your behalf. Depending on the type of bond, EDC has insurance that can protect you from having to reimburse this amount in full when the bond is called for no valid reason.

Financial Support

In many cases, a financial proposal is a critical part of your sale. EDC can provide financing directly to your foreign customer for an export sale of capital goods and services. This essentially provides you with a cash sale, because we assume the risk of non-payment and pay the funds to you directly, typically matching the payment terms in your commercial contract.

We can also provide a guarantee to your financial institution, which could help you access additional financing to support export sales or foreign investments. For example, we can provide guarantees on loans to finance work in progress, ongoing export-related working capital needs or to buy equipment.

KEY CONTACTS

Local and Regional Business Associations

There are many business associations in the Southeast Asian market, and these may be fruitful sources of leads and information once you've done your marketing groundwork. The EDC Chief Representative in the region, or the Canadian Trade Commissioner Service in each country, may be able to put you in touch with the key people in these organizations.

EDC REPRESENTATIVES IN THE SOUTHEAST ASIAN REGION

Canadian High Commission
One George Street, #11-01
Singapore 049145
Website: www.edc.ca

ROB SIMMONS

EDC Chief Representative
Tel: 011-65-6854-5949
Tel: 613-598-3022
Email: rsimmons@edc.ca

RAJESH SHARMA

EDC Regional Manager
Tel: 011-65-6854-5949
Email: rasharma@edc.ca

CANADIAN GOVERNMENT REPRESENTATION IN THE SOUTHEAST ASIAN REGION

BRUNEI DARUSSALAM

High Commission of Canada to Brunei Darussalam
5th Floor, Jalan McArthur Building
No. 1, Jalan McArthur
Bandar Seri Begawan BS 8711
Tel: 011-673-222-0043
Fax: 011-673-222-0040
Email: bsbgn-td@international.gc.ca
Website: www.tradecommissioner.gc.ca/bn

CAMBODIA – see Thailand

LAOS – see Thailand

INDONESIA

The Embassy of Canada to Indonesia (providing coverage for the Democratic Republic of Timor-Leste)
World Trade Centre, 6th Floor, Jl. Jend. Sudirman, Kav. 29
Jakarta, 12920
Indonesia
Tel: 011-62-021-2550-7800
Fax: 011-62-021-2550-7812
Email: jkrta-td@international.gc.ca
Website: www.tradecommissioner.gc.ca/id

MALAYSIA

High Commission of Canada to Malaysia
17th Fl., Menara Tan & Tan 207 Jalan Tun Razak
Kuala Lumpur, 50400
Malaysia
Tel: 011-603-2718-3333
Fax: 011-603-2718-3391
Email: klmpr-td@international.gc.ca
Website: www.tradecommissioner.gc.ca/my

SINGAPORE

High Commission of Canada to Singapore
One George Street, #11-01
Singapore, 049145
Singapore
Tel: 011-65-6854-5900
Fax: 011-65-6854-5915
Email: spore-td@international.gc.ca
Website: www.tradecommissioner.gc.ca/sg

THAILAND

The Embassy of Canada to Thailand (providing coverage for Cambodia and Laos)
Abdulrahim Place, 15th Floor
990 Rama 4 Road
Bangkok, 10500
Thailand
Tel: 011-66-2-636-0540
Fax: 011-66-2-636-0568
Email: bngkk-td@international.gc.ca
Website: www.tradecommissioner.gc.ca/th

THE PHILIPPINES

The Embassy of Canada to the Philippines (providing coverage from Manila for: Guam, Marshall Islands, Micronesia, Northern Marianas, and Palau)
RCBC Plaza
6819 Ayala Avenue Level 8, Tower 2
Makati City, Metro Manila
0707
Philippines
Tel: 011-63-2-857-9149
Fax: 011-63-2-843-1080
Email: infocentre-manila@international.gc.ca
Website: www.tradecommissioner.gc.ca/ph
Other URL: philippines.gc.ca

VIETNAM

The Embassy of Canada to Vietnam
31 Hung Vuong Street
Hanoi, Vietnam
Tel: 011-84-4-3734-5000
Fax: 011-84-4-3734-5049
Email: vietnam-infocentre@international.gc.ca
Website: www.tradecommissioner.gc.ca/e-f/vn/index.htm

ASEAN

The ASEAN Secretariat
70A Jl. Sisingamangaraja
Jakarta 12110
Indonesia
Website: www.aseansec.org
Other URL: www.aseansec.org/contact_us

CONTACTS

EDC's Head Office

150 Slater Street
Ottawa ON K1A 1K3
Canada

EDC's International Representatives

You'll find a complete listing of our international offices on our [International Representatives](#) page.

To learn more about EDC's products and services, visit

www.edc.ca/solutions

Ce document est également disponible en français.