



# Confronting International Business Risks

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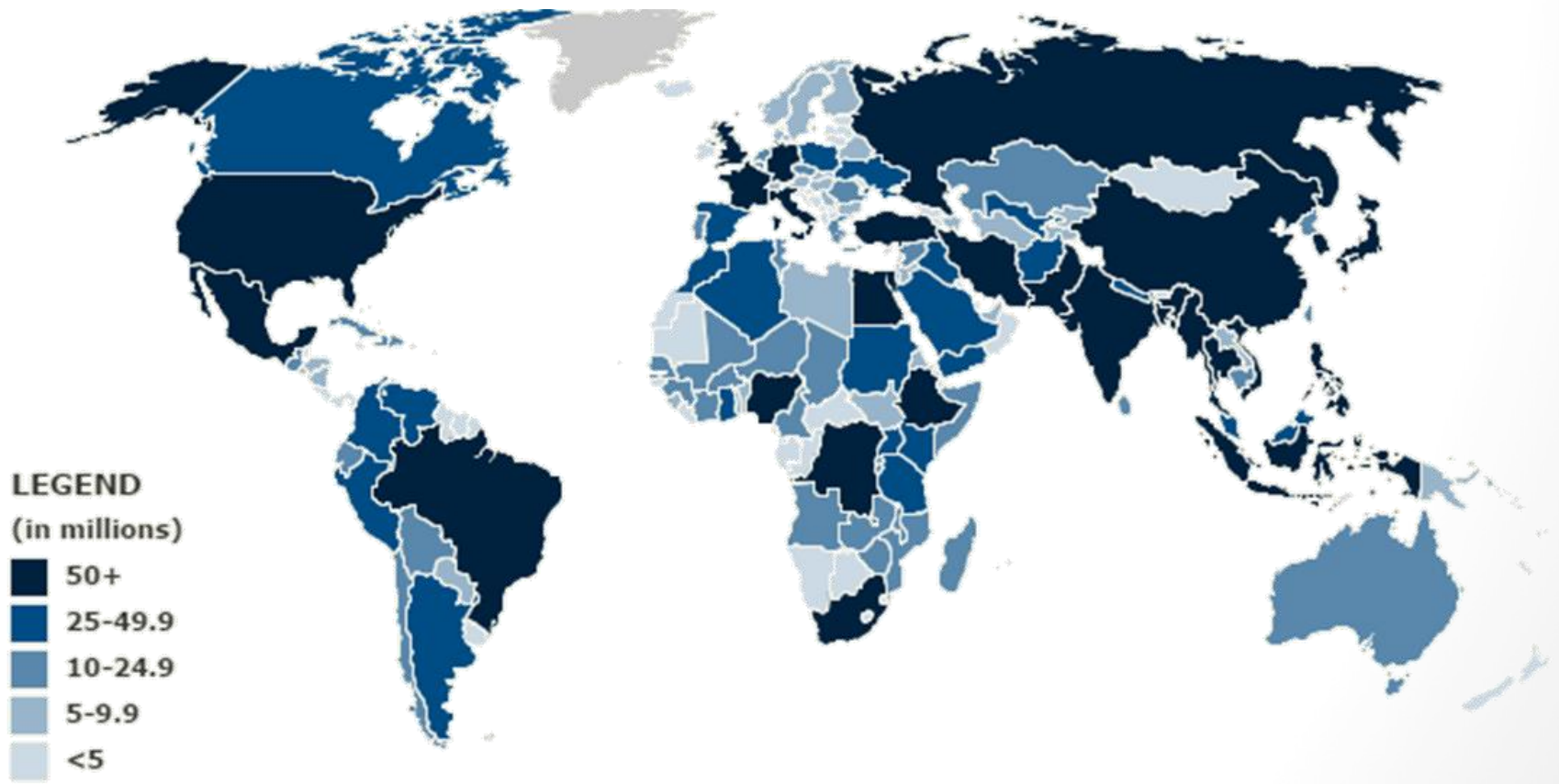


# World of Opportunity

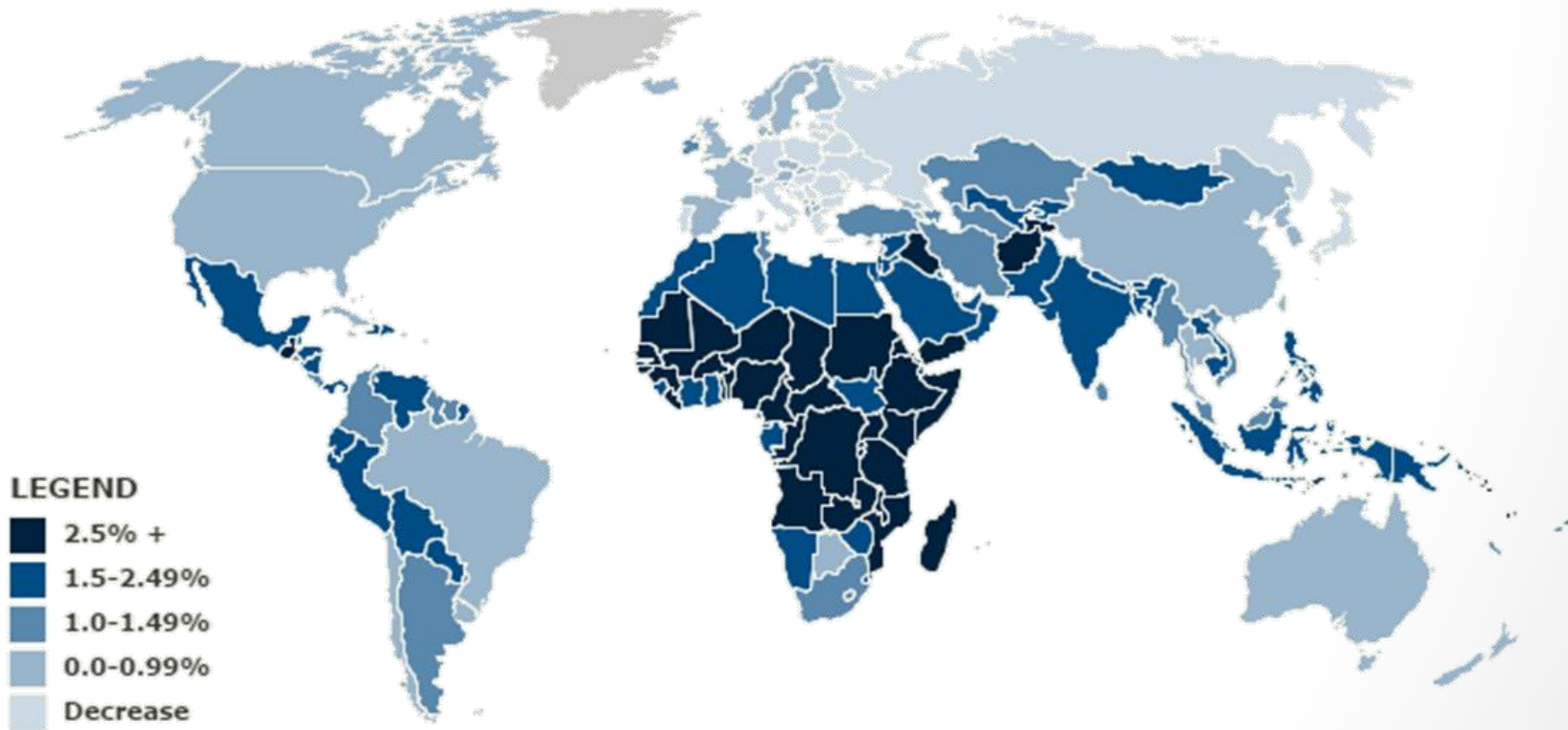
Earth at Night  
More information available at:  
<http://antwrp.gsfc.nasa.gov/apod/ap001127.html>

Astronomy Picture of the Week  
2000 November 20  
<http://antwrp.gsfc.nasa.gov/apod/astro>





# GLOBAL POPULATION - 2013



# ANNUAL RATE OF NATURAL INCREASE





# Lots of global capital (“dry powder”)

	2014 – Q2	2014 – Q1
US Private Equity Investments	\$108 billion	\$136 billion
US Private Equity Fundraising	\$50 billion	\$27 billion
Global Buyout Fund Dry Powder	\$440 billion	\$412 billion

*Reference: Private Equity Growth Capital Council*

# Undeployed capital

- Over \$1 Trillion dollars in global undeployed capital (“dry powder”) as 2Q2014:
  - \$440 billion private equity
  - \$210 billion real estate private equity
  - \$126 billion venture capital
- Global fundraising continues to grow and many vintage funds mature at a time of high multiples.



# Geographic opportunities

- **Asia – Pacific**

- Over \$140 billion in dry powder focus on Asia

- **South America**

- Peru, Chile, Colombia

- **Africa**

- Sub-Saharan

- **Russia**

- Recent flight of capital



# Sector opportunities

- Power generation
- Water resources
- Manufacturing
- Infrastructure
- Public health

*What are the drivers: Growing middle class, age dynamics, abundance of private interests, and ease of business.*



# Responsibilities

## ▪ Responsible to shareholders

- Profitable strategies, values-driven
- Protection of employees and the enterprise

## ▪ Responsible to stakeholders

- Local communities
- Duty of care to health, safety, and welfare of society

## ▪ Responsible to the profession

- Mobility of ethics
- International rules

# International business risks

- For international investments, typical non-spreadsheet or “above-ground business risks” include:

- 1. Counterparty Risk**
- 2. Capital Sourcing**
- 3. Political Risk**
- 4. Adversary Risk**
- 5. Security Risk**

# “Four C’s” for risk consideration

- When opportunity comes knocking, consider the 4 C’s of business risk for international engagements:

**1. Country**

**2. Client**

**3. Counterparties**

**4. Compliance environment**



# Country risks

- **Politics and culture**
  - Framework of business environment
  - Elections and geopolitics
- **Legal and judicial system**
  - Contract enforcement
- **Banking and financial system**
  - Flow money and capital
- **Customs, trade, and local content laws**
  - Asset control
- **Population, education, and public health**
  - Operating environment
- **Security**





ANDALUS

OROBPA

QOQZAZ

KHURASAN

ANATHOL

KORDISTAN

SHAM

IRAQ

MAGHREB

HIJAZ

THE LAND OF  
HABASHA

YAMAN

THE LAND OF  
ALKINANA



# Client risks

- **Local presence**

- Are they new to country as well?
- How are they embedded in the country?

- **Knowledge of industry**

- Do they know what they are doing?

- **Capital risks**

- Do they have the capital financing to fund operations?
- What's their exit strategy?

- **Reputational risk**

- Do their values and reputations align with your firm's vision?



# Counterparty risks

- **Local partners**

- Do they have good reputations?
- Do they have operational and financial resources?
- Do they have industry knowledge?
- Any elected officials or politically-exposed parties?

- **Local “direct” competitors**

- How aggressive are the competitors?
- Who are their partners?

- **“Indirect” competitors**

- Is the project or client the subject of political or activist attention?
- How is the community responding to the project?
- Any government or “influencer” threats?





# Compliance risks

## ▪ US regulation

- Foreign Corrupt Practices Act (**FCPA**)
- Anti-Money Laundering (**AML**)
- Office on Foreign Asset Control (**OFAC**) sanctions
- Committee on Foreign Investment in the US (**CFIUS**)
- Trade sanctions and taxes

## ▪ Local regulation

- Local content
- Customs and trade
- Business and professional registration
- Protection of intellectual property

## ▪ Insurance

- Professional liability





# Risk management

- Know where you're going
- Know your client (**KYC**)
- Know your partners (**KYP**)
- Know the rules of the game
  - Local business and professional rules
  - Know insurance coverage
  - Know professional responsibilities

# Confronting international business risks

- Be informed – *trust but verify*
- Engage legal counsel – *seek counsel*
- Be professional – *do the right thing*
- Develop and implement controls – *be prepared*



“I've learned that people will forget what you said, people will forget what you did, but ***people will never forget how you made them feel.***”





# Thank you

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