

## ANALYSIS &gt;&gt;



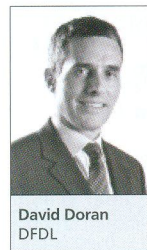
The expansion of Mekong region heavyweights DFDL and Vietnam's YKVN into Singapore may well be long overdue, but does it indicate that the arrival of a truly heavyweight firm from the Mekong Delta is imminent? *ALB* investigates

**W**hen Mekong delta law firms DFDL Mekong and YKVN entered the Singapore legal market earlier this year, few were surprised. Over the last few years Singapore has become South-East Asia's financial heart; the window to the peripheries of the region itself and beyond.

The fact that many of the world's largest companies have sought to conduct their regional operations out of the city-state meant it was only a matter of time until law firms from

increasingly lucrative locales like Vietnam followed the flow of capital. Khai Minh Dang, the newly hired partner responsible for overseeing YKVN's Singapore office, described his firm's decision to open in Singapore as a "natural step", and one which will enable it to better serve not only its Vietnamese clients on their regional work but also those clients who are keen to secure a slice of the impressive growth that is occurring up and down the Mekong delta.

David Doran, DFDL Mekong's founding partner, cites a similar rationale. "Our first objective for setting up in Singapore is to serve our existing Singapore-based clients, which have projects and investments in the greater Mekong region and also South Asia. Another is to be close to the financial centres as the financing of these regional



David Doran  
DFDL

projects are increasingly coming out of Singapore. Also in the areas of renewable energy and infrastructure, the areas we look at, Singapore has the human resources who have expertise in these areas," he said.

But while an office in Singapore has become a 'must have' for firms who wish to call themselves global (there are now over 100 foreign law firms operating in Singapore, a number that is expected to double over the next few years), an office in Singapore has been something that, until now, firms in South-East Asia could get by without.

This is not to say that firms from the region harboured no regional aspirations of their own – take DFDL, for example. The firm has offices in five South-East Asian countries and a geographic footprint that is the envy of many, but a number of factors including paltry intra-ASEAN deal flow had forced them to suppress their international inclinations. But as the attention of investors turns to the



promise of the Mekong region, will these impulses be rekindled?

### ASEAN deal flows on the rise

Among the many factors constraining the regional expansion activities of law firms from South-East Asia was the dearth of intra-regional deal flow. But a coalescence of factors – including the financial crisis, law and regulatory reforms, among others – has catalysed a noticeable increase in cross-border activity across the region. Doran believes that this is most evident in relation to Singaporean companies investing more frequently in renewable projects across the region, and he singles out Laos as perhaps the most active market in this regard.

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DAVID DORAN, DFDL MEKONG

Last year, for example, DFDL along with Thai firms Chandler & Thong-Ek and LS Horizon advised on the financing for Laos's first thermal power project: the Hongsa Thermal Power Plant. The US\$2.7bn package, extended by a syndicate of nine Thai banks, is the Kingdom's largest ever cross-border project financing deal.

"We are seeing Thai companies at the moment and Thai banks particularly being cash-rich and looking to markets outside of Thailand for profits and revenue. There are a lot of Thai companies investing in Laos and Laos energy projects – and they are also investing in Indonesia and parts of South Asia," he said. Activity extends beyond Thailand as well. Doran says that Vietnam, itself home to its fair share of large energy projects, is also making inroads in the renewable sector in addition to hydro-power projects.

YKVN's Dang, on the other hand, predicts that the months ahead will see more Vietnamese companies look to elsewhere in the region for growth and suggests there may be increased

interest in SGX listings.

Dispute resolution is yet another area which lawyers from the Mekong region are expecting to take off, especially with Singapore having cemented its position as the region's hub for international arbitration. Doran said that almost all of the agreements and contracts handled by his team over the past few years have Singapore dispute resolution clauses inserted in them – clear evidence that clients from emerging markets such as Laos and Cambodia look to Singapore as the centre of the region.

### A blueprint for success

The fact that many Mekong region law firms have been slow to expand their

practices beyond their home markets is not only a function of inadequate deal flow. Costs associated with international expansion are another factor. The overheads that accompany opening in Singapore, or elsewhere for that matter, are sometimes prohibitively high for a 40/50-lawyer firm.

Add to this the time it takes for a newly-opened office to start generating profits and the costs become almost impossible to absorb, even for a firm that follows on the coat-tails of one or two anchor clients.

It is arguably for this reason that many law firms in South-East Asia have opted for alliances and tie-ups as a means to state their international ambitions. While this format has proved successful for some, it has proved disastrous for others. For example, Malaysian firm Zaid Ibrahim falls into this category. In late 2007, the firm entered into a strategic alliance with Singapore's largest law firm Allen & Gledhill, only to see it crumble a short 18 months later.

"This alliance creates a premier legal

powerhouse for the Asean region, able to deliver pan-Asean solutions and advice," the firms said at the time.

"Globalisation is reinforcing the trend for competitive alliances in the legal marketplace to better serve increased cross-border trade flow and mergers and acquisitions... this agreement marks the next phase in our regional expansion plans, offering our clients a level of service and regional capability the market has not seen before."

The reality, however, was far from the rhetoric. That the intra-Asean deal flows cited as the impetus behind the alliance never reached the heights the firms were hoping for was, of course, a major reason behind the breakdown of the agreement – but it was far from the only reason.

The others relate to problems inherent in the alliance model, strategic differences, and the adverse impact that such arrangements may have on existing referral agreements. The latter is of critical importance to firms such as DFDL and YKVN, both of whom enjoy lucrative referral relationships with elite international law firms.

The failure of this alliance, and plenty of others, only serves to make going it alone en-route to international expansion more appealing. The question is whether others will follow the path of these leader firms. ALB



Mekong delta