

course, is the British legal system. So, you have some familiarity there and it's not too bad dealing with Korea. But the other countries I think you have to deal with their local laws and that's why I pointed out the laws can be a real issue in some areas and it depends upon your market.

The basic commercial law in Taiwan is based on British law. Japan is on basic British law, they still drive on the other side of the street. This is also true a lot in the PRC because of the early influence of the Brits in trade, and so on, but I threw that out only because they have had some horrendous experiences in the United States, such as unitized tax systems, the matter of the States versus the federal government, etc. They know that when Canada was created, we defined the responsibilities of the provinces and everything else was the federal government whereas the U.S. is the reverse. So, they know that when they're going from one state to another, there are problems.

For instance, I'll give you an example of it - a client of mine out of Singapore got caught on the matter of a sale into a certain state in the United States and the people did not pay. When they went to sue them, they found out they could not sue them in the courts of that state unless they had sold it through a subsidiary set up in the state. This type of thing. So, they have a comfort here knowing that it's a little more along the line they have been used to. There are an awful lot of other things. We don't have the cabotage laws which is another thing they like. Yes, there are a number of reasons why they are interested.

**Question:**

Alec mentioned that the capital return is easier in a partnership type of joint venture rather than corporation. Could you explain this?

**Answer:**

Well, because in a corporation you have procedures set out in the corporations act which require you to wind up, sell off all your assets, distribute those earnings in proportion to your equity position in the company whereas in a partnership situation, you don't have statutory provisions dealing with how you do all that. So, you have greater flexibility in handling it. You don't have to follow formalized procedures and comply with a variety of steps that are set out for the corporations.

**Question:**

If the joint venture was what you might say a one time project, I could understand that, but you seem to have been talking in terms this afternoon as if maybe a lot of these joint ventures have progressed from that stage to being rather a continuing partnership or venture.

**Answer:**

Well, as I said earlier on, there's no uniformity of terminology out there in the world of business. So, you've got some people saying, we're doing a joint venture deal and they've got a partnership, a true partnership. And some people are saying, we're doing a joint venture and it's a pure joint venture and some people saying, we just entered into a joint venture and you look at it and what they did was they incorporated a company and they put money in.

So, the sky's the limit in terms of the structure that you end up with but the common elements that I showed at the beginning seem to apply to all but I don't think there's anything wrong with calling something a joint venture that ends up as a corporation. A joint venture or a partnership for that matter all have the similar common elements but then when you start looking at them in detail, there are a lot of differences. In the world of business everybody's calling their own deal a joint venture and I'm not one of the people that tries to force the way that business is done into legal categories and say, you're wrong in calling it that way. I mean if that's the way that people are calling their deal, then fine, that's what's accepted for general business purposes.

**Second Answer:**

Why a lot of them have chosen that route in Canada is that, of course, the earnings or losses come right through to them for tax purposes so they might have other things to offset them against where in a corporation they could lose them. Secondly, I guess it's part of the flexibility of the partnership versus a corporation which is a more structured one that allows the chemistry to develop a little better and possibly you might go on to a corporation at a later date as one of the reasons. A lot of them quite enjoy the partnership arrangement to begin with.