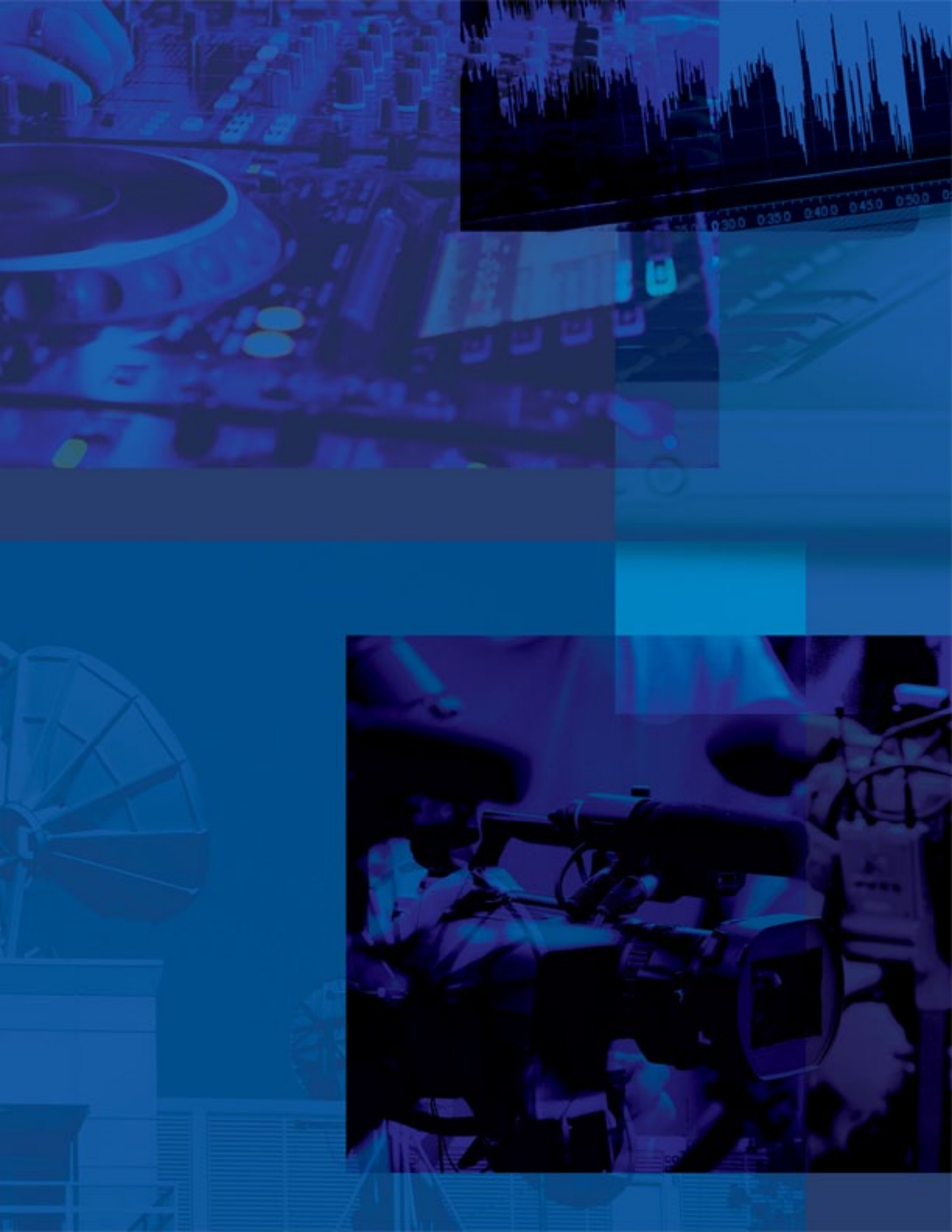


2016 | THE IMPACT
OF INTERNET
REGULATION
ON INVESTMENT



FIFTH ERA

Advise, Develop, Invest



2016

THE IMPACT
OF INTERNET
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ON INVESTMENT

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January 2016

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FIFTH ERA

Advise, Develop, Invest

Fifth Era is an advisory and investment firm based in the San Francisco Bay Area, USA. Working with the founders, executive teams and boards of our advisory clients we develop compelling strategies with an emphasize on executable plans – not lofty concepts that an organization can not make happen. Visit fifthera.com to learn more about Fifth Era.



This report was independently researched and written by Fifth Era and commissioned and financed by Google.

DESIGN

3x3 DESIGN | SAN FRANCISCO

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EXECUTIVE SUMMARY

THE DIGITAL ECONOMY IS DRIVING INNOVATION AND GROWTH AROUND THE WORLD. AS NEW TECHNOLOGIES, BUSINESS MODELS AND COMPANIES ARE EMERGING THEY ARE FUNDAMENTALLY ALTERING THE BUSINESS LANDSCAPE AND THE WAYS THAT TRADITIONAL INDUSTRIES OPERATE. WHILE THIS IS DRIVING GDP AND JOB GROWTH IN MOST COUNTRIES, IT ALSO PROVIDES NEW CHALLENGES TO LAWMAKERS. THE REGULATORY LANDSCAPE HAS BEEN EVOLVING RAPIDLY AS THE INTERNET CONTINUES TO EXPAND INTO ALL AREAS OF BUSINESS AND PERSONAL LIFE, AND AS LAWMAKERS RESPOND TO THE ISSUES AND CONCERNS THAT ARE BROUGHT TO THEM. WHILE NEW REGULATIONS CAN POTENTIALLY BOOST GROWTH, THEY ALSO RAISE THE REAL RISK OF NEGATIVELY IMPACTING THE INVESTMENT ENVIRONMENT AND THE SUCCESS OF INTERNET COMPANIES AND THE GROWTH THEY REPRESENT. LAWMAKERS ARE CONSIDERING NEW REGULATIONS IN AREAS INCLUDING 1) COPYRIGHT AND INTELLECTUAL PROPERTY, 2) INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP, 3) PRIVACY AND SECURITY, AND 4) MOBILE INFRASTRUCTURE AND SERVICES. IN ORDER TO ENSURE THAT THE VIEWS OF INTERNET INVESTORS ARE INCORPORATED INTO THE THINKING OF LAWMAKERS, FIFTH ERA HAS CONDUCTED SURVEYS IN 2011, 2014 AND 2016 TO DETERMINE THE IMPACT THAT POTENTIAL INTERNET REGULATIONS MAY HAVE ON THEIR INVESTING ACTIVITIES.

For this year's report we wanted to understand the differences that might exist between investors in countries with a strongly developed Internet economy and those which are still developing their Internet economies. In addition, we wanted to understand how capital availability might be impacted among the investors residing in each country, as well as those major sources of Foreign Direct Investment (FDI) that flow into each country. We decided to sample countries in every category so that we could assess how potential Internet regulations and government policies might negatively or positively impact capital investment into Internet companies. The thirteen countries (Australia, India, Indonesia, Israel, Japan, Korea, Nigeria, Saudi Arabia, South Africa, Thailand, Turkey, UAE and Vietnam) surveyed in Asia, Africa and the Middle East represent a spectrum of more to less developed Internet economies. The UK and USA were chosen as leading examples of countries that provide FDI to the thirteen economies.

This year we applied the same criteria in each market regarding who was allowed to take the survey. First they needed to declare that they were Internet investors. Secondly, they needed to have a net worth excluding their primary residence of USD \$1 million or annual income of USD \$200,000. We then worked with leading panel companies in each of the fifteen countries to ensure that the survey yielded statistically relevant samples of the country specific sophisticated investors. In total, 475 Internet investors completed the survey and were verified respondents.

As shown in the detailed findings of this report, the sentiment of investors is very consistent across these various categories of economies surveyed. Investors are chilled by regulatory ambiguity and would reduce their capital investment if countries introduce Internet regulations that reduce their investment viability or return. Investors are concerned by some potential regulations in areas including: 1) Copyright and Intellectual Property, 2) Intermediary Liability and Censorship, 3) Privacy and Security, and 4) Mobile Infrastructure and Services, and would prefer countries that focus on creating supportive economic, regulatory and investment environments which consider investor sentiment.

THE INTERNET: A KEY DRIVER OF GLOBAL GROWTH

Since its creation as a resource for a handful of scientists, the internet has grown to become an essential instrument for over 3 billion users worldwide. Today, most industry sectors have been substantially transformed by this rapid and unprecedented expansion; music, video, software, news, books, and even money markets have been reshaped. Human interactions have taken on a new nature as individuals use the internet to gather information and educate themselves, go about their work, network socially and entertain themselves and others. These changes are present and relevant in every region of the world, making the Internet a truly global, and increasingly influential, phenomenon. While the process of change generated by the growth of the internet and the emergence of new technologies has been swift and sweeping, it is not complete; substantial benefits are still to be captured. The Internet is enabling substantial growth in the economies of most countries and is driving GDP growth and job creation. The internet is also seen as perhaps the most important driver to future increases in these factors.

IN-COUNTRY INVESTORS IMPORTANT FOR LOCAL INTERNET BUSINESSES

Internet businesses require capital to fuel their growth, and that capital comes both from local in-country investors, as well as from international investors in the form of FDI. Most countries around the world are putting more emphasis on encouraging local in-country investors to invest in local technology businesses including Internet businesses. However, few emerging countries have used policy to its fullest effect, and many are considering regulatory changes that might put off, rather than encourage, such investment.

FDI A SIGNIFICANT SOURCE OF CAPITAL

Foreign direct investment (FDI) is one of the most important drivers of economic growth and globalization in both developed and emerging economies. It provides a source of capital, new technologies, and management skills to host countries, progressing economic development and innovation. FDI is deemed the most stable form of cross border investment as unlike short-term debt, it has proven to be resilient with time, outlasting financial crises and social conflicts. FDI inflows and outflows have been increasing dramatically since the early 2000's but only recently has FDI into developing economies taken off, accounting for over half of all FDI inflows according to UNCTAD. FDI is very sensitive to government policies and regulations. Global FDI levels were projected to increase through 2014, although they did quite the contrary, decreasing by over fifteen percent. In their 2015 World Investment Report, the United Nations stated that this decrease was heavily influenced by policy uncertainty for investors.

INVESTORS SAY THE LEGAL ENVIRONMENT CAN BE VERY NEGATIVE TO THEIR INVESTING ACTIVITIES

In the Fifth Era surveys conducted in 2014 and 2011 an important finding was that investors across all countries view the legal environment as very negative for their investing activities. In 2016 we see this same finding across all countries surveyed and among both in-market and FDI investors.

- + Globally investors view the legal environment as having the most negative impact on their investing activities with **89%** of the investors surveyed saying it had a modest or strongly negative impact.



This central theme, that investors are very sensitive to legal change and are keeping a close eye on potential regulatory change as it may impact their investments in Internet businesses has been identified by other researchers working on approaches for stimulating emerging market economies. The 2014 World Investment Report summarizes this concern well:

- + "Policymakers need to find the right balance between creating a climate conducive to investment and removing barriers to investment on the one hand, and protecting public interests through regulation on the other. They need to find mechanisms to provide sufficiently attractive returns to private investors while guaranteeing accessibility and affordability of services for all (World Investment Report 2014, xi)."

INVESTORS DO NOT LIKE REGULATORY AMBIGUITY

In every country surveyed, a large majority of investors say that they are uncomfortable investing in business models in which the regulatory framework is ambiguous.

- + **75%** of worldwide investors surveyed held this view. This finding is replicated in our prior surveys in 2014 and 2011 where investors stated that they find regulatory ambiguity of significant concern and say that where it exists it will chill their investment appetites.



Uncertainty is always of concern when investing in businesses, but in the specific case of Internet related businesses models, investors are concerned that the fundamental viability of the business may be undermined by potential new legislation, and the current legal environment makes it hard to assess the future prospects of an investment in many cases. This concern over regulatory ambiguity makes many investors unwilling to invest in Internet businesses and in some countries where future regulatory conditions may worsen from the investor's perspective.

INVESTORS MAINLY CONCERNED ABOUT THE POTENTIAL INTERNET REGULATIONS IN THE FOLLOWING AREAS

When asked to respond to areas of specific regulatory concern, investors are most concerned about the following potential areas of Internet regulation:

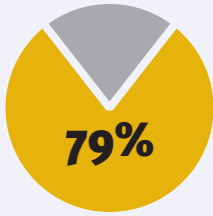
- Security/Surveillance:** **81%** of investors would not invest in Internet businesses if government agencies could confiscate properties without court orders.



- Taxation:** **80%** of investors are concerned that countries may apply tax rules that make them subject to double taxation

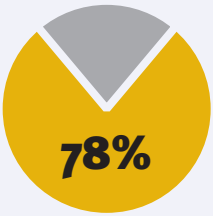


Freedom of Expression: 79% of investors are uncomfortable investing in countries where freedom of expression is restricted or highly regulated



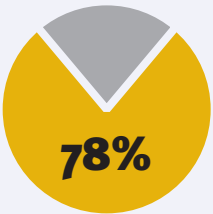
AGREE OR STRONGLY AGREE

Amount of Damages Uncertain: 78% of investors would not invest in Internet business models in which the amount of damages (in the event of liability) is uncertain or not tiered or staged in relation to the various levels of violation



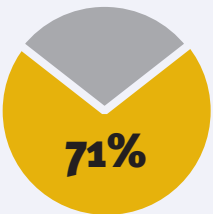
AGREE OR STRONGLY AGREE

User Data Provided to Law Enforcement: 78% of investors would be deterred from investing in Internet businesses if user data can be disclosed to law enforcement without following international baseline standards



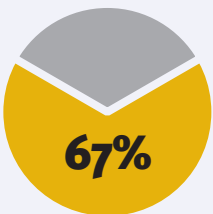
AGREE OR STRONGLY AGREE

Third Party Liability: 71% of investors are uncomfortable investing in internet businesses where the intermediaries could be held liable for third party content or actions.



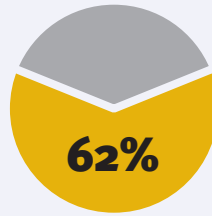
AGREE OR STRONGLY AGREE

Storing Data In-Country: 67% of investors are uncomfortable investing in internet businesses that are legally obligated to store user data on servers located in the same country where users are located and/or build their own data centers locally in each country of operations. This concern is most prevalent in countries that have investigated data localization such as India (81%) and Indonesia (82%).



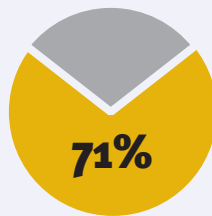
AGREE OR STRONGLY AGREE

Site Blocking: 62% of investors are uncomfortable investing in digital content intermediary businesses (online platforms allowing uploads of user generated content including music and video) that would be required by law to run a technological filter on user-uploaded content.



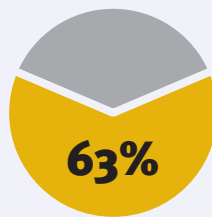
AGREE OR STRONGLY AGREE

Removal of Content: 71% of investors are uncomfortable investing in internet businesses that would be obligated to remove content upon receiving a request from an organization, private or government entity, without a court order.



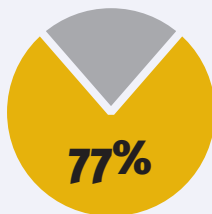
AGREE OR STRONGLY AGREE

Traditional Telecom Regulations: 63% of investors are uncomfortable investing in internet/mobile businesses where regulators are applying traditional telecom regulations to new mobile and OTT services



AGREE OR STRONGLY AGREE

Reducing Mobile Regulations: 77% of investors say that if a country adopts policies aimed at reducing regulations for the mobile apps ecosystem, this would increase their interest in investment in internet businesses in that country.



AGREE OR STRONGLY AGREE

More generally, investors say that they would reduce their capital investment in countries that introduce new Internet regulations that may limit the ability of Internet businesses to be attractive investment candidates. As a result, government lawmakers should engage investors in their decision making early to ensure that regulations are not introduced without a full understanding of the potential adverse consequences to investment activity.

The full list of potential regulations and how investors respond to them (positively and negatively) can be found in Chapters 6, 7 and 8 including the specific responses by the investors in each of the 15 surveyed countries since in some cases specific countries hold views that differ from the worldwide sentiment.

INVESTORS WOULD LIKE GOVERNMENTS TO FOCUS ON SPECIFIC COUNTRY POLICY ACTIONS

While Internet investors (in-market and FDI) are concerned about potential Internet regulations, they do favor government policy actions aimed at making the local Internet sector more robust and attractive to investment. In all fifteen countries surveyed, Internet investors view potential areas of government policy such as investments in internet and mobile infrastructure, liberalization of mobile payments, providing access to spectrum and backhaul, promoting open data use and ensuring freedom of expression would significantly increase their interest in investing their capital in Internet businesses in their own countries. Again, this is echoed by the international investors we spoke to who share the in-country investor sentiments and say they would invest more overseas if these types of actions are taken by local governments.

The following is the full listing of policy actions and the way that investors would respond – though significant variations exist by country.

1. The government is open minded about new business models (e.g. sharing economy) – **66%**
2. The government invests in in education and digital skills boosting (e.g. literacy, high tech) – **66%**
3. The government protects freedom of expression on the Internet – **65%**
4. The government invests/enables investing in the Internet and mobile infrastructure – **65%**
5. The government activates policies aimed at reducing taxes and fees for end Internet and mobile users – **64%**
6. The government promotes open data use – **62%**
7. The government facilitates policies enabling access to spectrum and backhaul – **57%**
8. The government adopts policies aimed at liberalizing mobile payments – **57%**
9. The government releases transparent regulatory roadmaps and holds public consultations on all new legislative proposals on Internet/mobile regulation – **57%**

CONCLUSION

While the precise ranking of issues varies across countries, the overall sentiment is clear. Investors are chilled by regulatory ambiguity and would reduce their capital investment if countries introduce Internet regulations that reduce their investment viability or return. Investors are concerned by some potential regulations in areas including: 1) Copyright and Intellectual Property, 2) Intermediary Liability and Censorship, 3) Privacy and Security, and 4) Mobile Infrastructure and Services, and would prefer countries that focus on creating supportive economic, regulatory and investment environments which consider investor sentiment. Investors see some areas of government policy as particularly positive in stimulating investment activity.

Governments that engage Internet investors in their law making and introduce government policies aimed at stimulating investment should see significant positive results in terms of increased capital investment, GDP growth and job creation.

THE WORLD RELIES
UPON THE INTERNET,
WHICH IS INCREASINGLY BECOMING

MOBILE AND SOCIAL

→ More than **3 BILLION** use the Internet

→ **MOBILE** penetration is over **90%**

→ **SOCIAL** penetration is over **40%**

IN EMERGING MARKETS IN

ASIA, THE MIDDLE EAST, AND AFRICA

NEW TECHNOLOGIES ARE ALLOWING
COUNTRIES TO LEAPFROG OVER
EXISTING BUSINESS APPROACHES FUELED
BY CAPITAL FROM INTERNET INVESTORS

FIFTH ERA'S 2016 STUDY SURVEYED
475 INVESTORS WORLDWIDE
TO SEE HOW POTENTIAL
INTERNET REGULATIONS MIGHT

→ Local in-market investors
including Angels, VC's,
Hedge Funds and public
market investors

→ Foreign Direct Investment
(FDI) from overseas
investors interested
in the country and the
Internet sector

→ However, investors
are very sensitive to
regulatory changes that
might reduce their returns

IMPACT THEIR INVESTING

→ **15 COUNTRIES** (Australia, India, Indonesia, Israel, Japan, Korea, Nigeria, Saudi Arabia, South Africa, Thailand, Turkey, UAE and Vietnam with the UK and US added to provide perspective on overseas investors plus additional markets surveyed in 2014)

→ These countries represent **57% OF WORLD GDP**

→ These countries represent **40% OF THE WORLD POPULATION**

FIFTH ERA FOUND THAT

→ **89% OF INVESTORS** view the legal environment as having the most negative impact on their investing activities

→ **75% OF WORLDWIDE INVESTORS** surveyed said they are uncomfortable investing in business models in which the regulatory framework is ambiguous.

→ Investors said that **REGULATIONS WOULD BE HIGHLY LIKELY** to reduce their interest in investing in Internet businesses.

Including regulations concerning:

- + Copyright and Intellectual Property
- + Intermediary Liability Protection and Censorship
- + Privacy and Security
- + Mobile Infrastructure and Services

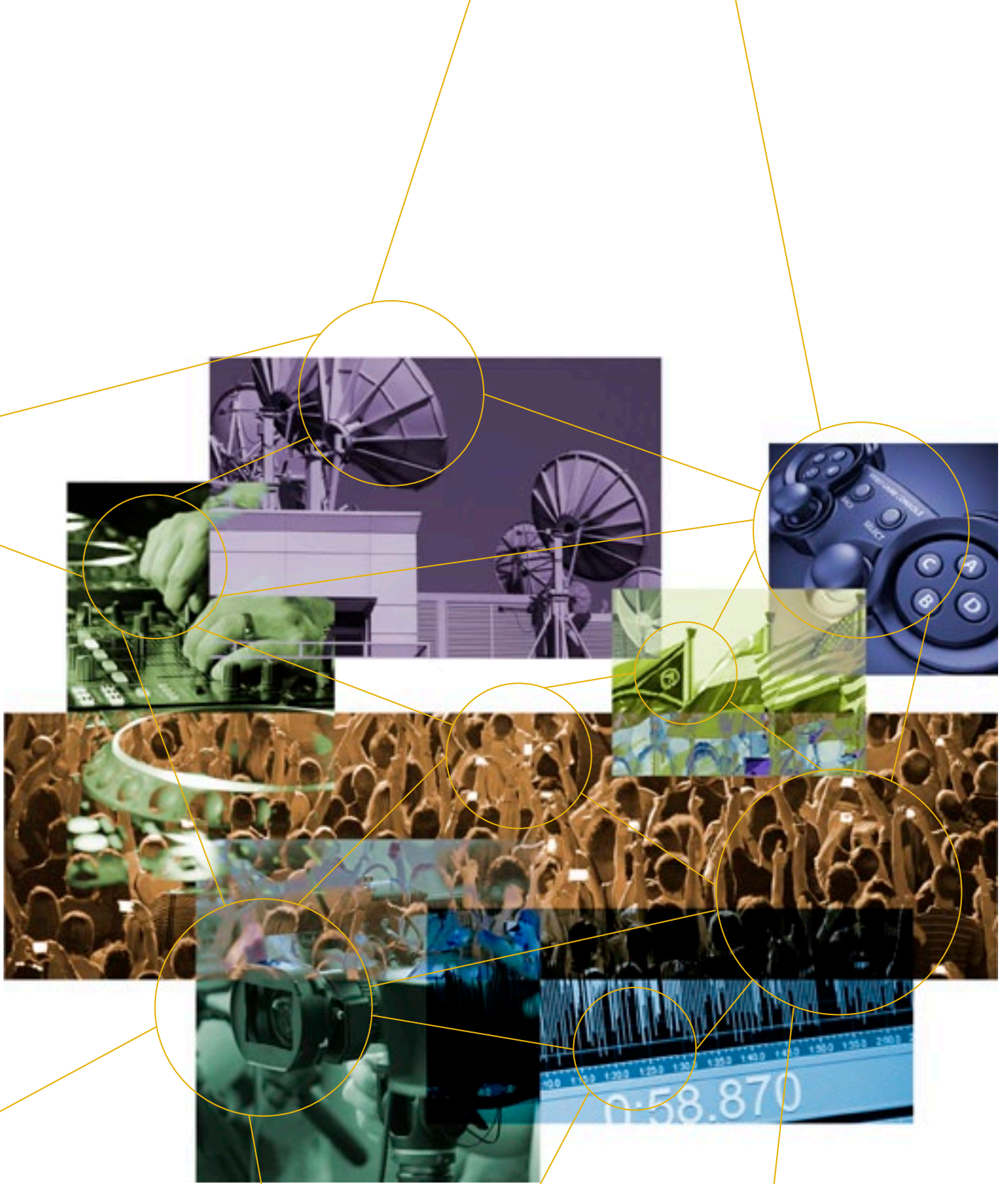
→ Conversely, investors view potential areas of government policy **WOULD SIGNIFICANTLY INCREASE** their interest in investing.

Including policies around:

- + Investments in internet and mobile infrastructure
- + Liberalization of mobile payments
- + Providing access to spectrum and backhaul
- + Promoting open data use
- + Ensuring freedom of expression

AS A RESULT

ON THE ONE HAND THERE IS A SIGNIFICANT RISK THAT POTENTIAL INTERNET REGULATIONS MIGHT CURTAIL OR CUT OFF CAPITAL FROM THE INTERNET COMPANIES THAT ARE DRIVING GLOBAL INNOVATION, GDP GROWTH AND NEW JOB FORMATION. ON THE OTHER HAND, GOVERNMENTS HAVE POWERFUL OPPORTUNITIES TO DIRECT THEIR ATTENTION TO POLICIES THAT WOULD BE EXPECTED TO GREATLY INCREASE BOTH IN-MARKET AND FOREIGN DIRECT INVESTMENT CAPITAL TO THEIR INTERNET SECTORS.



INTRODUCTION

THIS 2016 REPORT BUILDS UPON THE 2014 FIFTH ERA REPORT ON *THE IMPACT OF INTERNET REGULATION ON INVESTMENT* IN THREE WAYS. FIRST, WE EXPAND THE COUNTRY FOCUS TO INCLUDE EMERGING MARKETS. SPECIFICALLY, WE INCLUDE MORE COUNTRIES IN ASIA, AFRICA AND THE MIDDLE EAST, WHILE CONTINUING TO SURVEY INVESTORS IN THE UK AND US GIVEN THEIR IMPORTANCE AS SOURCES OF CAPITAL (WE DO NOT REPEAT SURVEY OTHER EU COUNTRIES THIS YEAR BUT HOPE TO AGAIN IN THE FUTURE). SECONDLY, WE EXPAND THE POTENTIAL REGULATORY TOPICS TO INCLUDE NEW AND EMERGING ISSUES THAT HAVE ARISEN OVER THE LAST YEAR SINCE WE INVESTIGATED THIS FIELD IN 2014. THIRDLY, WE PUT PARTICULAR EMPHASIS ON UNDERSTANDING HOW FOREIGN INVESTORS MIGHT REACT TO REGULATORY CHANGES IN LOCAL MARKETS SINCE IN MANY PARTS OF THE EMERGING WORLD, THE FOREIGN INVESTORS, AND THE FOREIGN DIRECT INVESTMENT (FDI) THAT THEY BRING, ARE THE MOST IMPORTANT SOURCES OF CAPITAL FOR LOCAL INTERNET BUSINESSES.

We focus on this field for the same reasons that we did in 2014 and 2011. To restate our introduction from last year's report:

Less than three decades ago few would have been able to imagine just how different the world would be today. Three decades ago, we were largely unconnected from one another; it took time to create, share or find data and content, and we relied upon physical means to do so. companies and industries relied upon approaches to innovate, manufacture, market and distribute their products that had in some cases gone unchanged for many decades. information was to be found in libraries, archives and desk drawers - if you knew where to look. In just twenty years, all of that has changed. Today we are connected, information is broadly available and easy to find, innovation is quick and iterative, and innovators are able to access the latest technologies and tools wherever they are across the globe. Today, most companies conduct their businesses in fundamentally different ways, providing cheaper, better and faster products to their customers. And this is only the beginning, as new technologies continue to emerge and build upon the foundations laid out with the creation of the internet just three decades ago. Given this rapid pace of change, regulations can have a hard time keeping up with the state of innovation. For regulators, It can be hard to foresee the unintended beneficial or adverse consequences of their decisions regarding which regulations to change or introduce, and yet inaction can also have negative impacts on innovation, particularly in the technology sector.

For this year's report we wanted to understand the fundamental differences that might exist between investors in countries with a strongly developed Internet economy and those which are still developing their Internet economies. In addition, we wanted to understand how capital availability might be impacted among the investors residing in each country, as well as those major sources of FDI that flow into each country. We determined to sample examples of countries in every category so that we could assess how potential Internet regulations and government policies might negatively or positively impact capital investment into Internet companies. The thirteen countries surveyed in Asia, Africa and the Middle East represent a spectrum of more to less developed Internet economies. The UK and USA were chosen as leading examples of countries that provide FDI to the thirteen economies. As shown in the detailed findings of this report, the sentiment of investors is very consistent across these various categories of economies surveyed.

In 2016 we have surveyed Internet investors in 15 countries around the world with a particular focus on emerging markets. The countries that we surveyed this year are:

Africa: Nigeria, South Africa

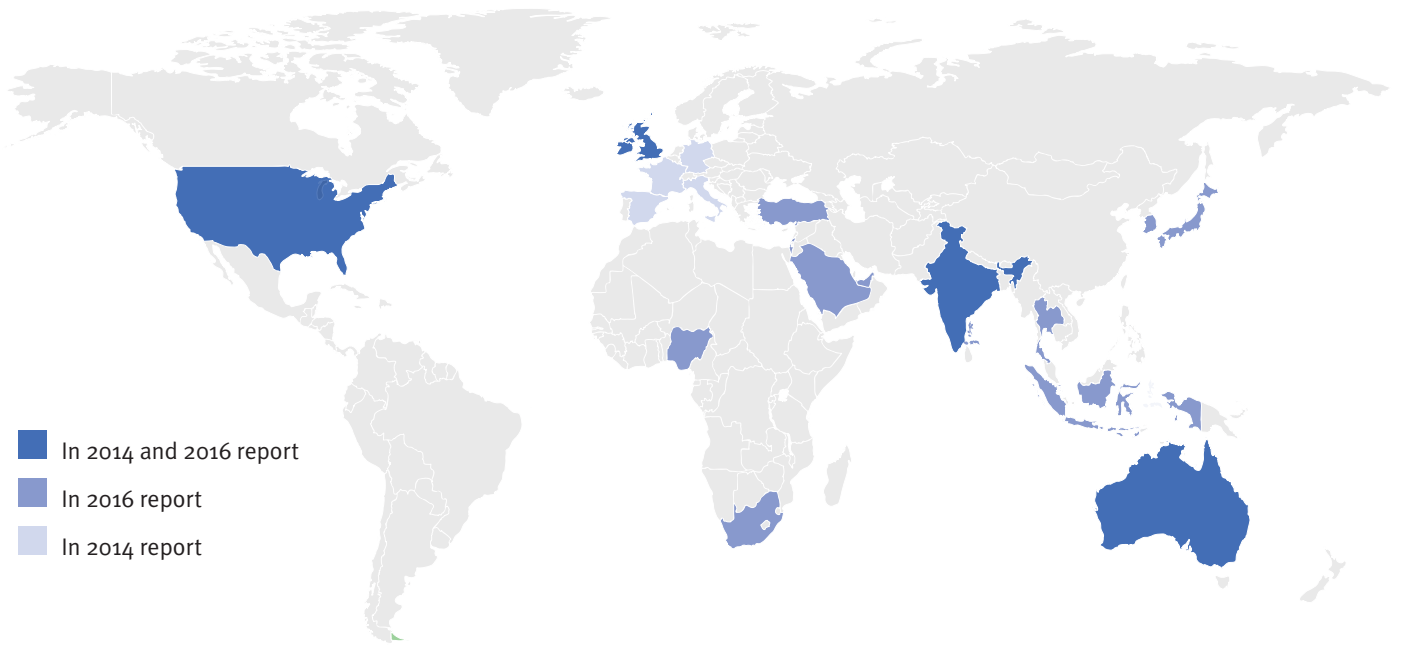
APAC: Australia, India, Indonesia, Japan, Korea, Thailand, Vietnam

Europe: UK

Middle East: Israel, Saudi Arabia, Turkey, UAE

North America: USA

In each country, we fielded the same survey ensuring that we had consistency across countries and to ensure that we were able to collect quantitative data on relevant regulatory issues which are high on the global, as well as the local, agenda. In total more than 475 Internet investors participated in the 2016 survey.



The findings of Fifth Era’s 2016 study of the “Impact of Internet Regulations on Internet Investment” are presented in this document. As in 2014, we believe that they provide perhaps the broadest quantification of how such regulations might affect investor sentiment in the 15 countries surveyed, and, as such, we hope that this contribution will be beneficial to policy and law makers confronted by the complex and challenging task of establishing the rules by which the future of human endeavor will be played.

WHEN COMBINED WITH THE COUNTRIES SURVEYED IN 2014 THESE COUNTRIES REPRESENT 57% OF THE WORLD’S GDP AND 40% OF THE WORLD’S POPULATION.

1

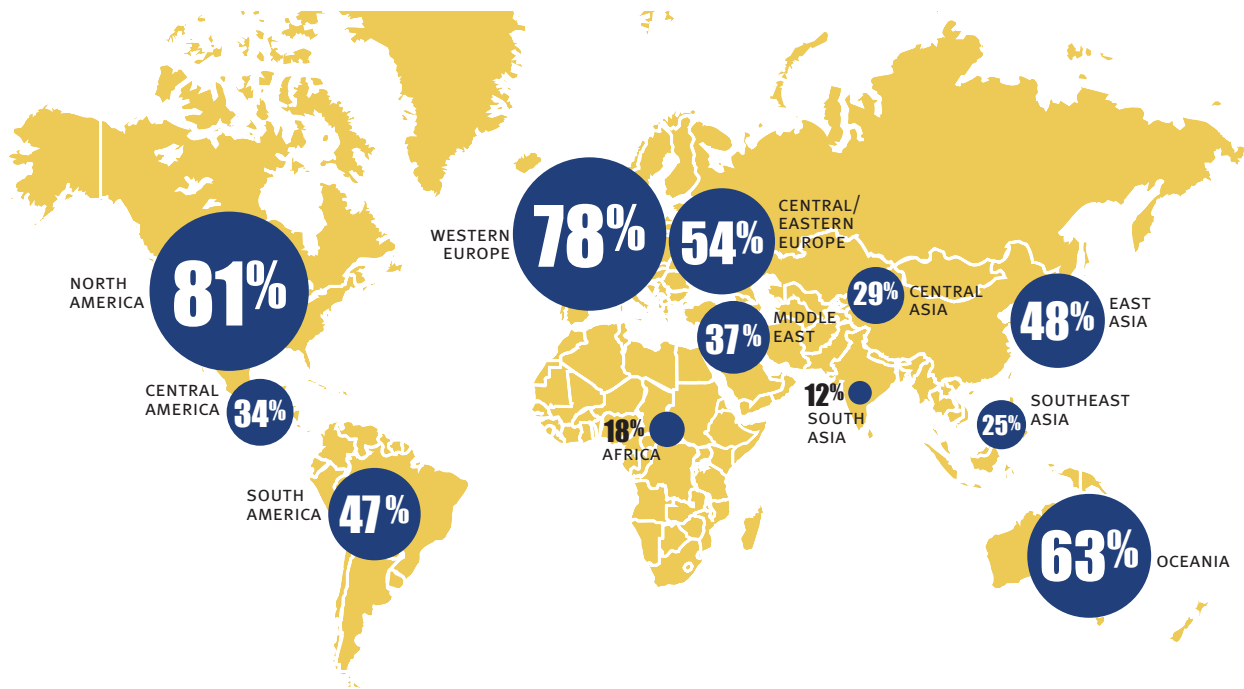
THE INTERNET'S CONTRIBUTION TO GLOBAL GROWTH

FIRST PUBLISHED IN 2014

SINCE ITS CREATION AS A RESOURCE FOR A HANDFUL OF SCIENTISTS, THE INTERNET HAS GROWN TO BECOME AN ESSENTIAL INSTRUMENT FOR OVER 3 BILLION USERS WORLDWIDE. TODAY, MOST INDUSTRY SECTORS HAVE BEEN SUBSTANTIALLY TRANSFORMED BY THIS RAPID AND UNPRECEDENTED EXPANSION; MUSIC, VIDEO, SOFTWARE, NEWS, BOOKS, AND EVEN MONEY MARKETS HAVE BEEN RESHAPED. HUMAN INTERACTIONS HAVE TAKEN ON A NEW NATURE AS INDIVIDUALS USE THE INTERNET TO GATHER INFORMATION AND EDUCATE THEMSELVES, GO ABOUT THEIR WORK, NETWORK SOCIALLY AND ENTERTAIN THEMSELVES AND OTHERS. THESE CHANGES ARE PRESENT AND RELEVANT IN EVERY REGION OF THE WORLD, MAKING THE INTERNET A TRULY GLOBAL, AND INCREASINGLY INFLUENTIAL, PHENOMENON (SEE EXHIBIT 2). WHILE THE PROCESS OF CHANGE GENERATED BY THE GROWTH OF THE INTERNET AND THE EMERGENCE OF NEW TECHNOLOGIES HAS BEEN SWIFT AND SWEEPING, IT IS NOT COMPLETE; SUBSTANTIAL BENEFITS ARE STILL TO BE CAPTURED.

2 INTERNET PENETRATION BY REGION

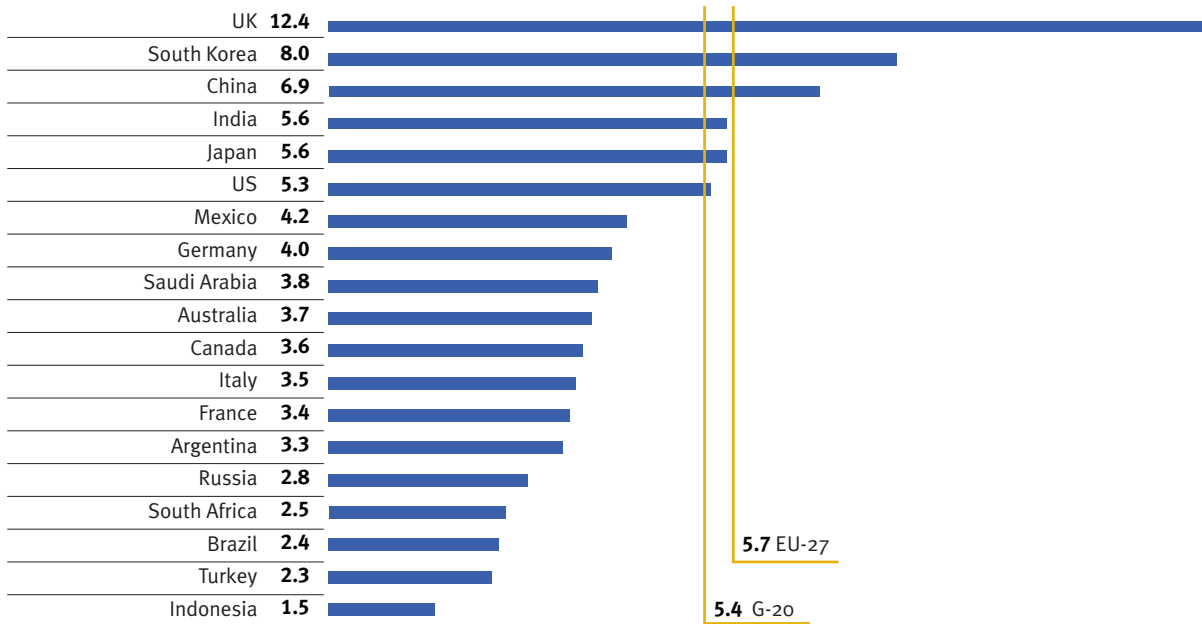
2014



Sources: US Census Bureau, InternetWorldStats, CNNIC, Tencent, Facebook, ITU, CIA

The Internet creates a tremendous amount of value for the economy globally, substantially impacting GDP in most countries (see Exhibit 3).

3 INTERNET ECONOMY AS A PERCENTAGE OF 2016 GDP



Sources: BCG Analysis; Economist Intelligence Unit; Organization for Economic Co-operation and Development (OECD)

In fact, the Internet contributes more to GDP than education and agriculture, two industries that are often highlighted in political and decision-making agendas (see Exhibit 4)

4 CONTRIBUTION OF SELECTED SECTORS TO GDP

2009



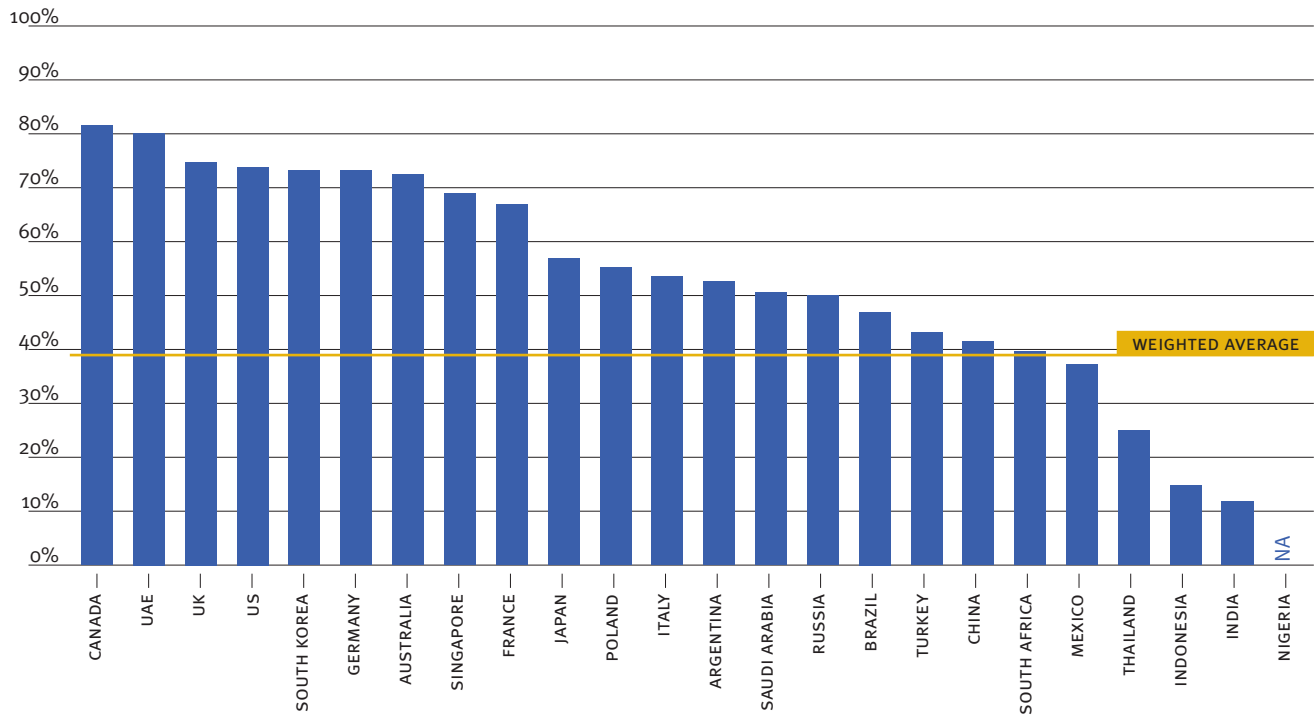
Note: Figures represent the following 13 countries that account for 70 percent of global GDP: Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, South Korea, Sweden, the United Kingdom, and the United States.

Source: Organization for Economic Co-operation and Development (OECD)

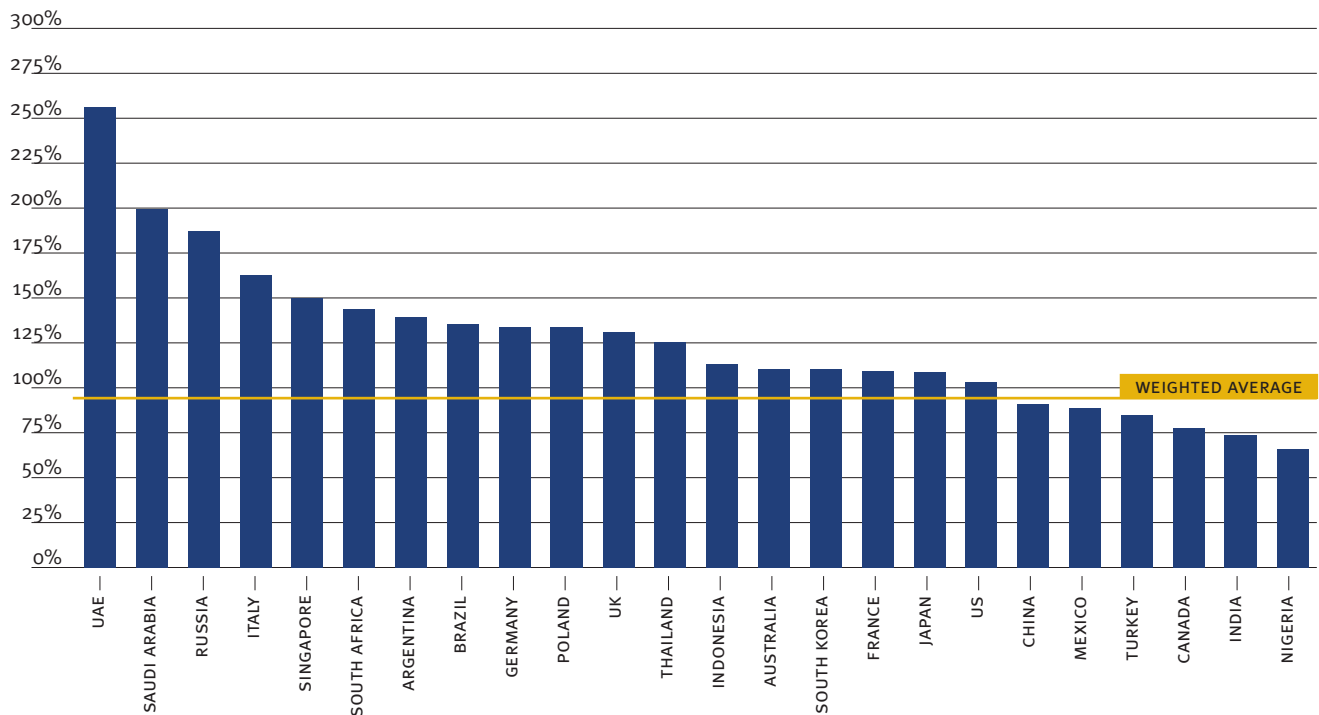
Fast-emerging technologies are expected to drive Internet growth into the future; cloud services and mobile Internet, in particular, enable ‘everything/everywhere’ data access and pave the way for new services and applications. The proliferation of 4G and new higher speed technologies are especially important as they enable this data access and support social networking (see Exhibit 5), the cloud and mobility; the proportion of the global population covered by a mobile service of at least 3G standard rose from 12% in 2008 to 22% in 2012; 3G is active in

181 countries, and 4G in 63 countries resulting in substantial increases in the penetration of the world’s population by mobile devices (see Exhibit 6). In the midst of all this growth, investment in technology companies that leverage breakthroughs and innovation will become paramount to supporting momentum, and the jobs and innovation that result from Internet growth. As the Internet continues to evolve, and its influence increases, further capital investment will be needed to support growth.

5 SOCIAL PENETRATION BY COUNTRY – JAN 2014



Sources: US Census Bureau, InternetWorldStats, CNNIC, Tencent, Facebook, ITU, CIA, Global Web Index



Sources: US Census Bureau, InternetWorldStats, CNNIC, Tencent, Facebook, ITU, CIA, Global Web Index

At its outset, the Internet did not attract much attention from policy-makers and regulatory bodies. Its technological complexity and the unprecedented speed of development made it difficult to monitor and manage, and regulators wisely decided to watch and understand before taking regulatory action. But as the Internet continues to permeate markets and transform human experience, the question of regulation is pushed to the forefront; looking forward, continued Internet growth and impact which depend upon ongoing capital investment are likely to be greatly affected by changing regulatory decisions with unknown consequences.

Policies and regulation become particularly important at the intersection of the Internet and early-stage capital investment. The continued growth of the Internet requires new companies to emerge and fuel the innovation process. These companies rely on early-stage capital, largely from private markets, to survive. Angel investors and VC firms are tremendously important as risk-takers and advisers who can provide the money and support needed to help these small businesses thrive. But early stage investment capital is fragile and sensitive to regulatory change. This underscores the need to better understand how prospective regulatory changes might impact upon the decision-making of early stage investors and the degree to which they are encouraged, or deterred from investing.

Indeed, these considerations should perhaps be major shapers of future directions of policy and regulation given the potential for significant unintended impacts on innovation, GDP and job growth.

2

IN-COUNTRY SOURCES OF CAPITAL FOR INTERNET BUSINESSES

AS NOTED IN THE PRIOR CHAPTER, THE INTERNET IS ENABLING SUBSTANTIAL GROWTH IN THE ECONOMIES OF MOST COUNTRIES AND IS DRIVING GDP GROWTH AND JOB CREATION. THE INTERNET IS ALSO SEEN AS PERHAPS THE MOST IMPORTANT DRIVER TO FUTURE INCREASES IN THESE FACTORS. INTERNET BUSINESSES REQUIRE CAPITAL TO FUEL THEIR GROWTH, AND THAT CAPITAL COMES BOTH FROM LOCAL IN-COUNTRY INVESTORS, AS WELL AS FROM INTERNATIONAL INVESTORS IN THE FORM OF FOREIGN DIRECT INVESTMENT (FDI). IN THE NEXT CHAPTER WE LOOKS SPECIFICALLY AT FDI, BUT IN THIS CHAPTER WE BRIEFLY REVIEW THE MAJOR SOURCES OF CAPITAL AVAILABLE IN-COUNTRY, AND THE FACTORS THAT ATTRACT CAPITAL TO INTERNET BUSINESSES SPECIFICALLY.

Investors in private Internet companies (and most Internet companies are private) include the entrepreneurs themselves, their friends and families, individual angel investors or business angels who are willing to invest their own money in new companies, seed investment funds and early and late stage Venture Capital (VC) funds, and alternative forms of investment including government grants, government-backed enterprise funds, hedge funds and so on. These different types of investors have differing risk and return preferences, often leading them to participate in a particular stage of the funding cycle over others.

In the US and Europe, angel investors and VCs are the primary sources of funding for Internet businesses until they become public companies. While VC tends to attract a good amount of attention from policymakers, angel investors are often overlooked as a critical source of seed investment. However, the High Growth Financing Project of the OECD has noted that in most emerging markets, the availability of private angel capital is even more critical to the growth of technology companies and the Internet (OECD, 2011). In these countries angels often contribute the majority of seed and early-stage equity financing for high growth potential start-ups, rather than VCs. Furthermore, angels are more likely to invest in projects that VCs might perceive as too small or too risky, tend to be less sensitive to market cycles, and typically support a wider range of innovation and sectors. As local residents, these wealthy individuals are often more in tune with the opportunities locally, and share a deep interest in assisting the local economy flourish, which is often not shared by overseas investors.

In Asia, researchers have found angel investors to be a critical part of the technology ecosystem (Wilson, 2011), but as Chau (2015) finds, Asian countries with the exception of Singapore tend to overlook these investors despite the significant benefits that they bring to the local economy in terms of both technology development and job creation. In the Middle East and Africa the OECD notes that with the exception of Israel, few countries have put a focus on how to attract and grow angel investment in their Internet economies (OECD, 2011). This is viewed as an opportunity for local emerging country governments who can, through policy, encourage more capital to be invested in their economies. Conversely, there are important regulatory pitfalls that are just as likely to put off investors from investing in local businesses - especially where those investors have abundant other investment choices, including abroad.

In summary, most countries around the world are putting more emphasis on encouraging local in-country investors to invest in local technology businesses including Internet businesses. However, few emerging countries have either used policy to its fullest effect, and many are considering regulatory changes that might put off, rather than encourage, such investment. The remainder of this study explores the choices that governments have in front of them, and which are likely to stimulate versus chill in-country and FDI into Internet businesses.

The following chapter reviews the importance of foreign investors in this discussion.

7 EQUITY CAPITAL FOR ENTREPRENEURS

By funding stage



- ¹ Initial funding is typically provided by entrepreneurs and “friends and family”.
- ² Angel investors or angel groups typically provide the bulk of the “seed” or “early stage” capital in the next round.
- ³ VCs generally invest in later rounds after one or more rounds of angel investment.

Source: Jeffrey E. Sohl, “The U.S. Angel and Venture Capital Market: Recent Trends and Developments”

THE IMPORTANCE OF FOREIGN DIRECT INVESTMENT (FDI) IN EMERGING MARKETS

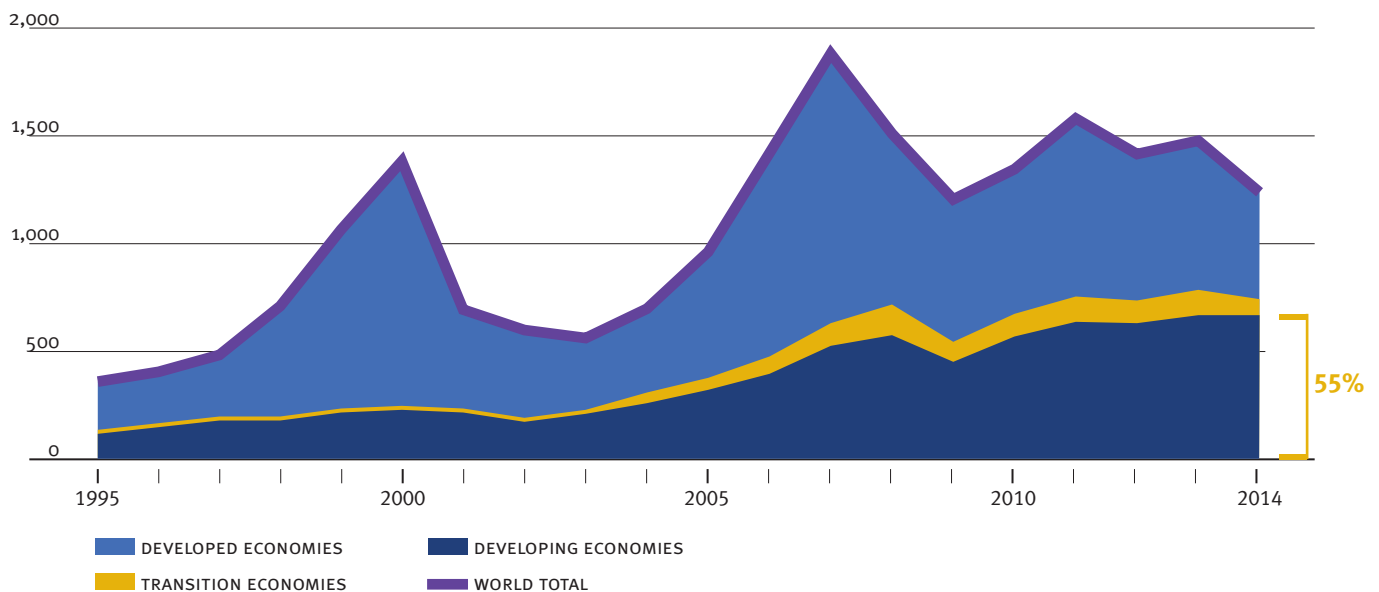
FOREIGN DIRECT INVESTMENT (FDI) IS ONE OF THE MOST IMPORTANT DRIVERS OF ECONOMIC GROWTH AND GLOBALIZATION IN BOTH DEVELOPED AND EMERGING ECONOMIES. IT PROVIDES A SOURCE OF CAPITAL, NEW TECHNOLOGIES, AND MANAGEMENT SKILLS TO HOST COUNTRIES, PROGRESSING ECONOMIC DEVELOPMENT AND INNOVATION. FDI IS DEEMED THE MOST STABLE FORM OF CROSS BORDER INVESTMENT AS UNLIKE SHORT-TERM DEBT, IT HAS PROVEN TO BE RESILIENT WITH TIME, OUTLASTING FINANCIAL CRISES AND SOCIAL CONFLICTS. FDI INFLOWS AND OUTFLOWS HAVE BEEN INCREASING DRAMATICALLY SINCE THE EARLY 2000'S BUT ONLY RECENTLY HAS FDI INTO DEVELOPING ECONOMIES TAKEN OFF, ACCOUNTING FOR OVER HALF OF ALL FDI INFLOWS ACCORDING TO UNCTAD (see Exhibit 8).

Foreign Direct Investment is very sensitive to government policies and regulations. Global FDI levels were projected to increase through 2014, although they did quite the contrary, decreasing by over fifteen percent. In their 2015 World Investment Report, the United Nations stated that this decrease was heavily influenced

by policy uncertainty for investors. This finding is replicated in this 2016 Fifth Era survey, as well as in our prior surveys in 2014 and 2011 where investors stated that they find regulatory ambiguity of significant concern and say that where it exists it will chill their investment appetites.

8 FDI INFLOWS, GLOBAL AND BY GROUP OF ECONOMIES – 1995-2014

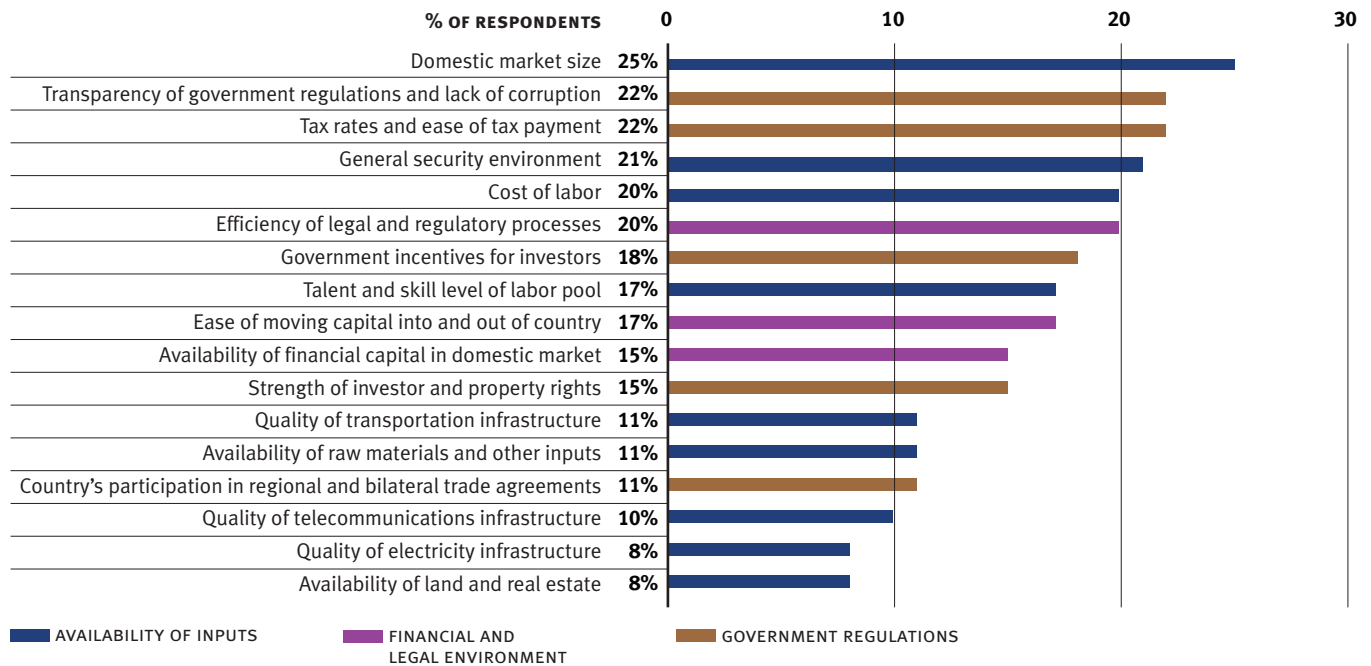
BILLIONS OF DOLLARS



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)

9

WHAT ARE THE MOST IMPORTANT FACTORS TO YOUR COMPANY WHEN CHOOSING WHERE TO MAKE FOREIGN INVESTMENTS?

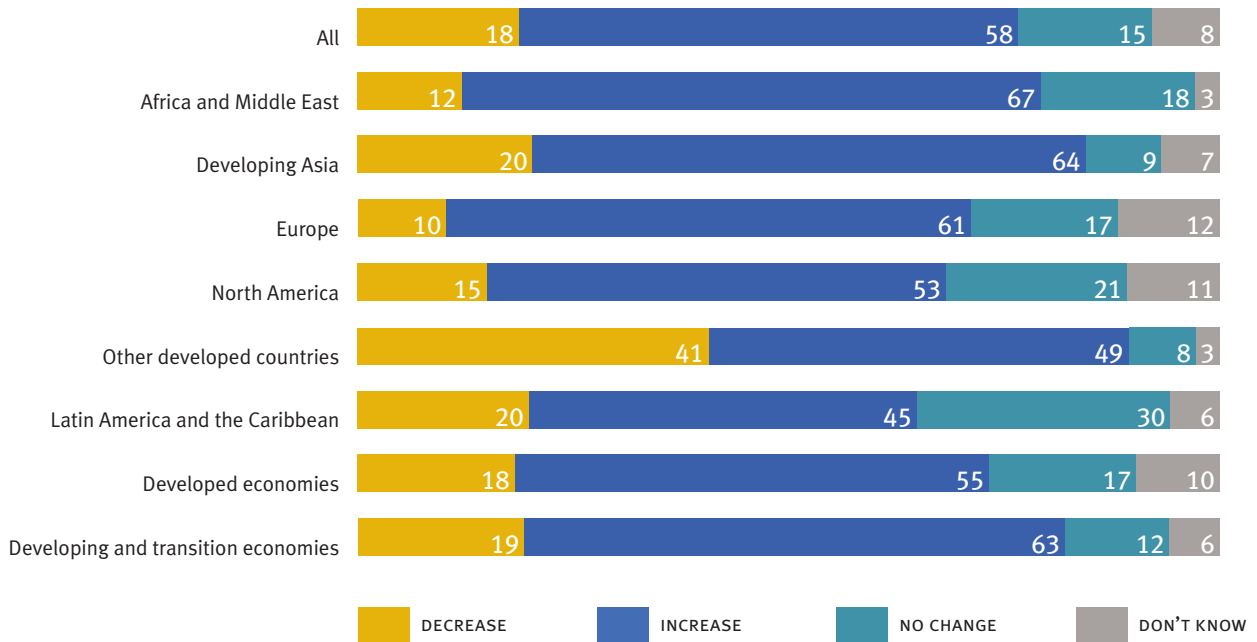


Note: Respondents selected three factors
 Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2015

AT Kearney, a leading management consulting firm researched this issue in their 2015 Foreign Direct Investment Confidence Index. When asked what the most important factors to their company were when choosing where to make foreign investments, two of the top three and eight out of the total seventeen reasons investors stated were government regulations or financial and legal environment issues. Among the most important factors to investors were transparency of government regulations, efficiency of legal and regulatory processes, and government incentives for investors (see Exhibit 9). As a result, regulators should be careful not to introduce new internet laws and policies without first determining the likely consequence on FDI and overseas investor sentiment, as this could greatly deter foreign investment activity in the future.

Looking forward, UNCTAD expects global FDI activity levels to increase in 2015 and through to 2017 with the majority of international investors that they surveyed expecting to increase their investment activities (see exhibit 10).

PERCENT OF EXECUTIVES BASED IN EACH REGION



Source: UNCTAD business survey

The United Nations surveyed executives of corporations and firms active in foreign investment and found that a large portion of the respondents who expected FDI to increase through 2017 were those in high-tech, telecommunications, and manufacturing industries, three sectors heavily impacted by the Internet and actively involved in expanding new technologies. Consequently, these sectors are all very sensitive to regulatory ambiguity, or the introduction of government policies and regulations that may have adverse consequences for the businesses they are funding.

FDI is undeniably important to both developed and developing economies with the ability to increase employment levels, spur innovation and the creation of new technologies, and accelerate economic growth. FDI activity is expected to grow in future years, but we have recently seen expectations reversed as a result of government policy and the introduction of regulatory uncertainty. Countries that introduce regulatory policy with respect to the Internet without considering the potential adverse impact on FDI may experience significant decreases in capital inflows with a resulting loss of innovation, GDP growth and job growth.

In their action plan for steering private investment to a sustainable future, Ban Ki-moon, the secretary general of the United Nations and his team state the case clearly.

“Policymakers need to find the right balance between creating a climate conducive to investment and removing barriers to investment on the one hand, and protecting public interests through regulation on the other. They need to find mechanisms to provide sufficiently attractive returns to private investors while guaranteeing accessibility and affordability of services for all (*World Investment Report 2014, xi*).“

4

THE CURRENT AND FUTURE REGULATORY LANDSCAPE

THE REGULATORY LANDSCAPE AS IT CONCERNS INTERNET BUSINESSES HAS BEEN EVOLVING RAPIDLY AROUND THE WORLD AS THE INTERNET CONTINUES TO EXPAND INTO ALL AREAS OF BUSINESS AND PERSONAL LIFE, AND AS LAWMAKERS RESPOND TO THE ISSUES AND CONCERNS THAT ARE BROUGHT TO THEM. AS IN PRIOR YEARS, WE HAVE TRIED TO ENSURE THAT THIS YEAR'S 2016 SURVEY IS AS CURRENT AS POSSIBLE IN EXPLORING THE REGULATORY ISSUES THAT ARE UPPERMOST IN LAWMAKERS MINDS AND WHICH ARE MOST LIKELY TO HAVE SUBSTANTIAL IMPACT ON INTERNET BUSINESSES IN THE FUTURE - BOTH POSITIVE AND NEGATIVE. WE BEGAN BY TAKING THE ISSUE SET THAT FORMED THE BASIS OF THE 2014 FIFTH ERA SURVEY, AND THEN SHARED IT WITH LEADING EXPERTS FOLLOWING THE FIELD. WITH THEIR HELP WE THEN EXPANDED THE ISSUES SURVEYED TO INCLUDE:

- + Limitations on freedom of expression
- + Application of tax rules that may lead to double taxation
- + Disclosures of user data to law enforcement entities
- + Confiscation of properties without court orders
- + Regulations that obligate removal of content without court orders
- + Regulations that obligate removal of content at the request of individuals
- + Holding internet intermediaries liable for third party content or actions
- + Reducing legal ambiguity concerning the likelihood of lawsuits and the size of damages
- + Laws that obligate services to store user data on servers in the same country as the user resides in
- + Laws that allow site blocking for (alleged) copyright and IP offenses
- + Regulations that allow security services to install their own equipment on the ISP networks
- + Plans to require application of technology filters to user uploaded content
- + Regulations that require an evaluation of a content request by a person rather than a technology filter
- + Potential regulations surrounding new product features that use previously collected user data
- + Increased anti-piracy regulations against "user uploaded" websites
- + More actively prosecuting pirates and the potential adverse secondary effects on investors
- + Legal requirements to have local (physical) offices in the country of operation

Given this year's exploration of the development of Internet businesses in developing countries, and the role of FDI as a driver of capital availability in these markets, we further iterated the issue set for this year's survey. In addition, for the first time in one of Fifth Era's surveys, we also asked Internet investors to rank potential government policies that they would favor if implemented in their country of investment focus. For example, we asked them to say whether they would invest more in the country if the government:

- + Is open minded about new business models (e.g. sharing economy)
- + Protects freedom of expression on the Internet
- + Invests in education and digital skills boosting (e.g. literacy, high tech)
- + Invests/enables investing in the Internet and mobile infrastructure
- + Activates policies aimed at reducing taxes and fees for end Internet and mobile users
- + Promotes open data use
- + Adopts policies aimed at liberalizing mobile payments
- + Releases transparent regulatory roadmaps and holds public consultations on all new legislative proposals on Internet/mobile regulation
- + Facilitates policies enabling access to spectrum and backhaul

We believe this expanded issue scope will provide timely information for lawmakers in each of the 15 countries surveyed as well as in other countries considering how best to stimulate and manage the Internet's growth in their local market. In addition, we feel that the investors surveyed provide valuable perspectives on what would encourage them to invest more, as well as what might chill them into investing less. Critical information for governments wishing to attract more investment capital into their Internet sectors.



5

POTENTIAL WAYS FOR GOVERNMENTS TO BOOST INTERNET INVESTMENT AND FDI

IN THIS SURVEY, WE EXPLORE THE UNDERLYING FACTORS THAT ATTRACT (OR CHILL) INTERNET INVESTORS FROM INVESTING THEIR CAPITAL INTO INTERNET BUSINESSES - BOTH IN-MARKET INVESTORS AND OVERSEAS SOURCES OF CAPITAL (FDI). THIS PROVIDES VALUABLE INPUT INTO STRATEGIES THAT GOVERNMENTS MIGHT TAKE TO BOOST INTERNET INVESTMENT IN THEIR LOCAL ECONOMIES. IN THIS CHAPTER, WE OUTLINE WAYS THAT GOVERNMENTS MIGHT BOOST INTERNET INVESTMENT AND FDI BASED UPON THE FINDINGS OF OUR 2016 SURVEY.

INVESTORS DON'T LIKE REGULATORY AMBIGUITY

In every country surveyed, a large majority of investors say that they are uncomfortable investing in business models in which the regulatory framework is ambiguous. **75%** of worldwide investors surveyed held this view. Uncertainty is always of concern when investing in businesses, but in the specific case of Internet related businesses models, investors are concerned that the fundamental viability of the business may be undermined by potential new legislation, and the current legal environment makes it hard to assess the future prospects of an investment in many cases. This concern over regulatory ambiguity makes many investors unwilling to invest in Internet businesses and in some countries where future regulatory conditions may worsen from the investor's perspective.

INVESTORS CONCERNED ABOUT POTENTIAL INTERNET REGULATIONS

When asked to respond to areas of specific regulatory concern, investors are most concerned about the following potential areas of Internet regulation:

Security/Surveillance. 81% of investors would not invest in Internet businesses if government agencies could confiscate properties without court orders.

Taxation. 80% of investors are concerned that countries may apply tax rules that make them subject to double taxation

Freedom of Expression. 79% of investors are uncomfortable investing in countries where freedom of expression is restricted or highly regulated

Amount of Damages Uncertain: 78% of investors would not invest in Internet business models in which the amount of damages (in the event of liability) is uncertain or not tiered or staged in relation to the various levels of violation

User Data Provided to Law Enforcement. 78% of investors would be deterred from investing in Internet businesses if user data can be disclosed to law enforcement without following international baseline standards

Third Party Liability. 71% of investors are uncomfortable investing in internet businesses where the intermediaries could be held liable for third party content or actions

Storing Data In-Country. 67% of investors are uncomfortable investing in internet businesses that are legally obligated to store user data on servers located in the same country where users are located and/or build their own data centers locally in each country of operations. This concern is most prevalent in countries that have investigated data localization such as India (**81%**) and Indonesia (**82%**).

Site Blocking. 62% of investors are uncomfortable investing in digital content intermediary businesses (online platforms allowing uploads of user generated content including music and video) that would be required by law to run a technological filter on user-uploaded content.

Removal of Content. 71% of investors are uncomfortable investing in internet businesses that would be obligated to remove content upon receiving a request from an organization, private or government entity, without a court order.

Traditional Telecom Regulations. 63% of investors are uncomfortable investing in internet/mobile businesses where regulators are applying traditional telecom regulations to new mobile and OTT services

Reducing Mobile Regulations. 77% of investors say that If a country adopts policies aimed at reducing regulations for the mobile apps ecosystem, this would increase their interest in investment in internet businesses in that country.

More generally, investors say that they would reduce their capital investment in countries that introduce new Internet regulations that may limit the ability of Internet businesses to be attractive investment candidates. As a result, government lawmakers should engage investors in their decision making early to ensure that regulations are not introduced without a full understanding of the potential adverse consequences to investment activity.

The full list of potential regulations and how investors respond to them (positively and negatively) can be found in Chapters 6, 7 and 8 including the specific responses by the investors in each of the 15 surveyed countries since in some cases specific countries hold views that differ from the worldwide sentiment.

WOULD LIKE GOVERNMENTS TO FOCUS ON SPECIFIC COUNTRY POLICY ACTIONS

While Internet investors (in-market and FDI) are concerned about potential Internet regulations, they do favor government policy actions aimed at making the local Internet sector more robust and attractive to investment. Exhibit 11 has the full listing of policy actions and the way that investors would respond – though significant variations exist by country.

The following is the full listing of policy actions and the way that investors would respond – though significant variations exist by country.

1. The government is open minded about new business models (e.g. sharing economy) – **66%**
2. The government invests in education and digital skills boosting (e.g. literacy, high tech) – **66%**
3. The government protects freedom of expression on the Internet – **65%**
4. The government invests/enables investing in the Internet and mobile infrastructure – **65%**
5. The government activates policies aimed at reducing taxes and fees for end Internet and mobile users – **64%**
6. The government promotes open data use – **62%**
7. The government facilitates policies enabling access to spectrum and backhaul – **57%**
8. The government adopts policies aimed at liberalizing mobile payments – **57%**
9. The government releases transparent regulatory roadmaps and holds public consultations on all new legislative proposals on Internet/mobile regulation – **57%**

CONCLUSION

While the precise ranking of issues varies across countries, the overall sentiment is clear. Investors are chilled by regulatory ambiguity and would reduce their capital investment if countries introduce Internet regulations that reduce their investment viability or return. Investors are concerned by some potential regulations in areas including: 1) Copyright and Intellectual Property, 2) Intermediary Liability and Censorship, 3) Privacy and Security, and 4) Mobile Infrastructure and Services, and would prefer countries that focus on creating supportive economic, regulatory and investment environments which consider investor sentiment. Investors see some areas of government policy as particularly positive in stimulating investment activity.

Governments that engage Internet investors in their law making and introduce government policies aimed at stimulating investment should see significant positive results in terms of increased capital investment, GDP growth and job creation.



EMPIRICAL FINDINGS

COMMON THEMES ACROSS COUNTRIES

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 475 INVESTORS AROUND THE WORLD IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE AGGREGATE FINDINGS FROM THE SURVEY AND PROVIDE THE BENCHMARK AGAINST WHICH INDIVIDUAL COUNTRIES CAN COMPARE THEIR SPECIFIC COUNTRY RESULTS FOUND IN CHAPTER 7 (EMPIRICAL FINDINGS – DETAILED FINDINGS BY COUNTRY).

GLOBAL INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Global investors view the legal environment as having a negative impact on their investing activities with 89% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit Global1).
- + Regulatory ambiguity reduces investment activity with 75% of Global investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit Global2).
- + Of significant concern to Global investors is the risk of secondary liability and the exposure to potentially very large damages, with 78% of investors raising this concern (see Exhibit Global3).
- + Globally investors are also closely monitoring Taxation. 80% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit Global4).

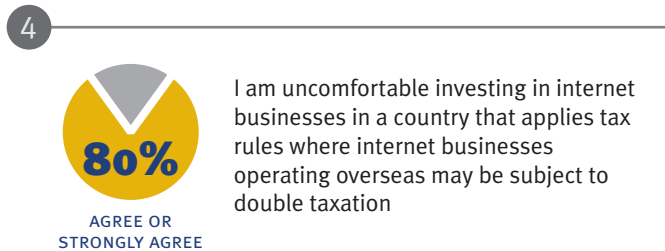
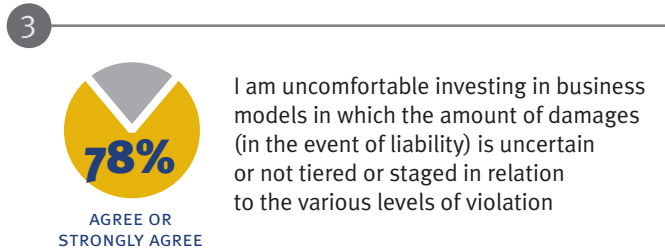
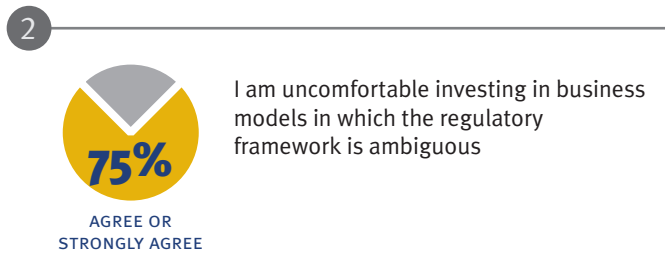
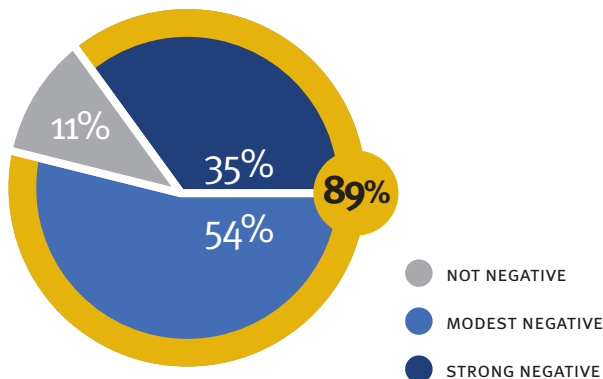
POTENTIAL AREAS OF REGULATION

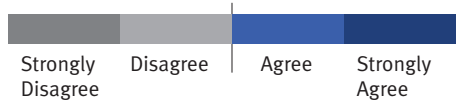
We then asked investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table Global5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

Most of the countries in this survey benefit greatly from Foreign Direct Investment (FDI). The sentiments of US and UK investors were consistent in most areas (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.

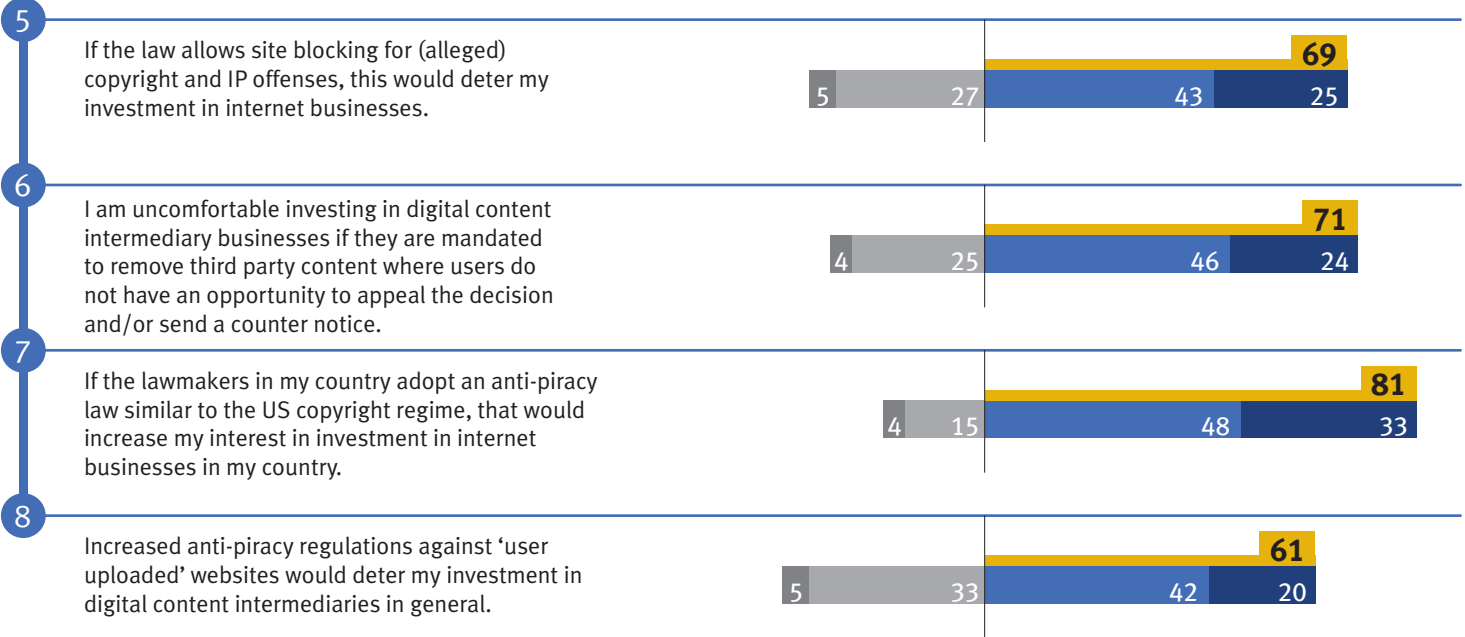
1 % saying Legal Environment has a negative impact on investing



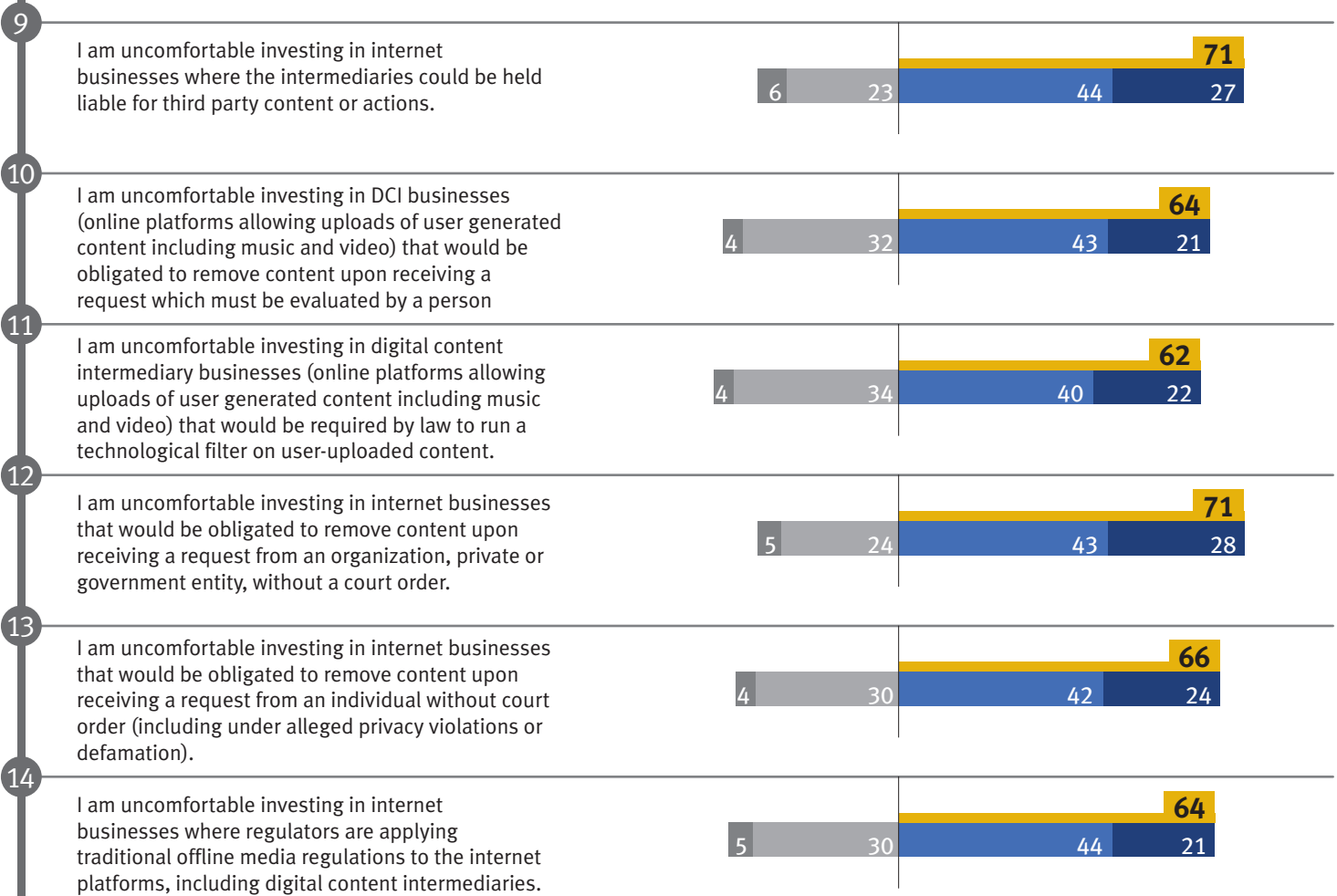


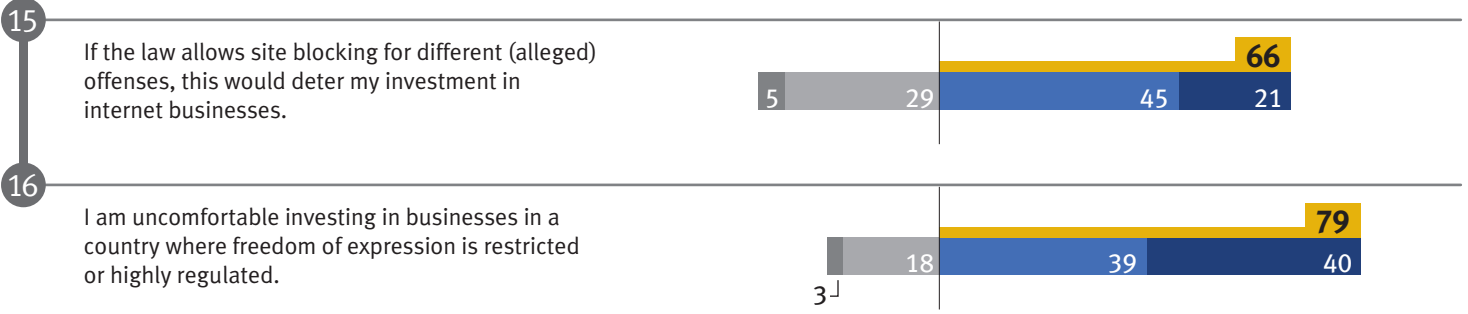
+ Numbers shown in percents
 + Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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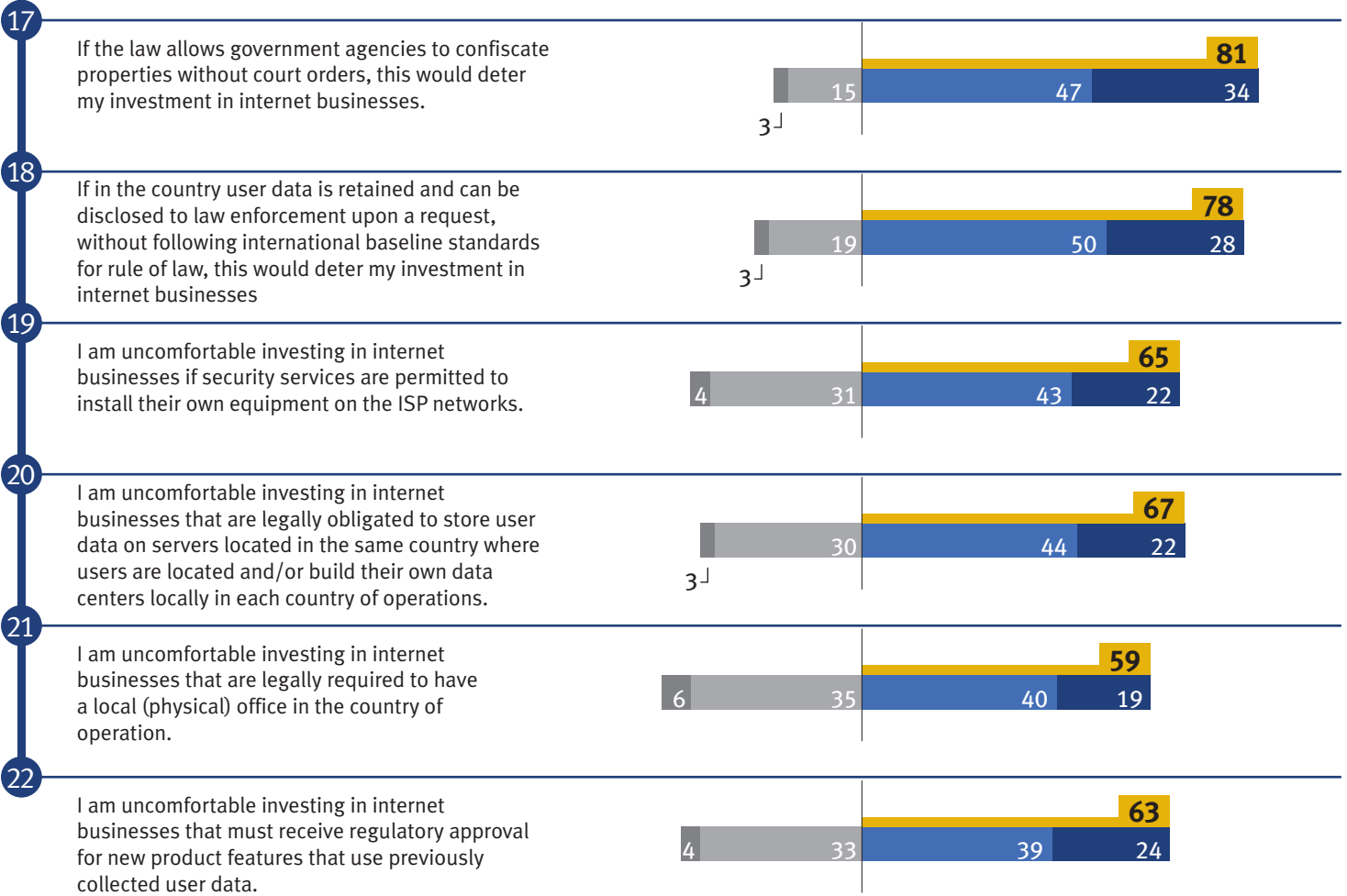


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

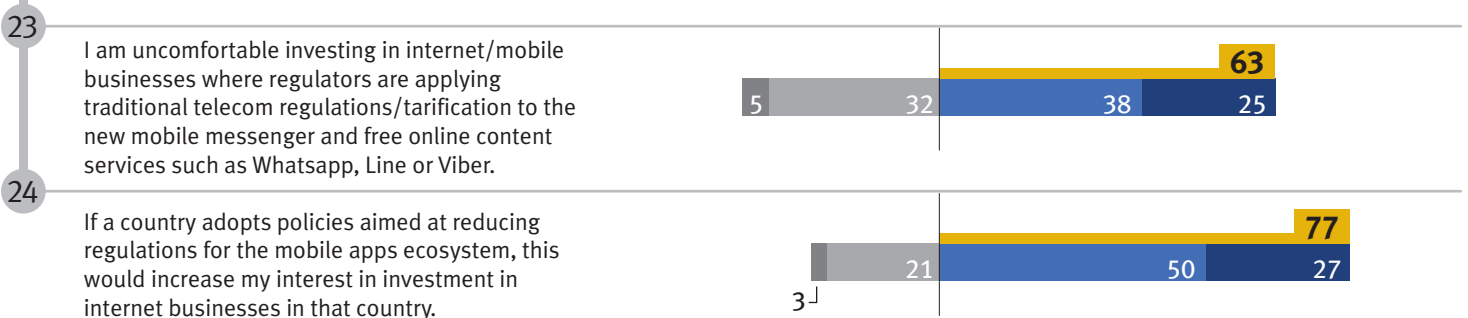




PRIVACY AND SECURITY



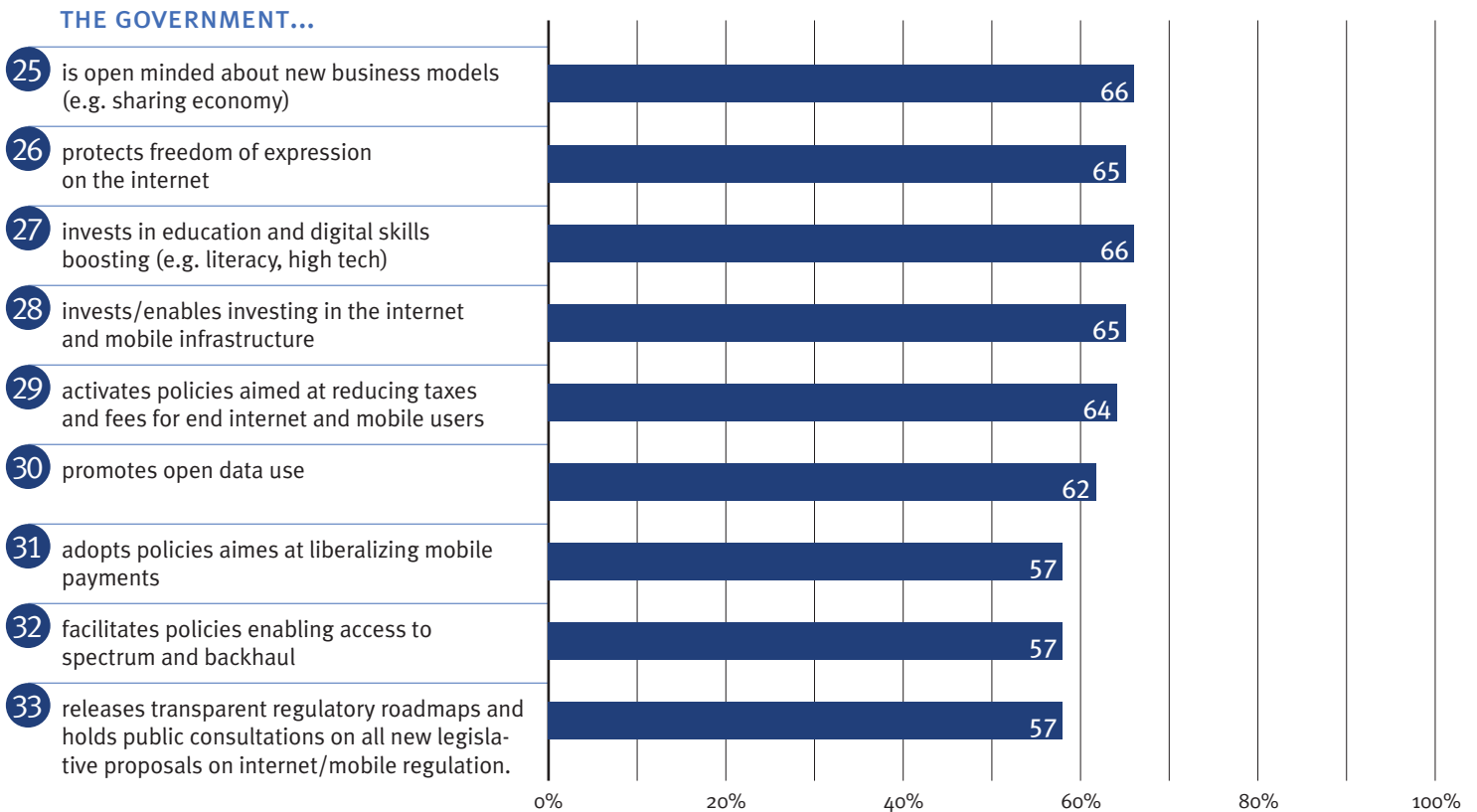
MOBILE INFRASTRUCTURE AND SERVICES



PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE GLOBALLY IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE LOCAL GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT THE NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS GLOBAL25-33)

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF GLOBAL FINDINGS

In summary, 89% of Global investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

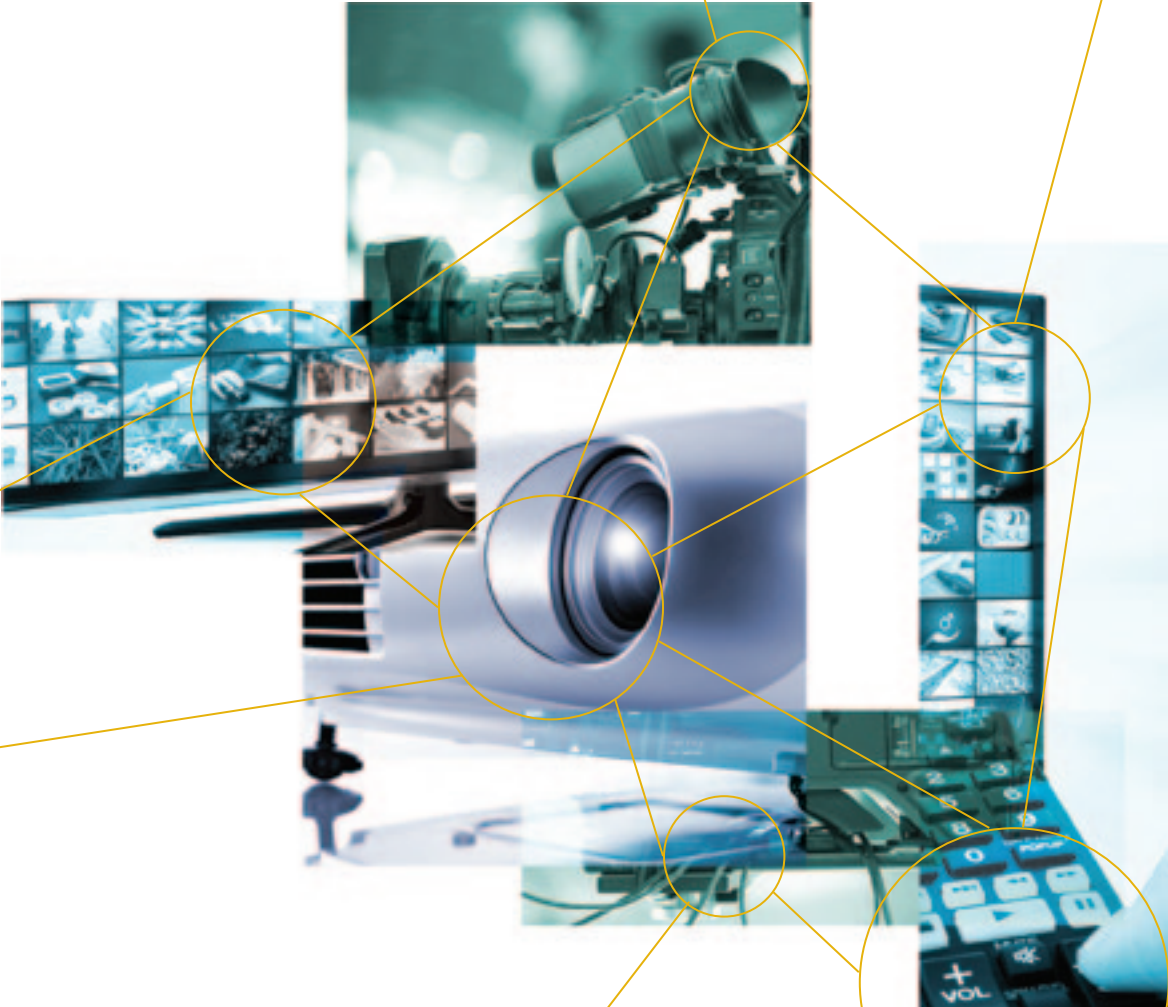
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7

EMPIRICAL FINDINGS

DETAILED FINDINGS BY COUNTRY

IN CHAPTER 6 WE DETAILED THE MOST IMPORTANT COMMON THEMES ACROSS ALL FIFTEEN COUNTRIES. THE FOLLOWING CHAPTERS ADD TO THESE COMMON THEMES BY DETAILING THE FINDINGS IN EACH COUNTRY ACROSS ALL AREAS OF POTENTIAL REGULATION THAT WERE SURVEYED. IT SHOULD BE NOTED THAT EVEN A MINORITY OF INVESTORS IN ANY SPECIFIC COUNTRY EXPRESSING CONCERN MIGHT STILL REPRESENT A SIGNIFICANT WEAKENING OF INVESTMENT ACTIVITY IN THAT COUNTRY. WE HOPE THAT THESE COUNTRY SPECIFIC CHAPTERS WILL BE USEFUL TO LOCAL COUNTRY REGULATORS AS THEY ASSESS THE POTENTIAL IMPACT OF THEIR REGULATORY DECISION MAKING. THESE COUNTRY SPECIFIC CHAPTERS SHOULD BE READ IN CONJUNCTION WITH THE EXECUTIVE SUMMARY OF THE REPORT AS WELL AS CHAPTER 6 – EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES, WHICH PROVIDES THE “BENCHMARK” OF THE 15 COUNTRIES SURVEYED GLOBALLY.

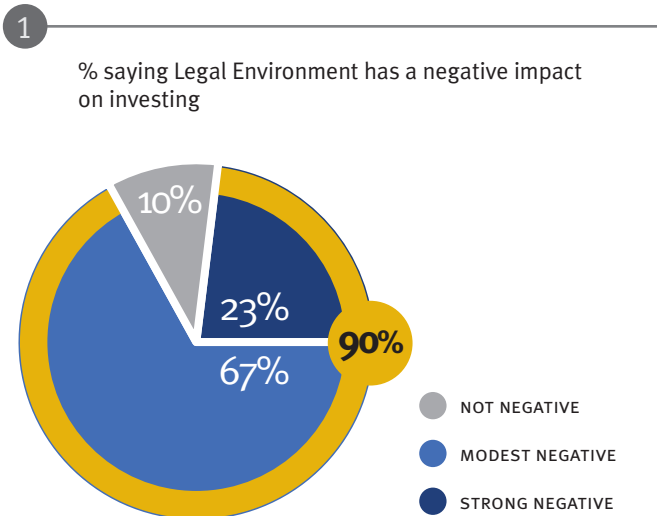


7.1 AUSTRALIA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 30 INVESTORS IN AUSTRALIA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE AUSTRALIAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL AUSTRALIAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Australian investors view the legal environment as having a negative impact on their investing activities with 90% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit AUS1).
- + Regulatory ambiguity reduces investment activity with 67% of Australian investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit AUS2).
- + Of significant concern to Australian investors is the risk of secondary liability and the exposure to potentially very large damages, with 80% of investors raising this concern (see Exhibit AUS3).
- + Australian investors are also closely monitoring Taxation. 71% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit AUS4).

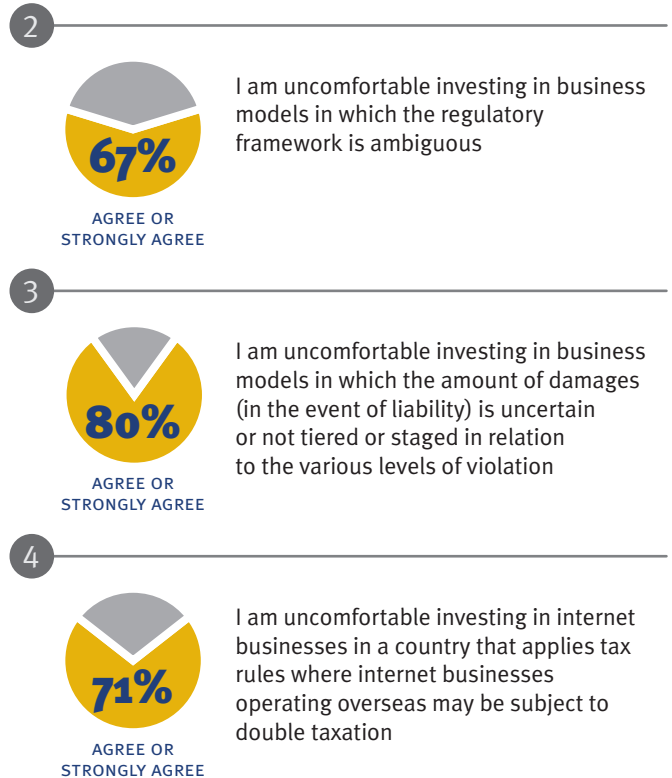


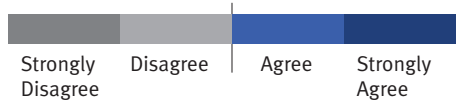
POTENTIAL AREAS OF REGULATION

We then asked Australian investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table AUS5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

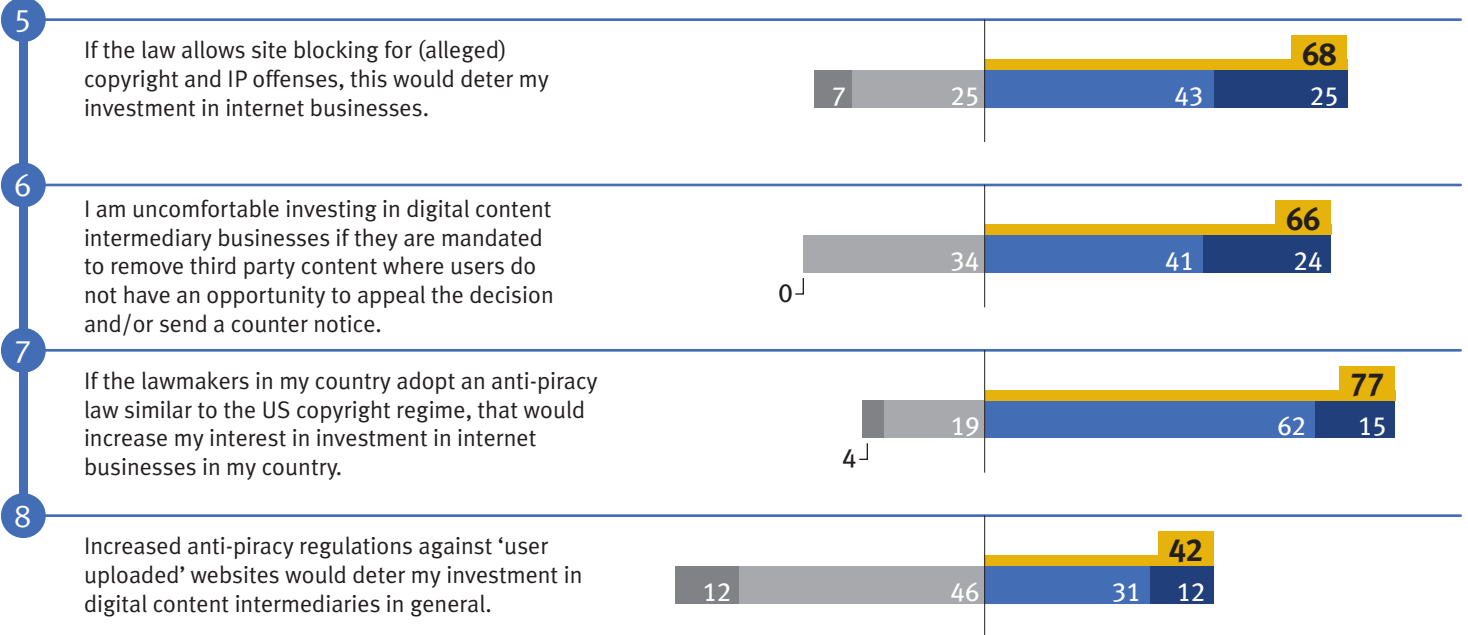
Australia benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Australian investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



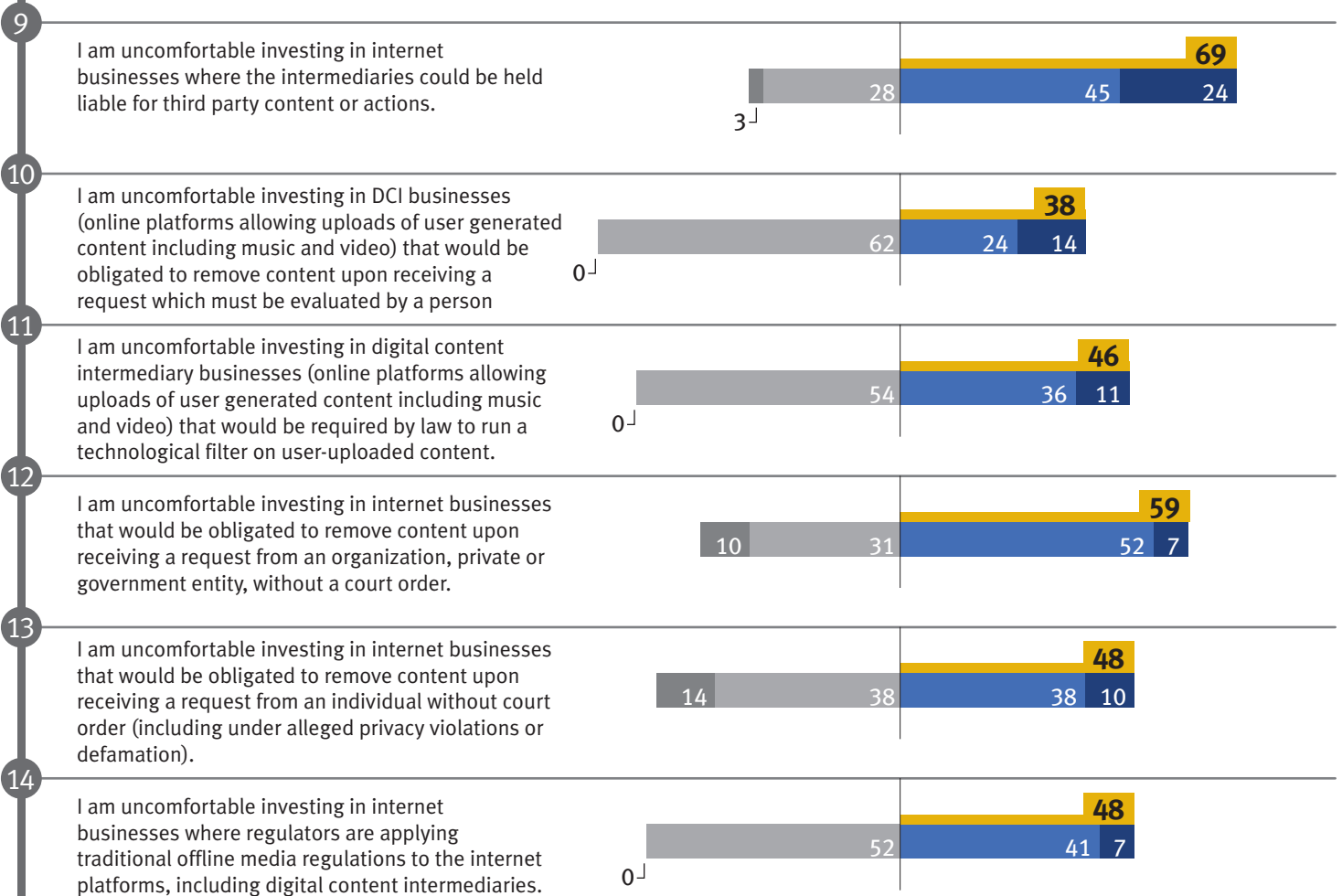


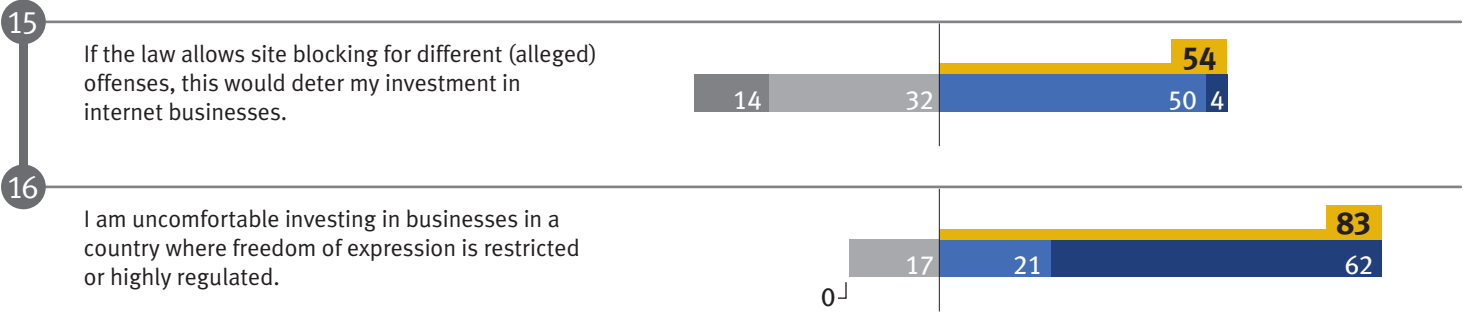
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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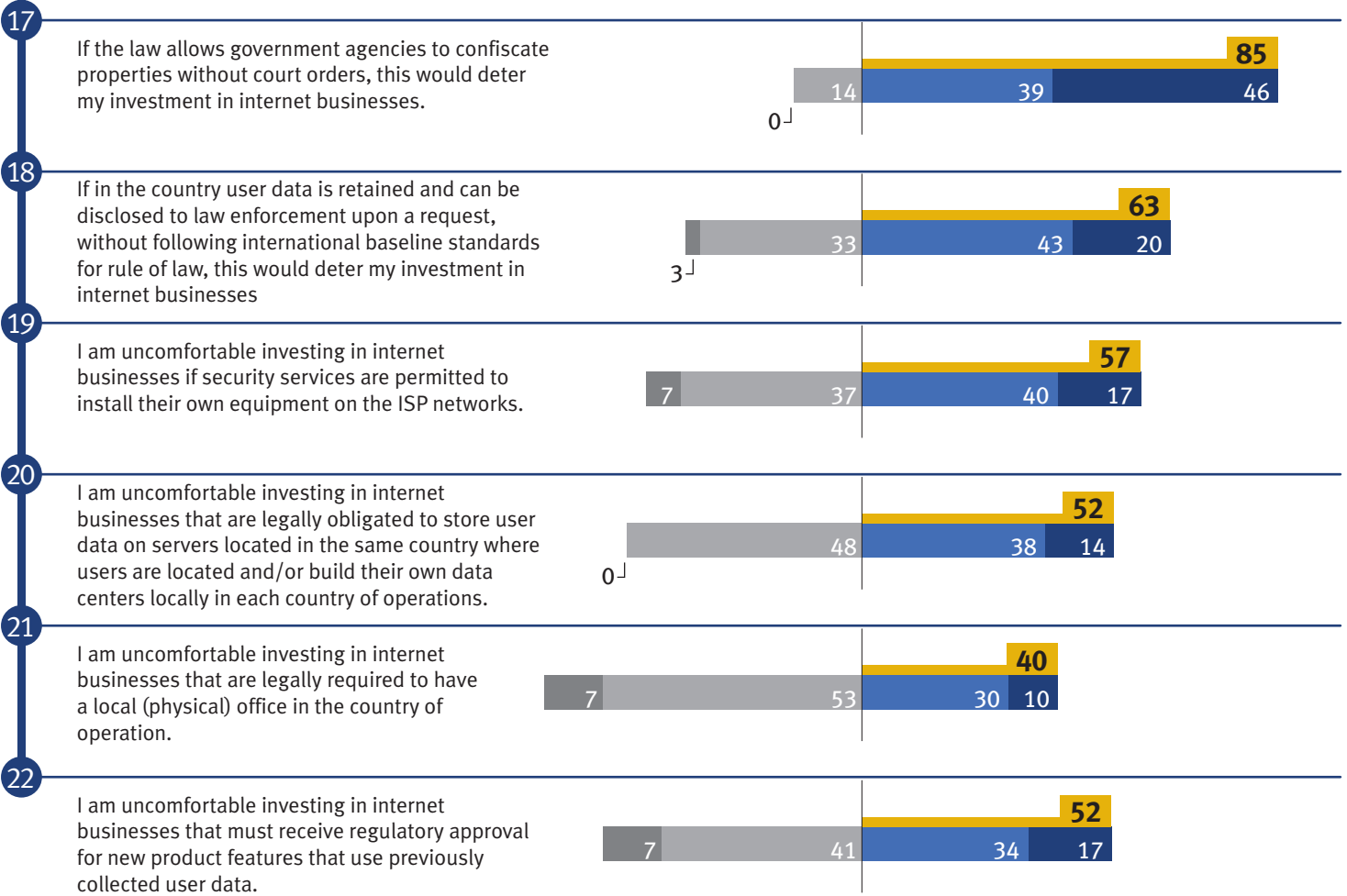


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

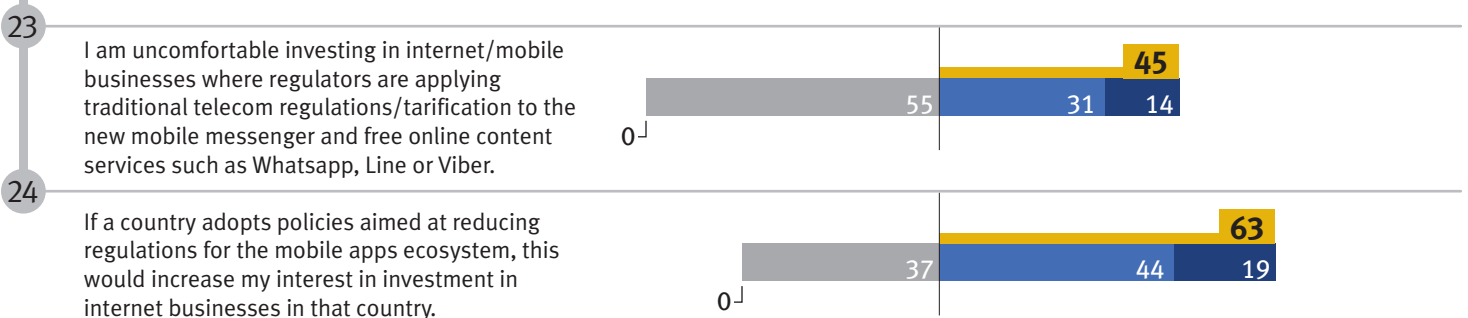




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



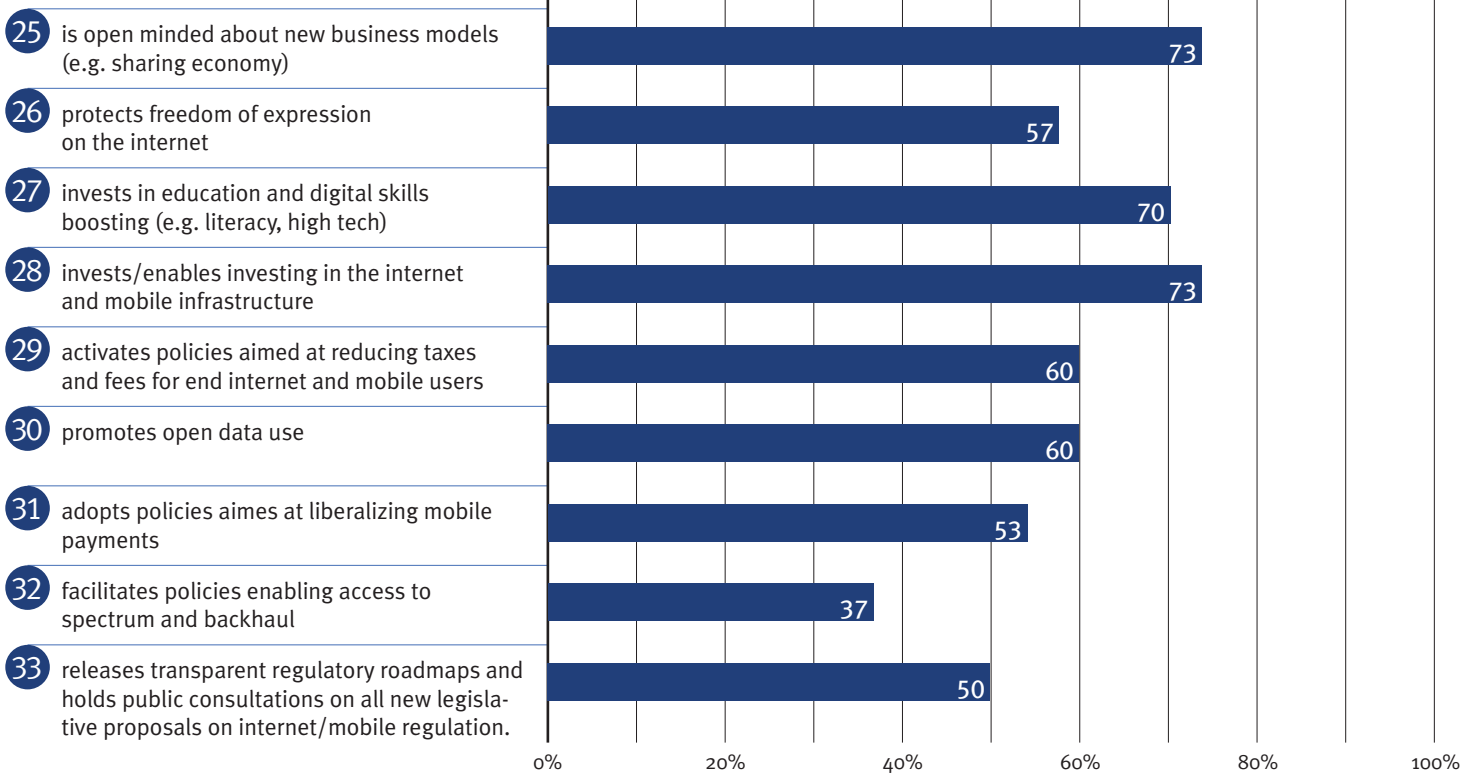


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE AUSTRALIAN IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE AUSTRALIAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS AUS25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF AUSTRALIAN FINDINGS

In summary, 90% of Australian investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Australian and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

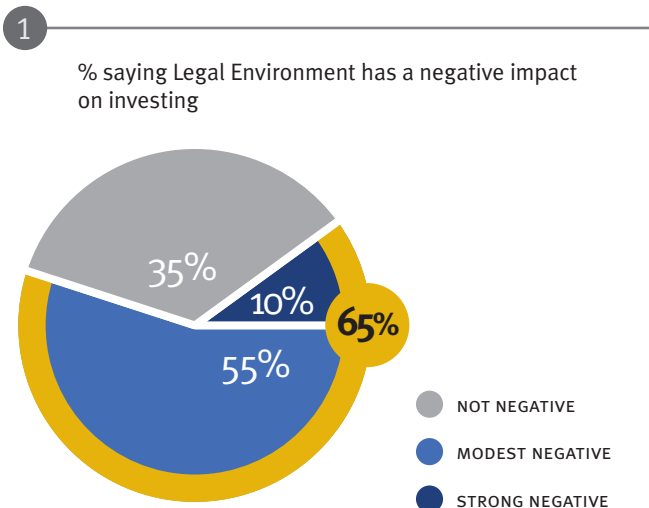
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.2 INDIA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 31 INVESTORS IN INDIA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE INDIAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL INDIAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Indian investors view the legal environment as having a negative impact on their investing activities with 65% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit IND1).
- + Regulatory ambiguity reduces investment activity with 84% of Indian investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit IND2).
- + Of significant concern to Indian investors is the risk of secondary liability and the exposure to potentially very large damages, with 80% of investors raising this concern (see Exhibit IND3).
- + Indian investors are also closely monitoring Taxation. 74% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit IND4).

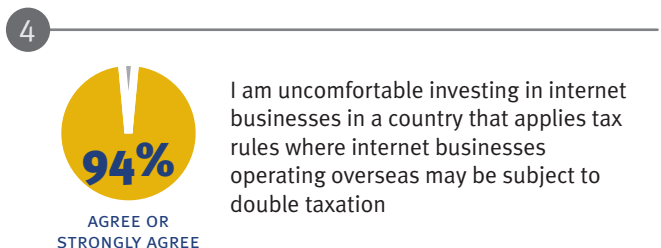
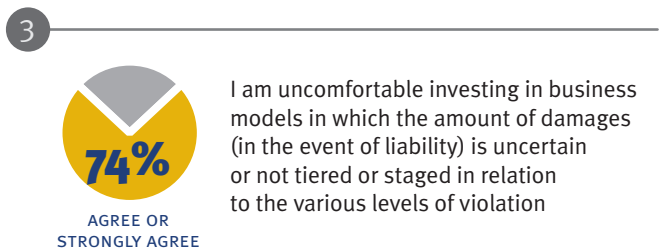
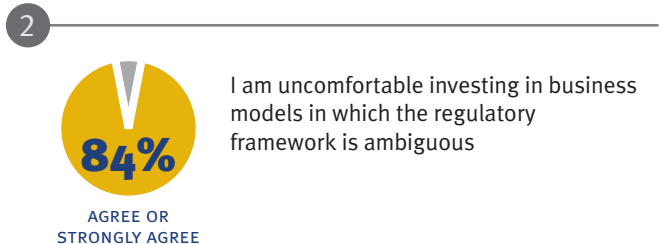


POTENTIAL AREAS OF REGULATION

We then asked Indian investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table IND5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

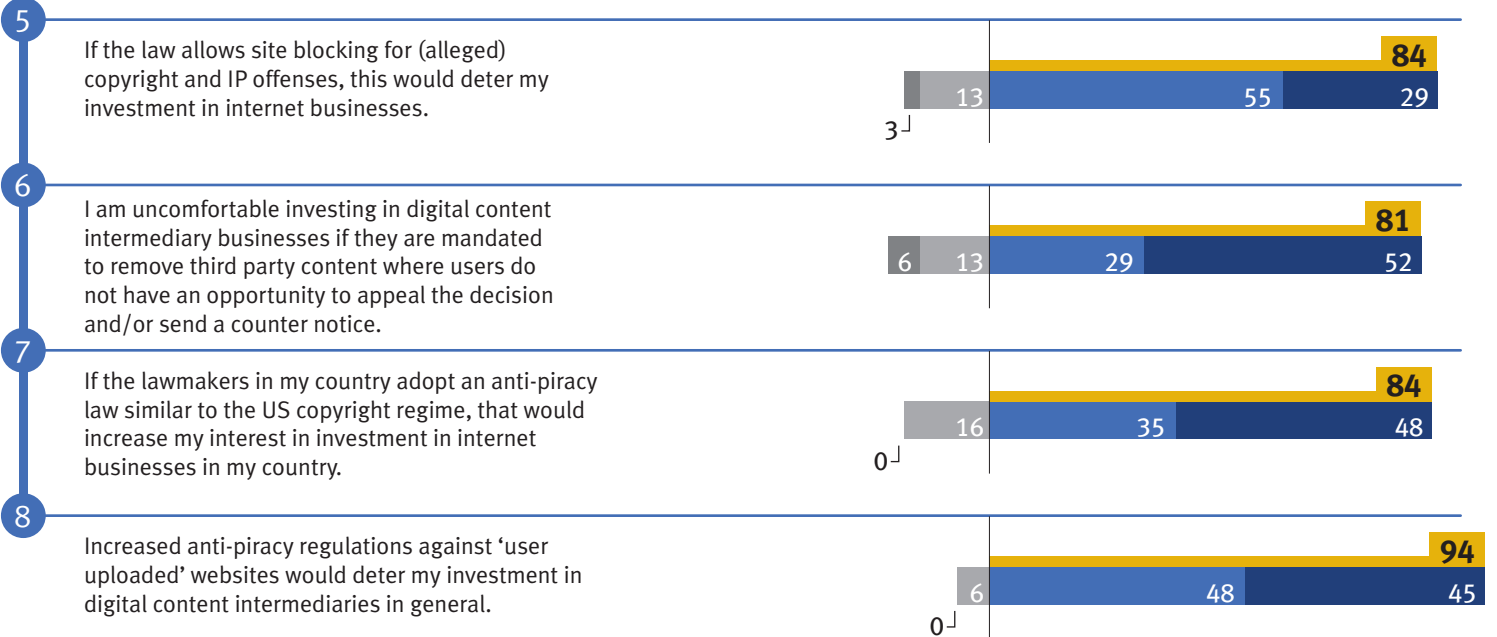
India benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Indian investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



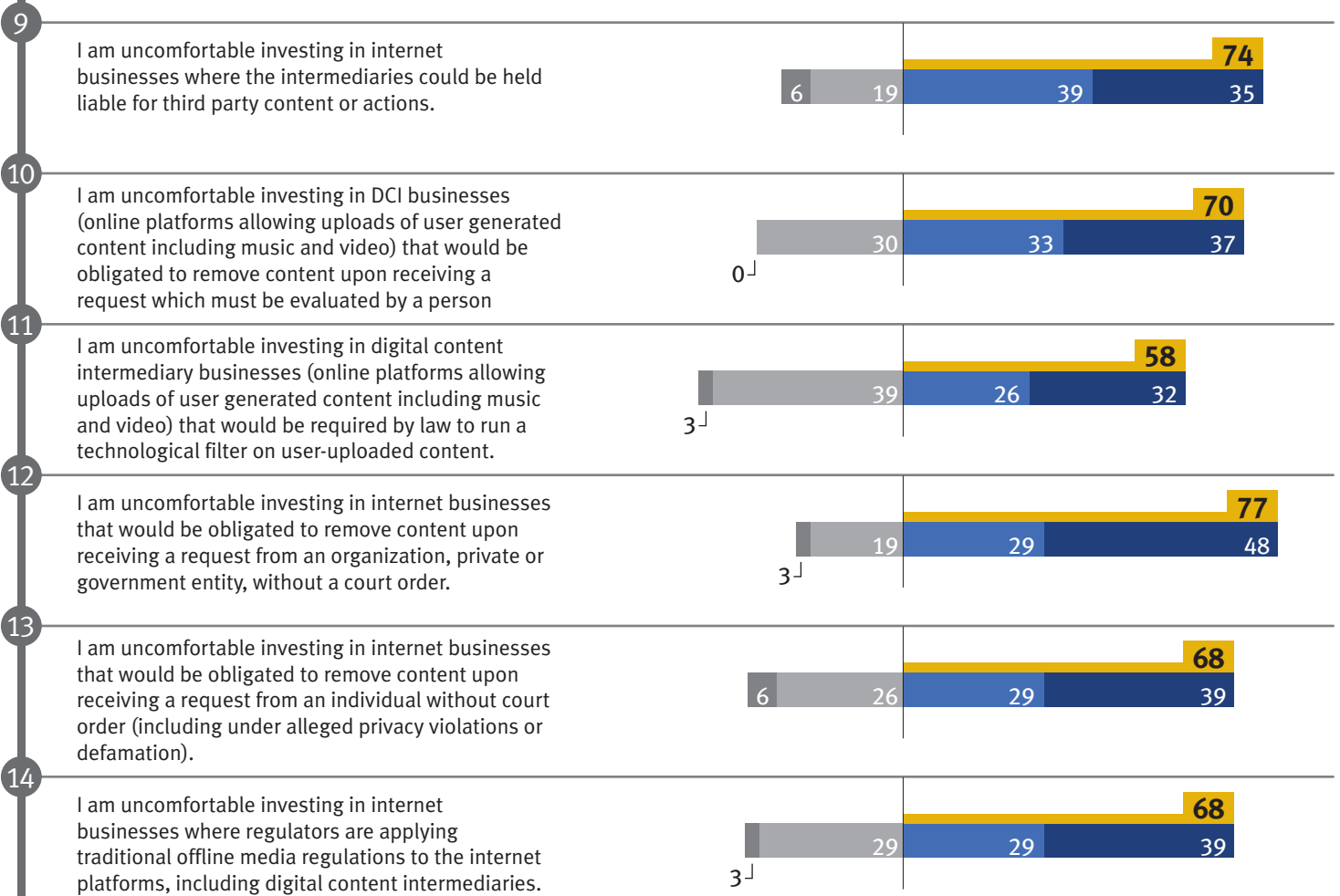


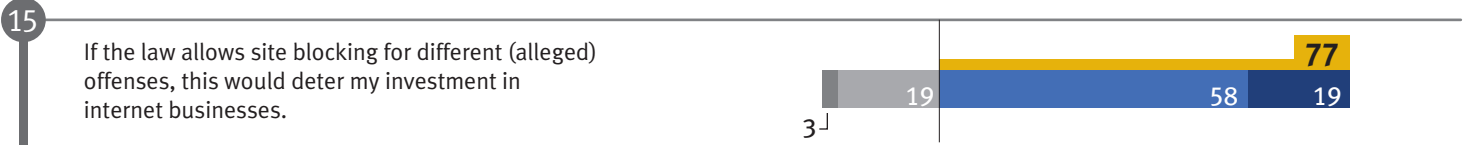
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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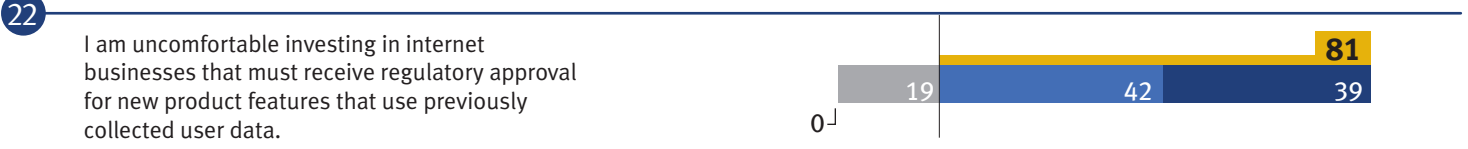
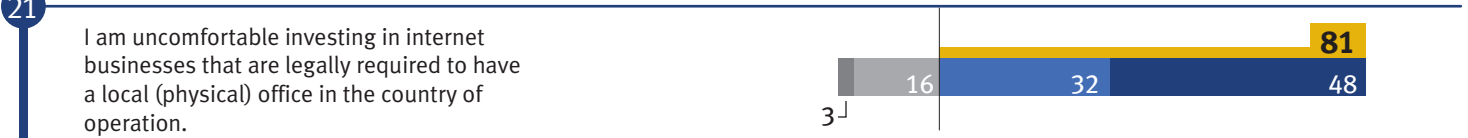
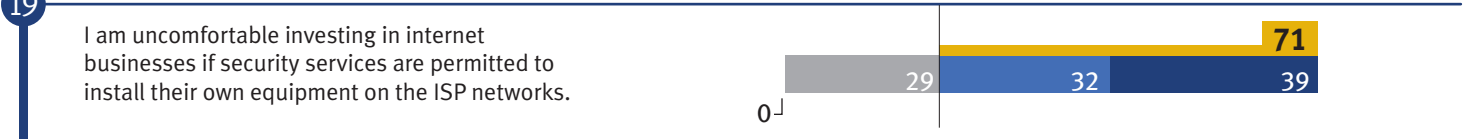
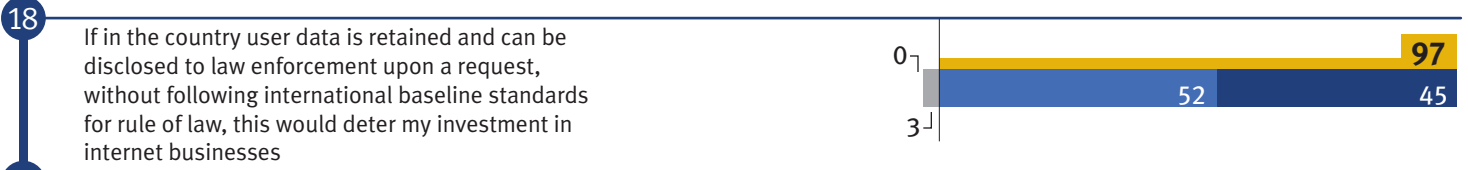


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP





PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



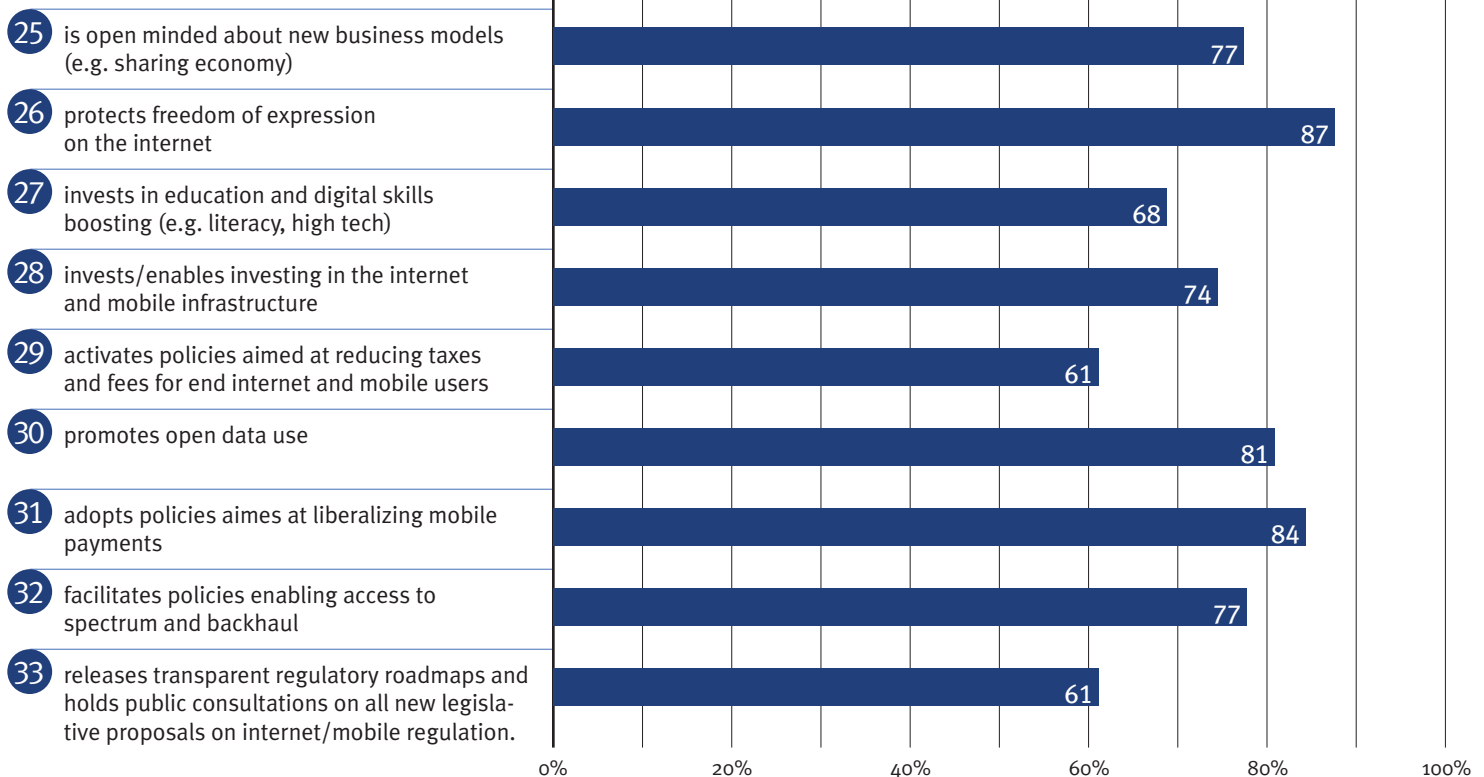


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE INDIAN IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE INDIAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS IND25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF INDIAN FINDINGS

In summary, 65% of Indian investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Indian and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

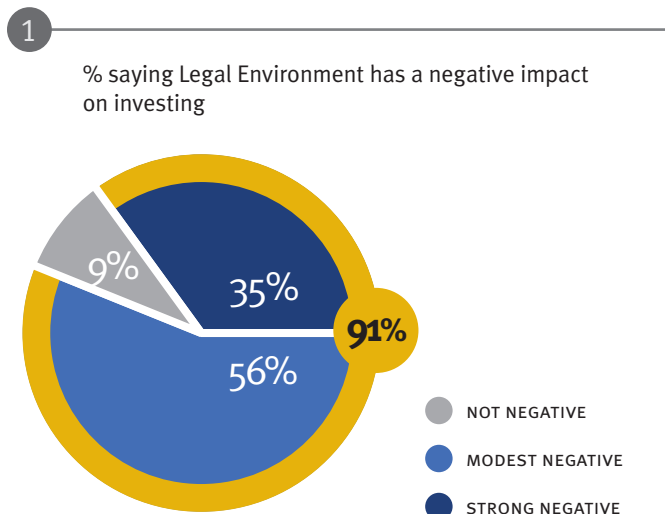
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.3 INDONESIA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 34 INVESTORS IN INDONESIA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE INDONESIAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL INDONESIAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Indonesian investors view the legal environment as having a negative impact on their investing activities with 91% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit INDO1).
- + Regulatory ambiguity reduces investment activity with 88% of Indonesian investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit INDO2).
- + Of significant concern to Indonesian investors is the risk of secondary liability and the exposure to potentially very large damages, with 76% of investors raising this concern (see Exhibit INDO3).
- + Indonesian investors are also closely monitoring Taxation. 94% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit INDO4).

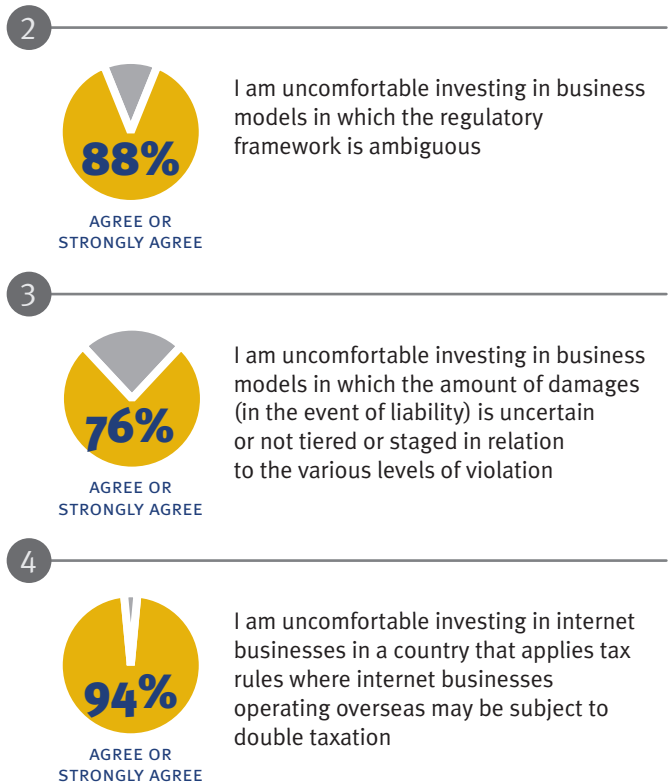


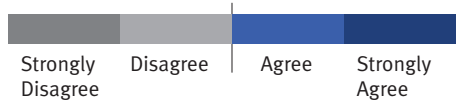
POTENTIAL AREAS OF REGULATION

We then asked Indonesian investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table INDO5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

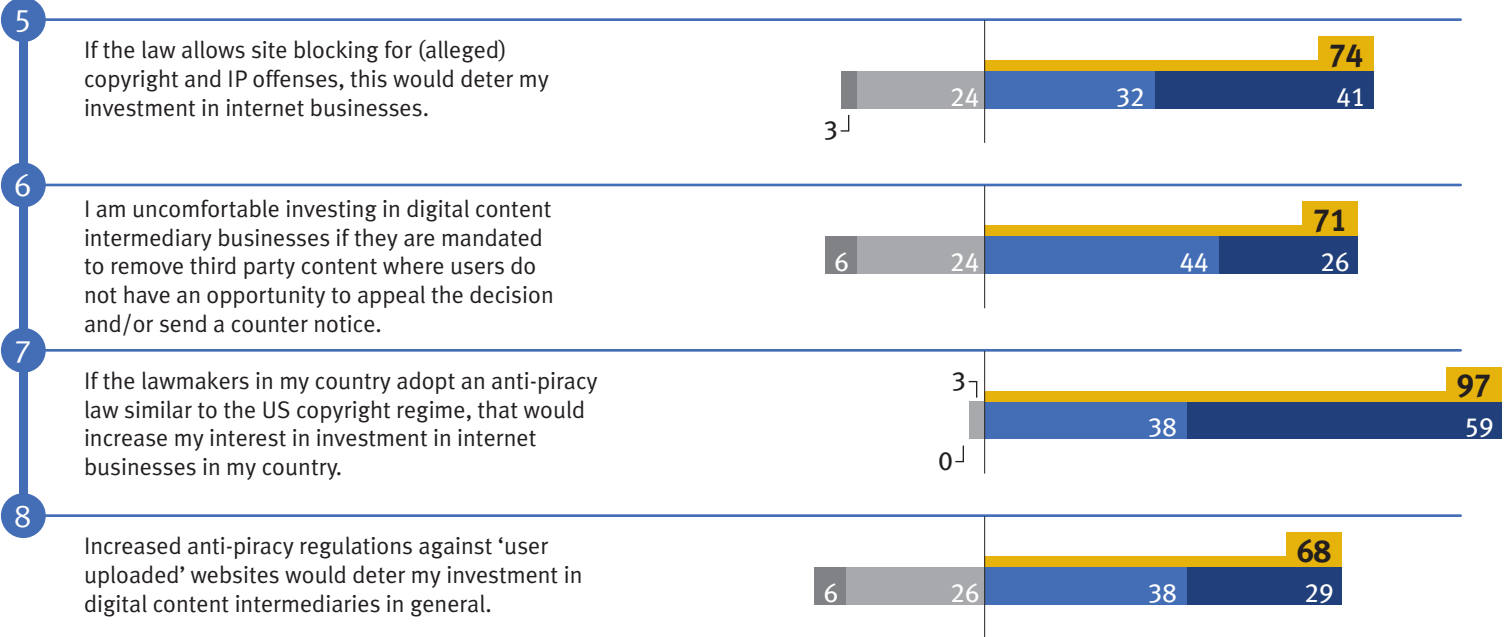
Indonesia benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Indonesian investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



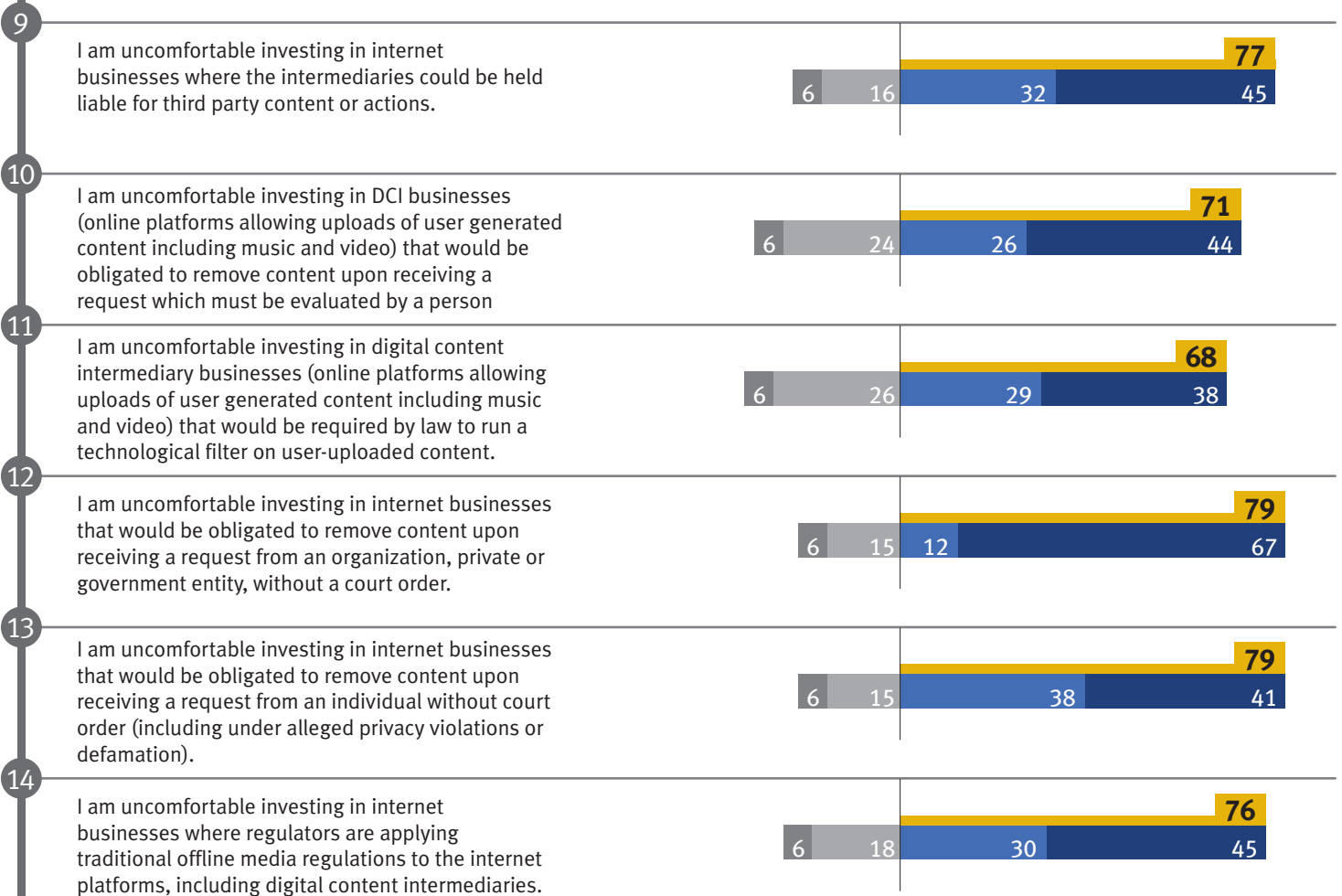


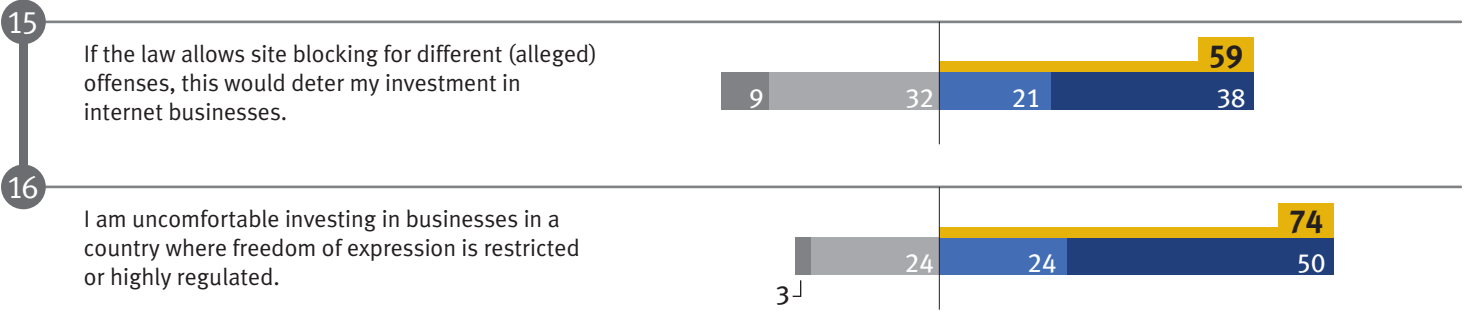
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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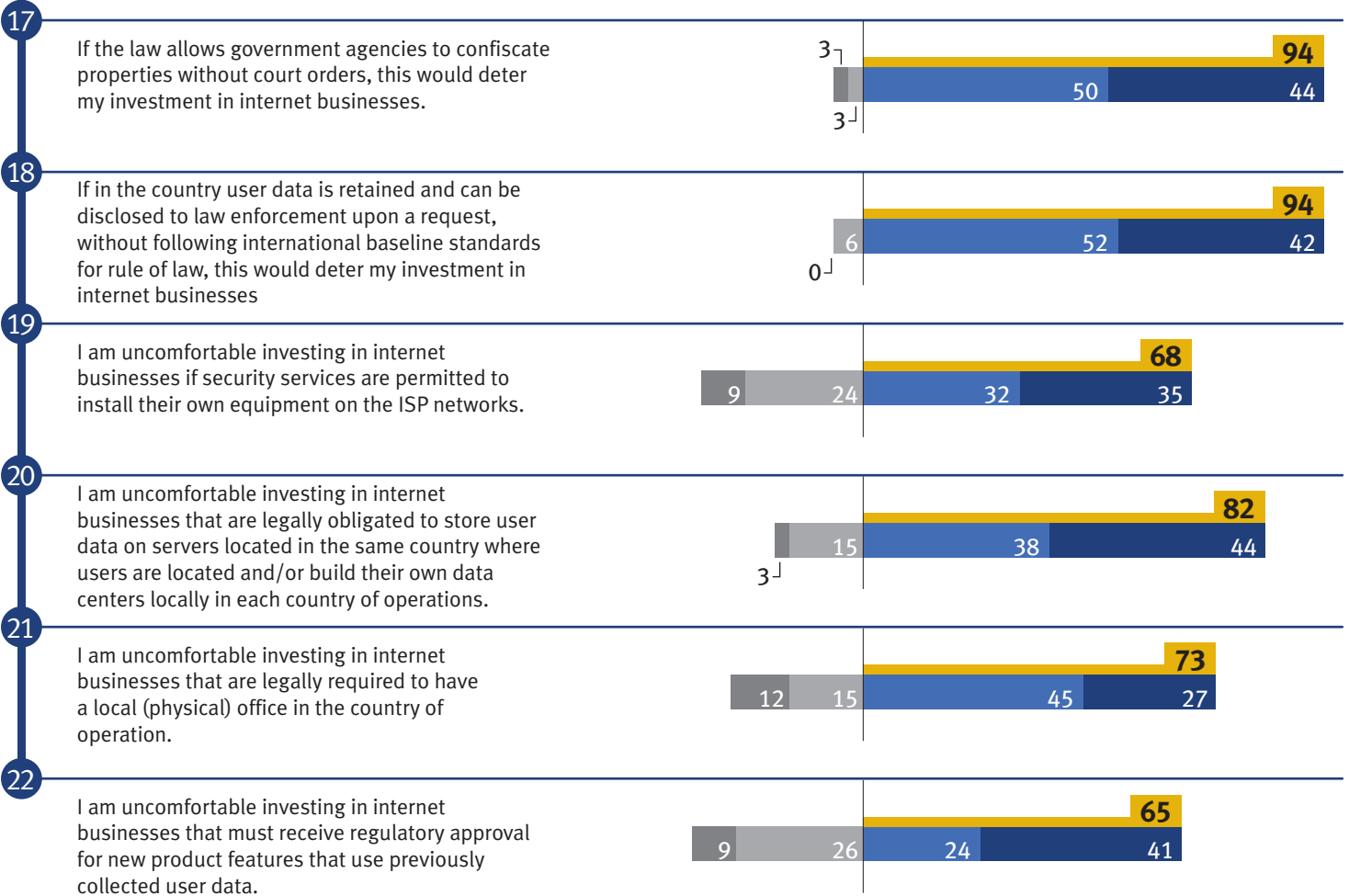


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

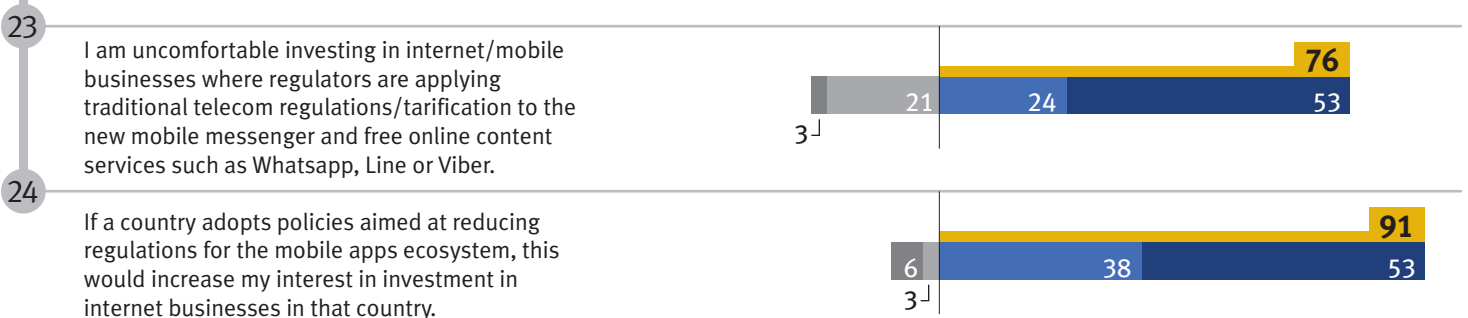




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



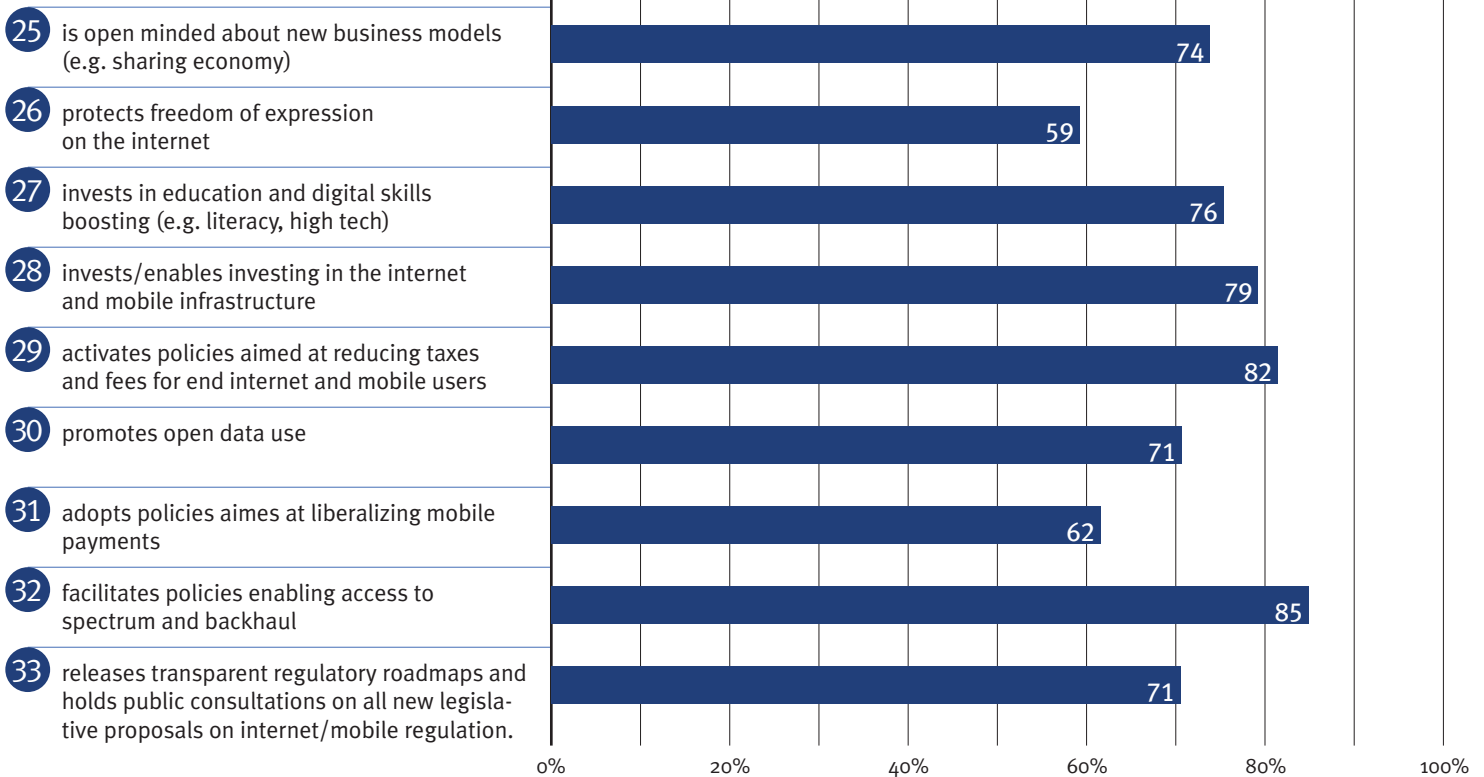


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE INDONESIAN IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE INDONESIAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS INDO25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF INDONESIAN FINDINGS

In summary, 91% of Indonesian investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Indonesian and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

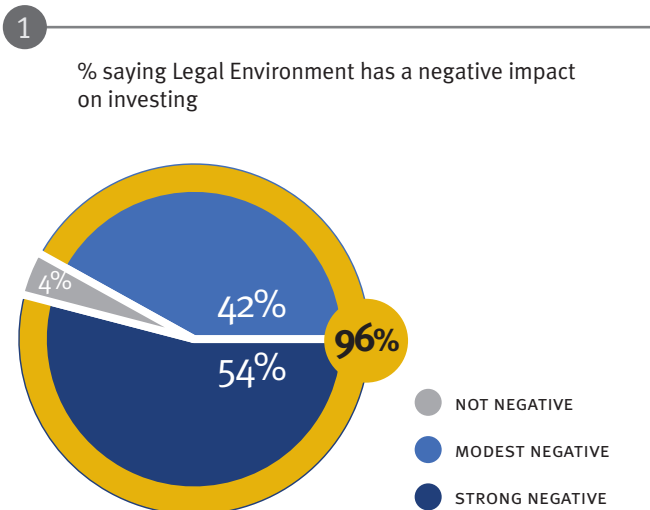
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.4 ISRAEL

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 26 INVESTORS IN ISRAEL IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE ISRAELI SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL ISRAELI INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Israeli investors view the legal environment as having a negative impact on their investing activities with 96% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit ISR1).
- + Regulatory ambiguity reduces investment activity with 65% of Israeli investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit ISR2).
- + Of significant concern to Israeli investors is the risk of secondary liability and the exposure to potentially very large damages, with 81% of investors raising this concern (see Exhibit ISR3).
- + Israeli investors are also closely monitoring Taxation. 77% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit ISR4).

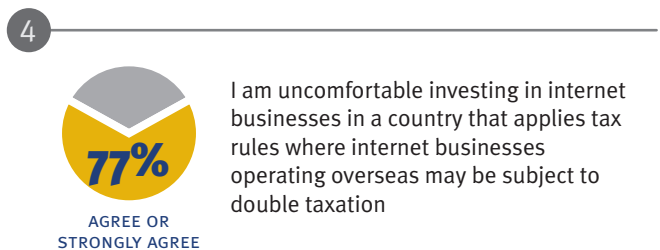
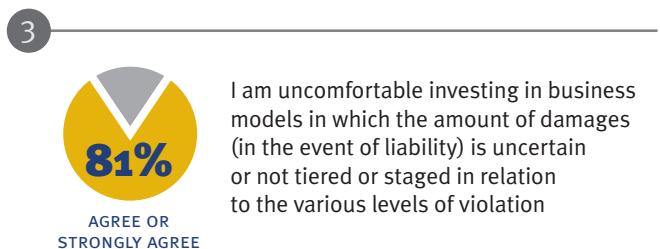
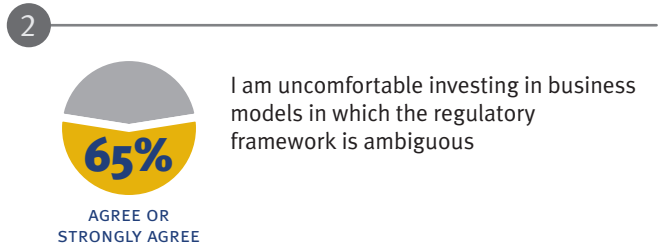


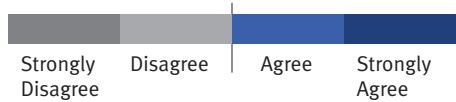
POTENTIAL AREAS OF REGULATION

We then asked Israeli investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table ISR5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

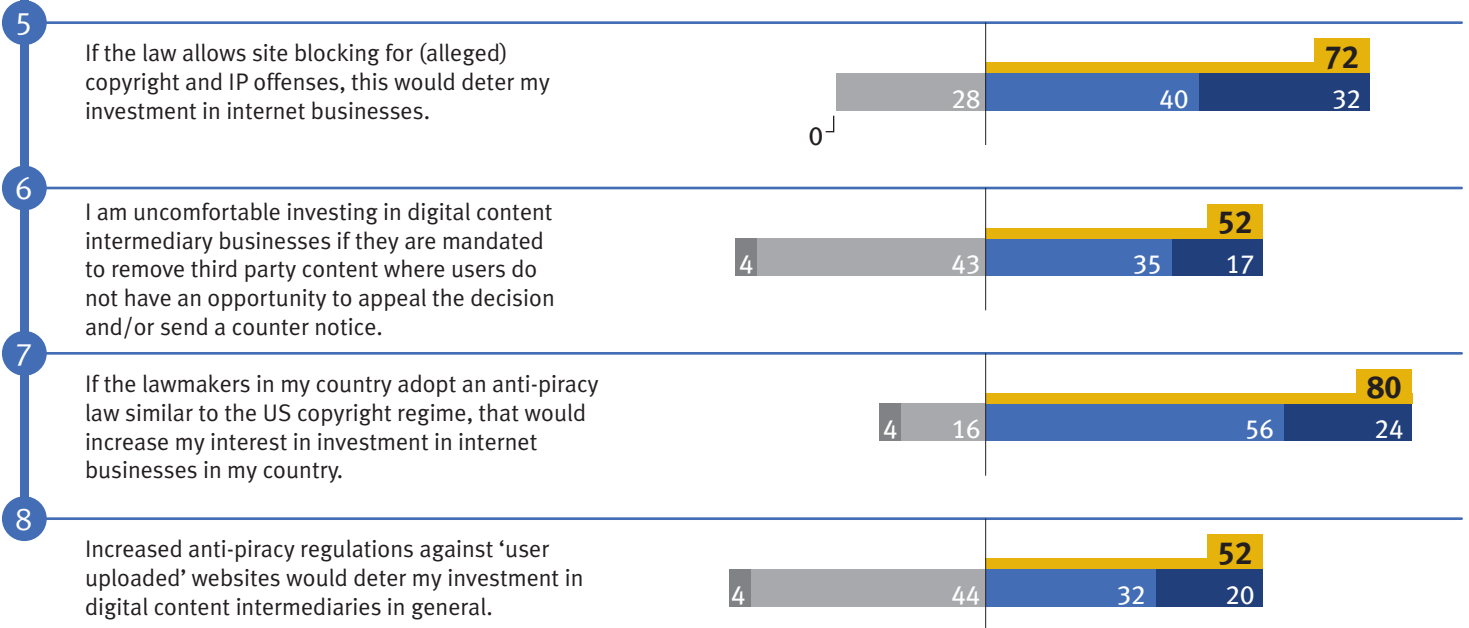
Israel benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Israeli investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



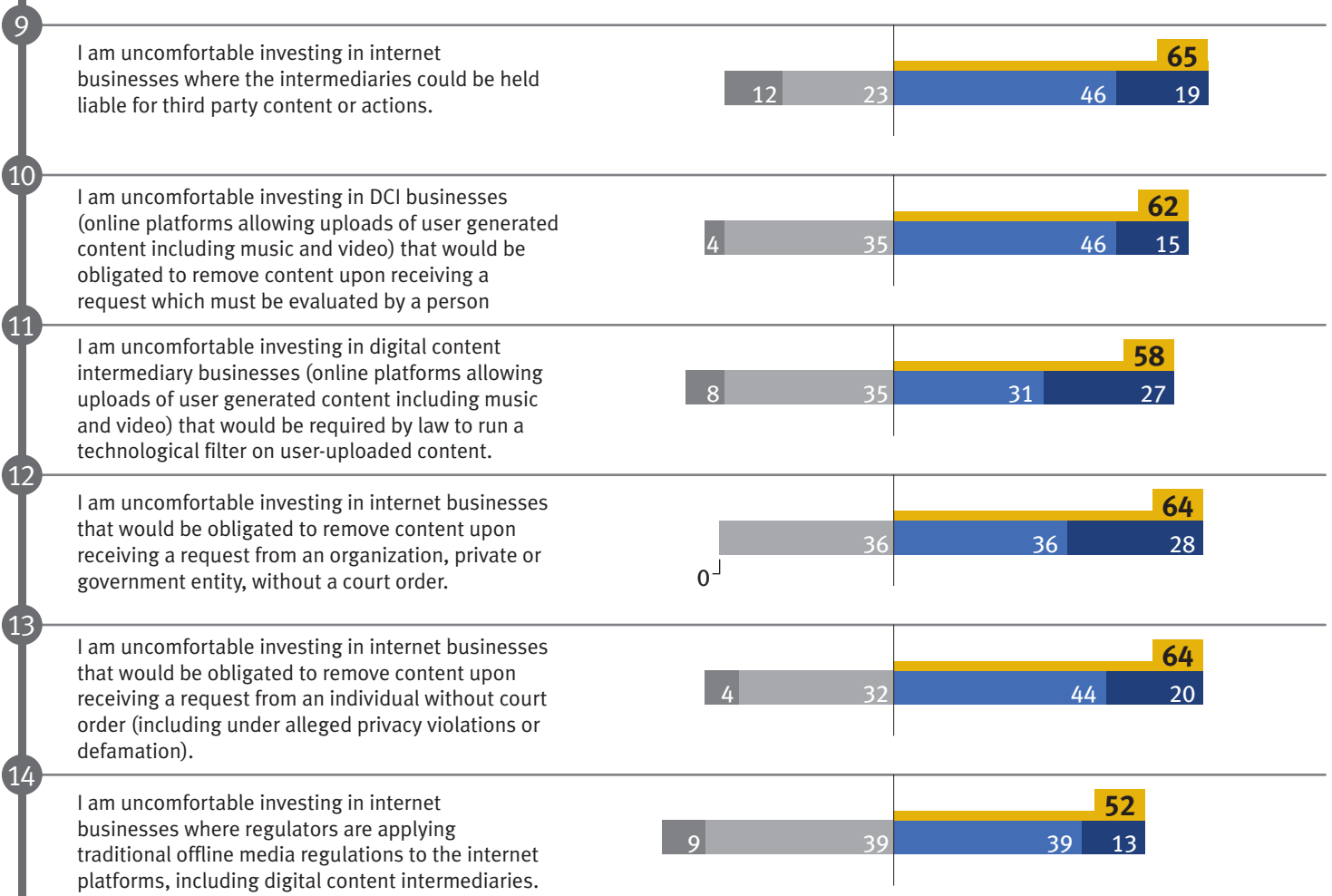


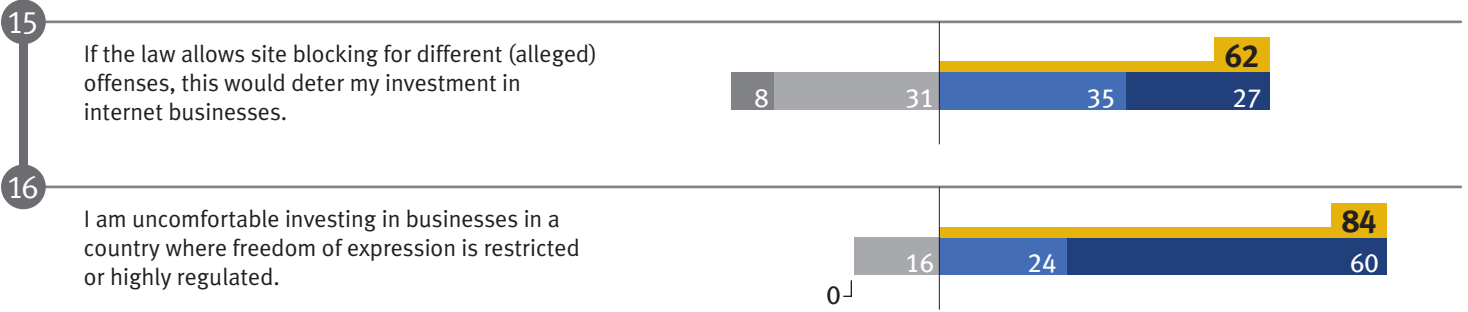
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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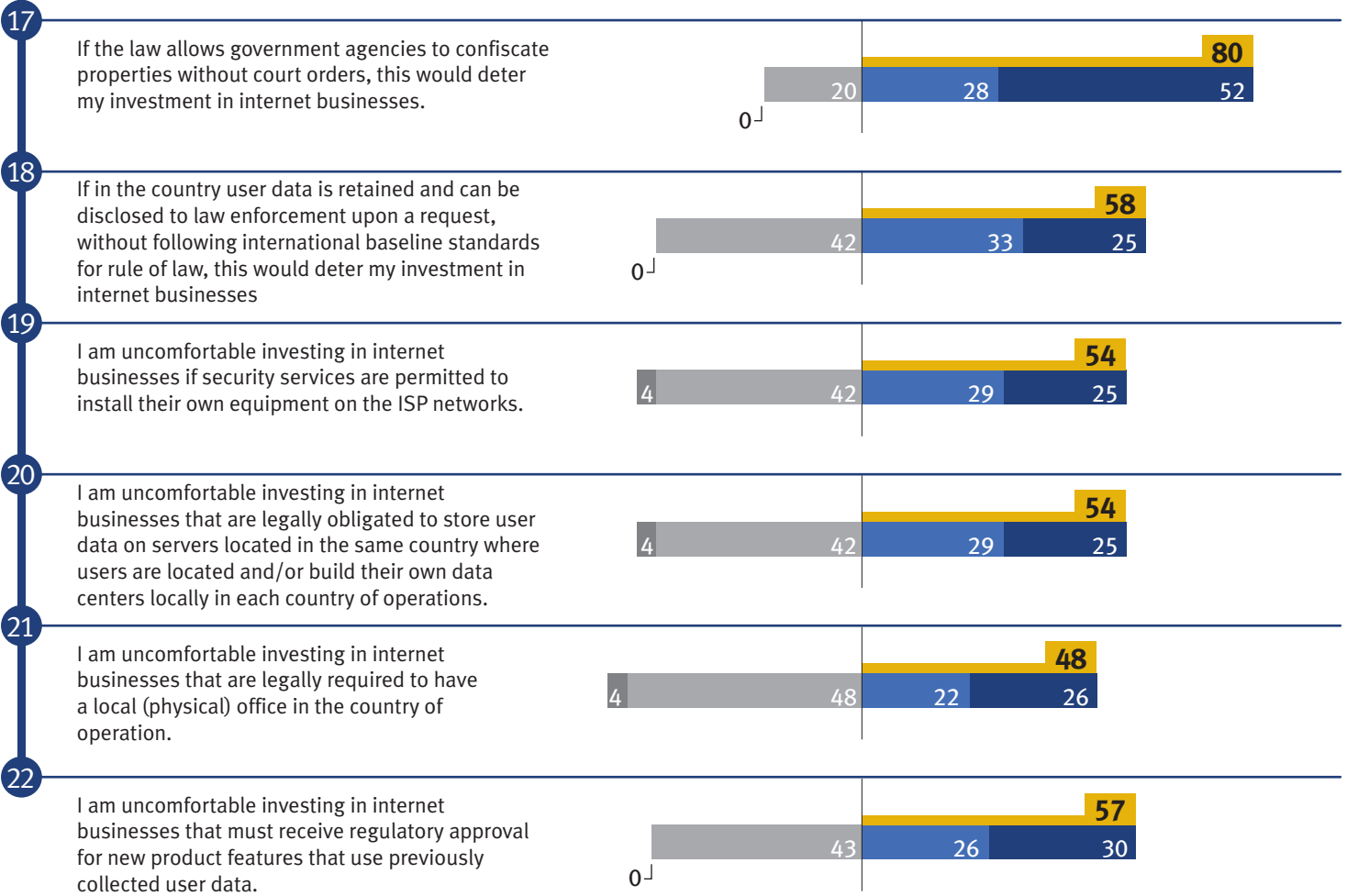


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

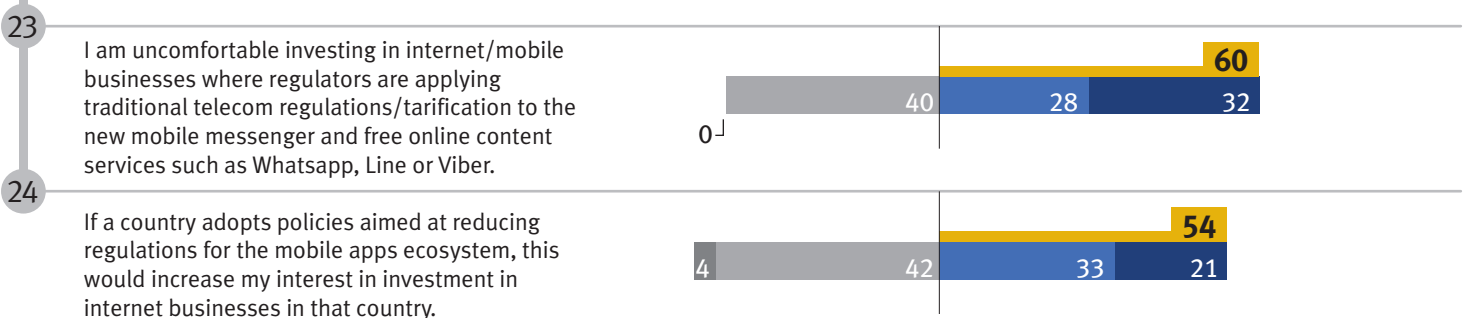




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



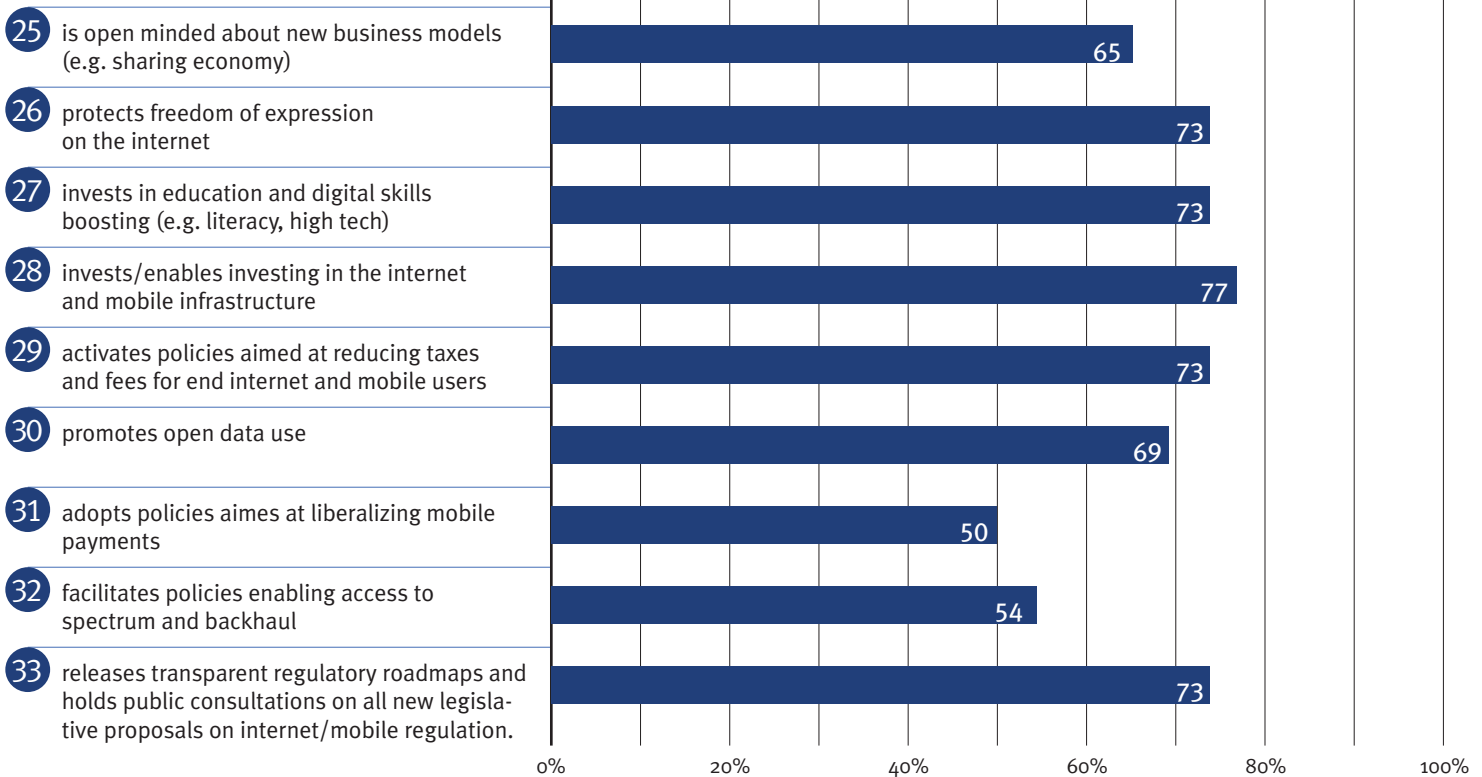


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE ISRAELI IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE ISRAELI GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS ISR25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF ISRAELI FINDINGS

In summary, 96% of Israeli investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Israeli and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

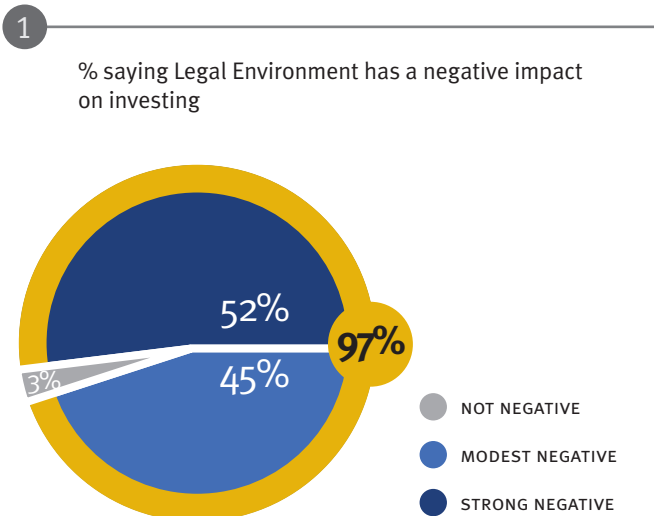
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.5 JAPAN

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 31 INVESTORS IN JAPAN IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE JAPANESE SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL JAPANESE INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Japanese investors view the legal environment as having a negative impact on their investing activities with 97% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit JPN1).
- + Regulatory ambiguity reduces investment activity with 71% of Japanese investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit JPN2).
- + Of significant concern to Japanese investors is the risk of secondary liability and the exposure to potentially very large damages, with 74% of investors raising this concern (see Exhibit JPN3).
- + Japanese investors are also closely monitoring Taxation. 77% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit JPN4).

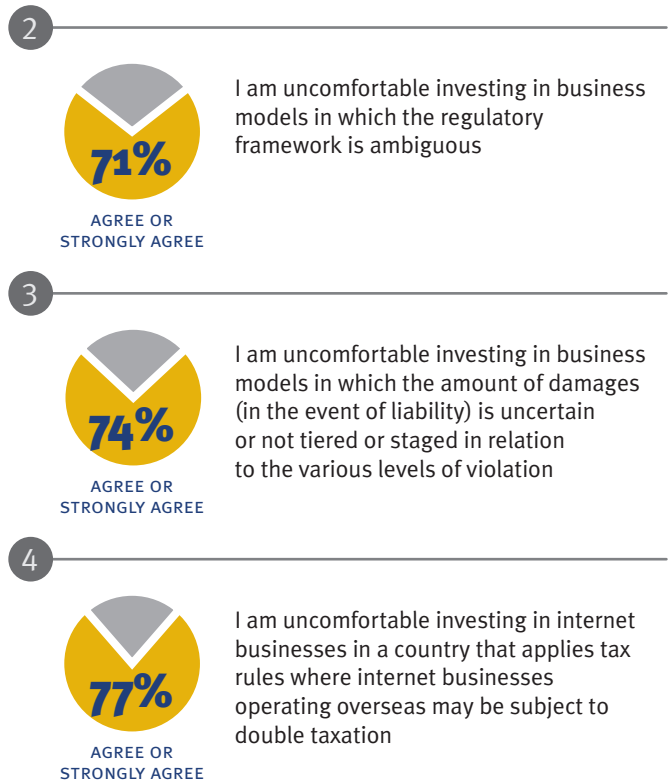


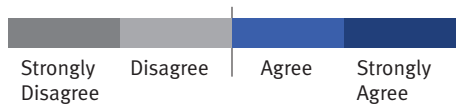
POTENTIAL AREAS OF REGULATION

We then asked Japanese investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table JPN5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

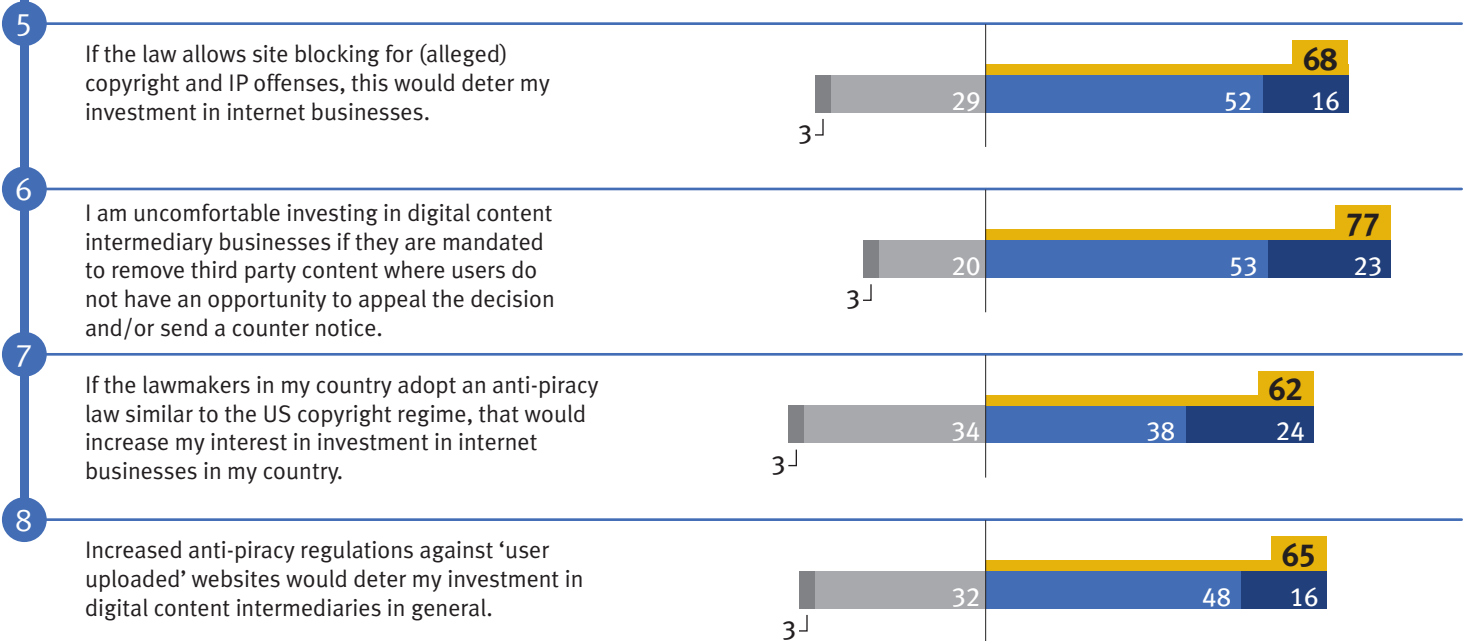
Japan benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Japanese investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



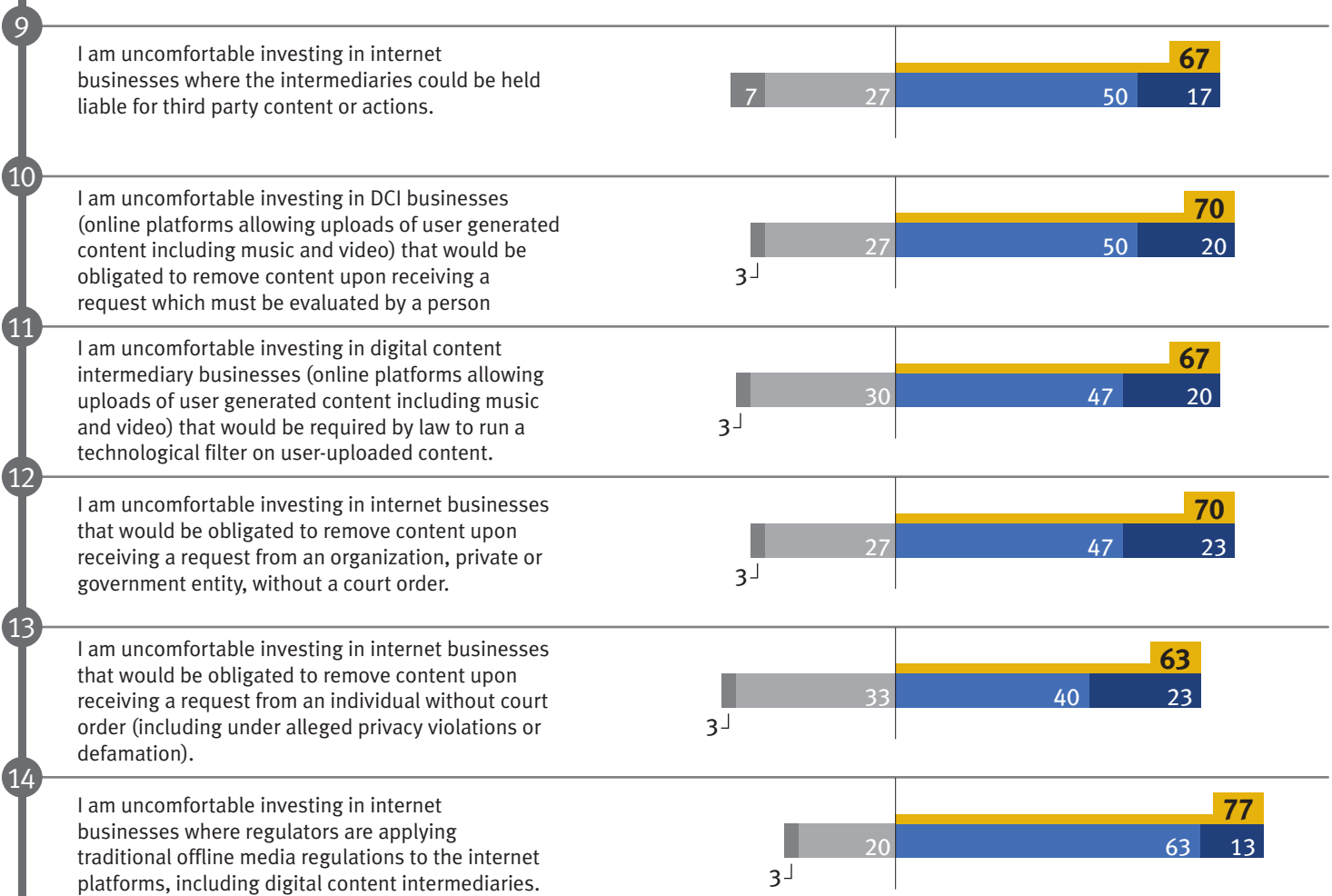


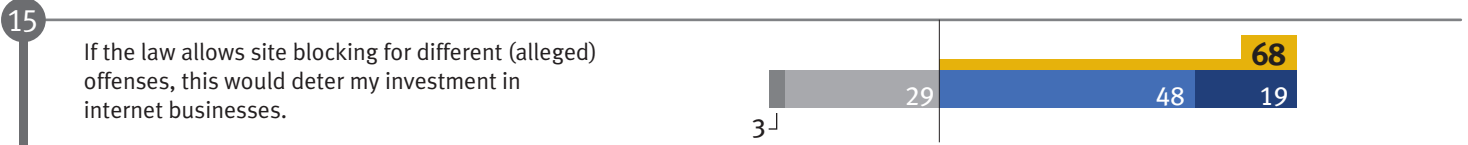
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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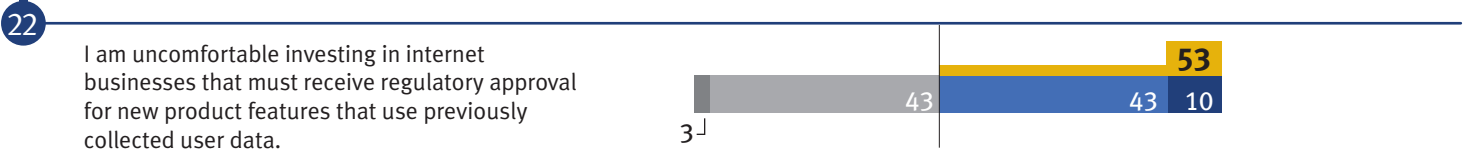
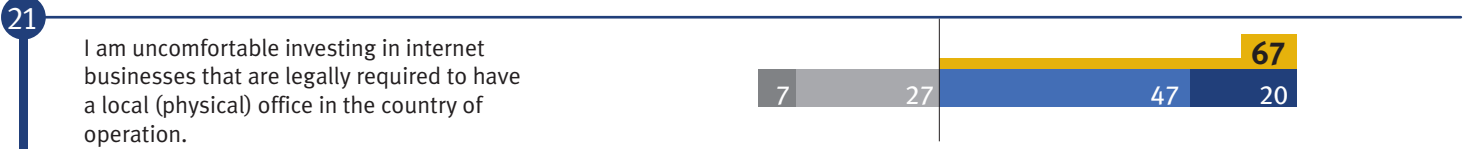
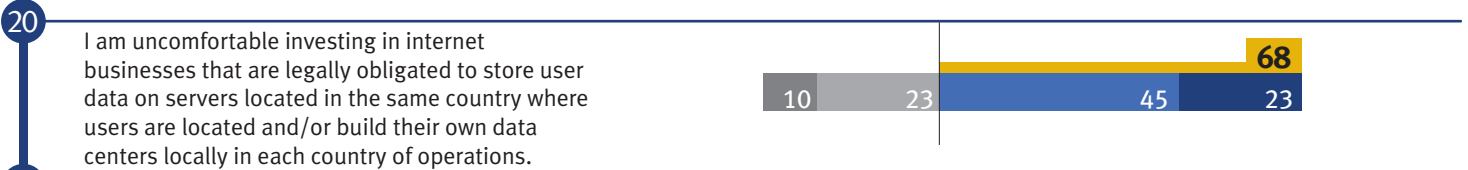


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

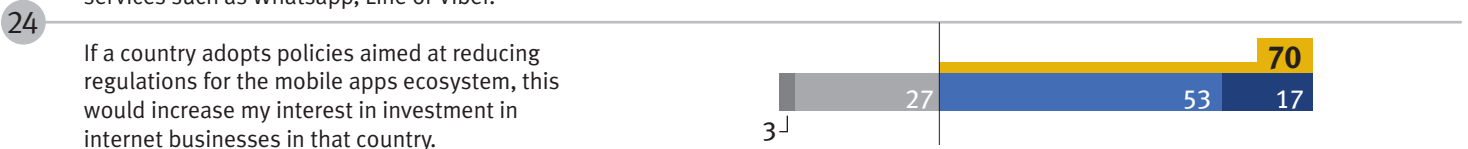




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



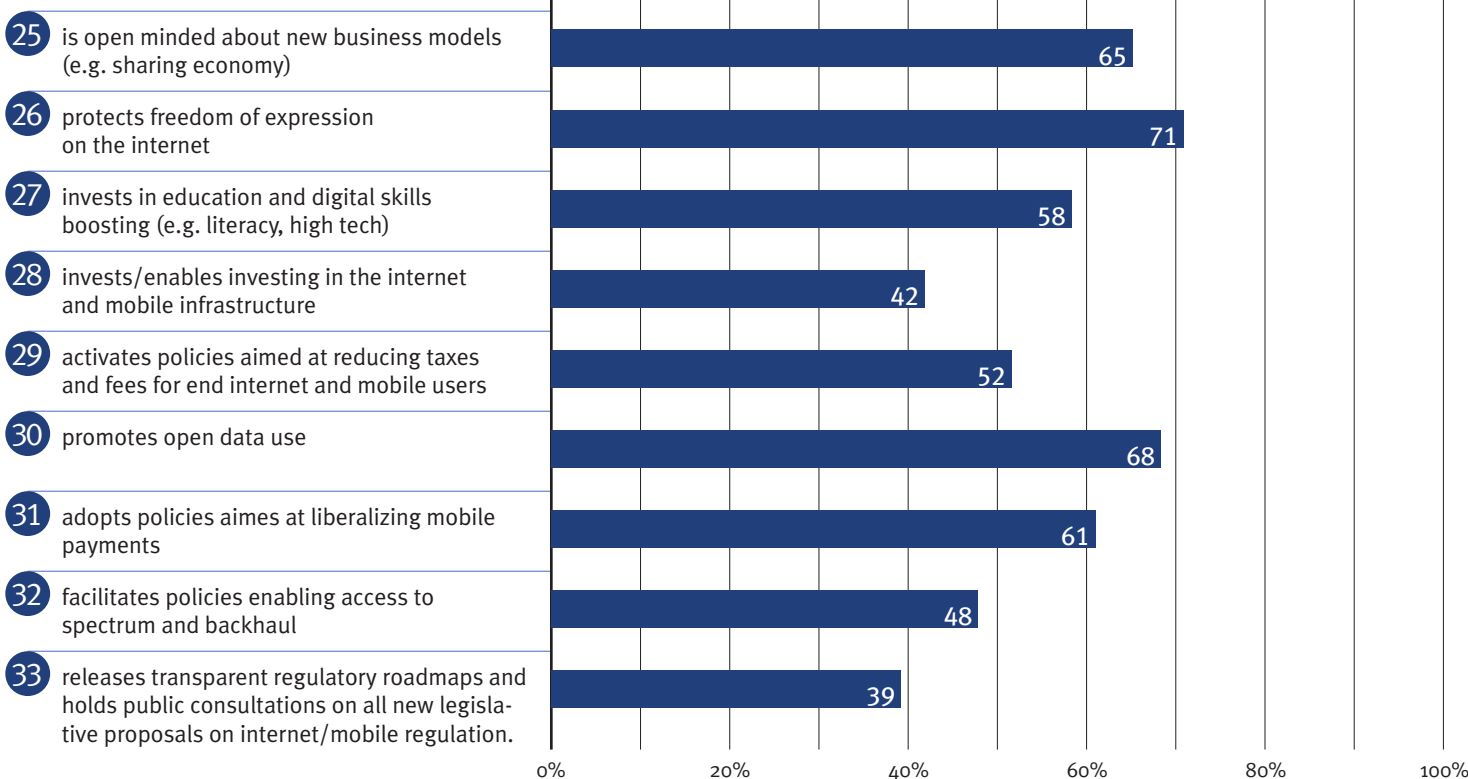


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE JAPANESE IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE JAPANESE GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS JPN25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF JAPANESE FINDINGS

In summary, 97% of Japanese investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Japanese and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

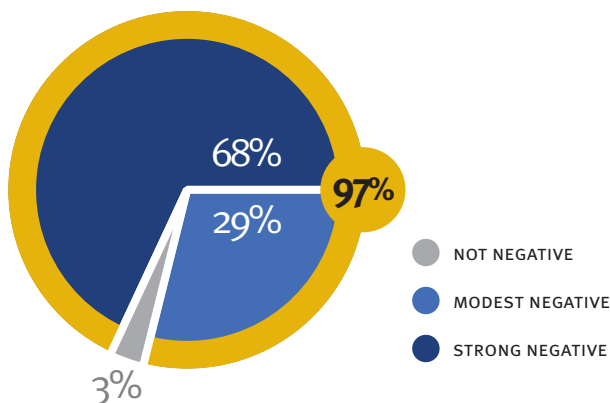
7.6 KOREA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 34 INVESTORS IN KOREA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE KOREAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL KOREAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Korean investors view the legal environment as having a negative impact on their investing activities with 97% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit KOR1).
- + Regulatory ambiguity reduces investment activity with 88% of Korean investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit KOR2).
- + Of significant concern to Korean investors is the risk of secondary liability and the exposure to potentially very large damages, with 79% of investors raising this concern (see Exhibit KOR3).
- + Korean investors are also closely monitoring Taxation. 74% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit KOR4).

1 % saying Legal Environment has a negative impact on investing

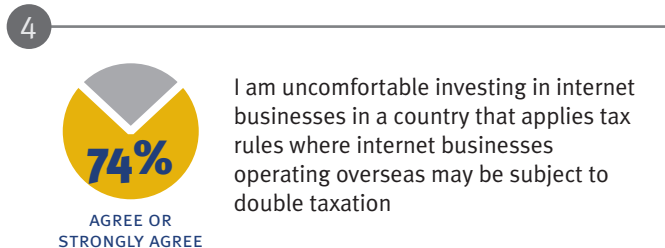
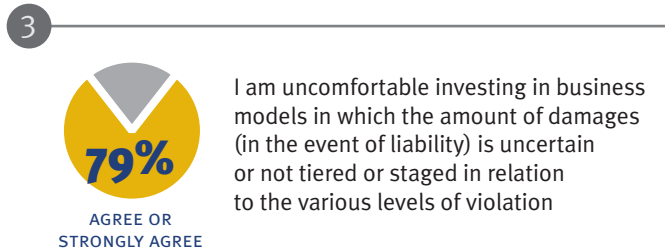
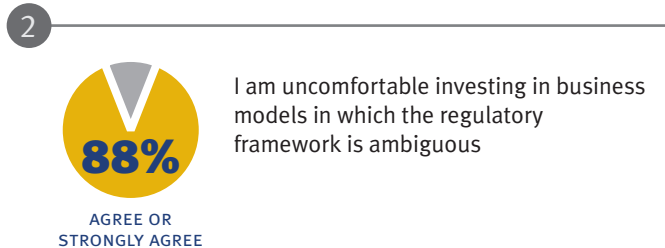


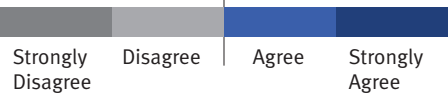
POTENTIAL AREAS OF REGULATION

We then asked Korean investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table KOR5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

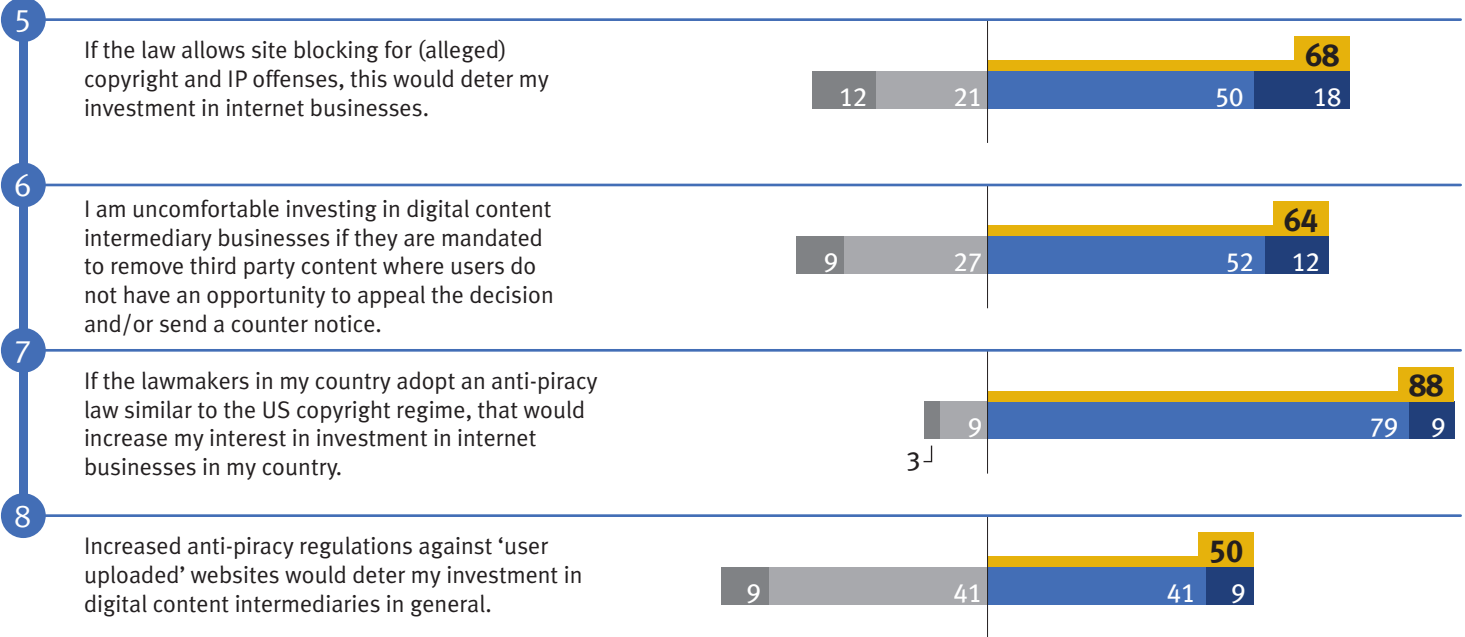
Korea benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Korean investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



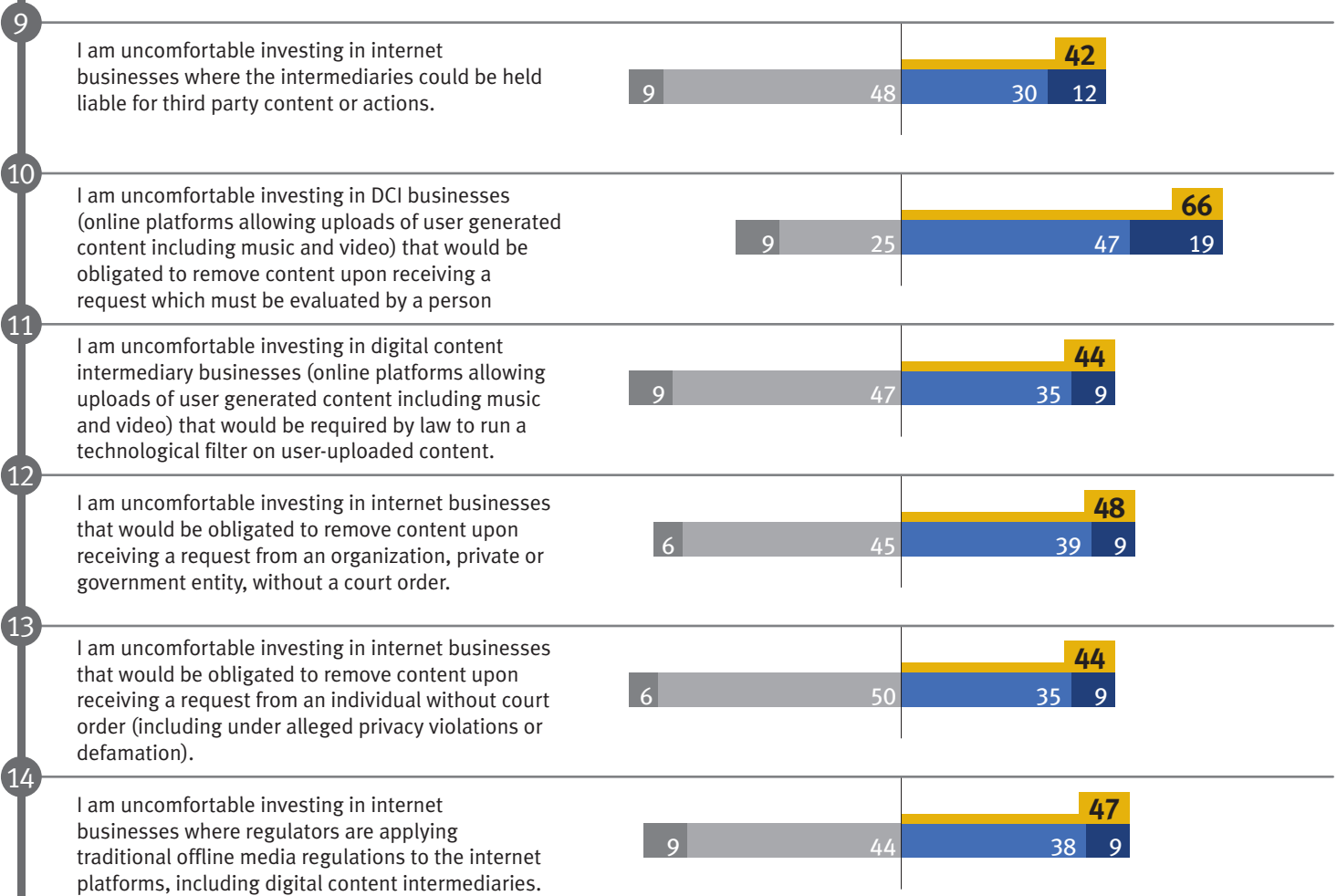


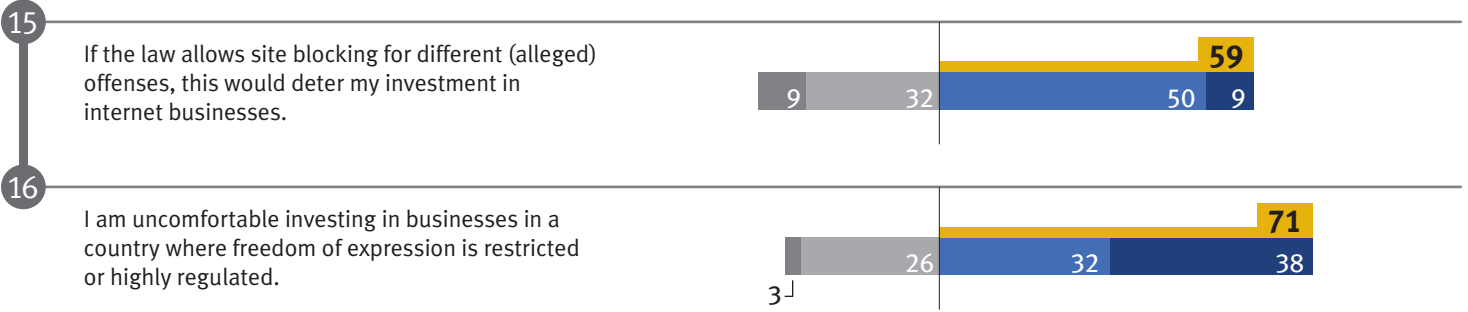
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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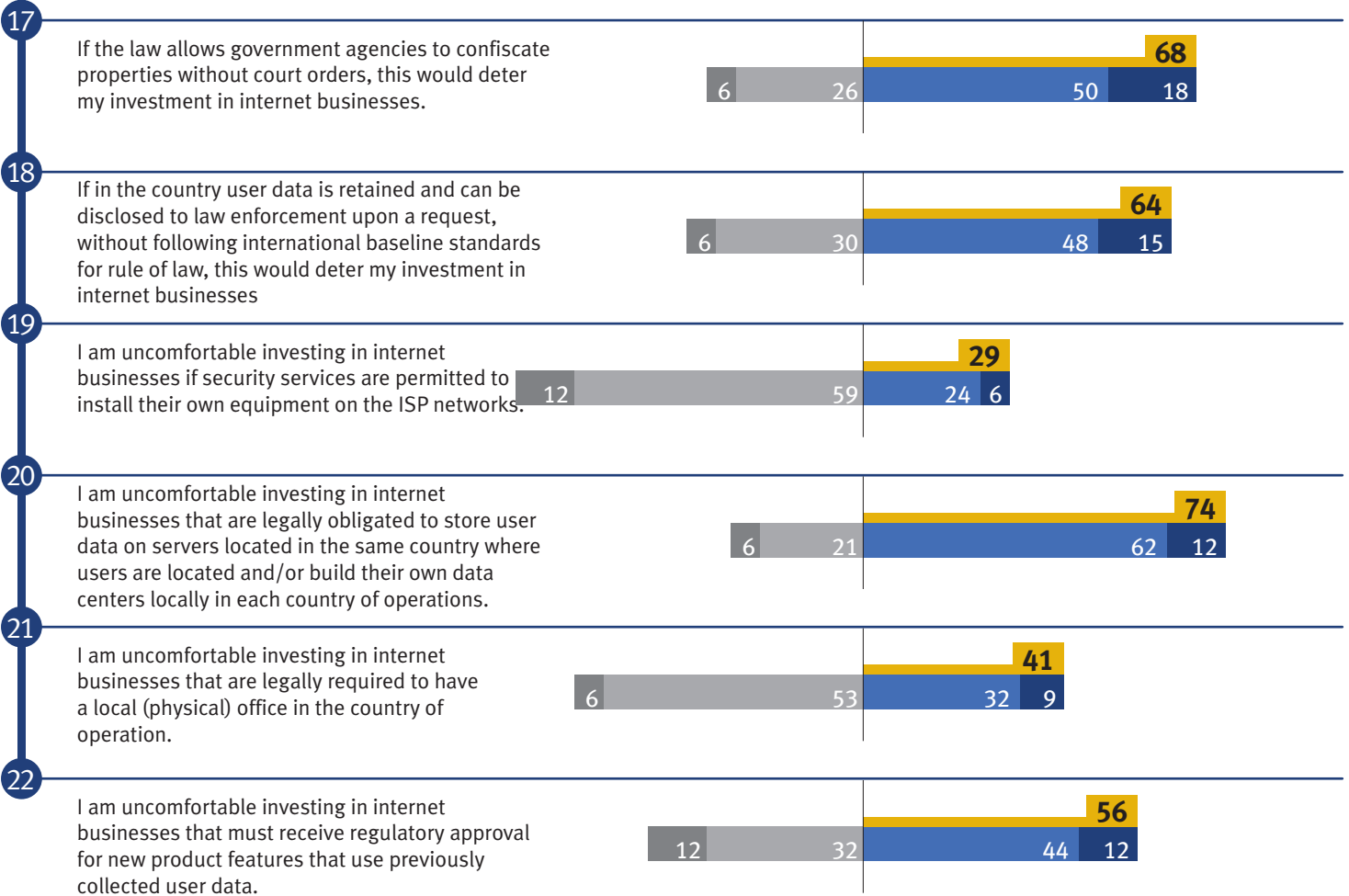


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

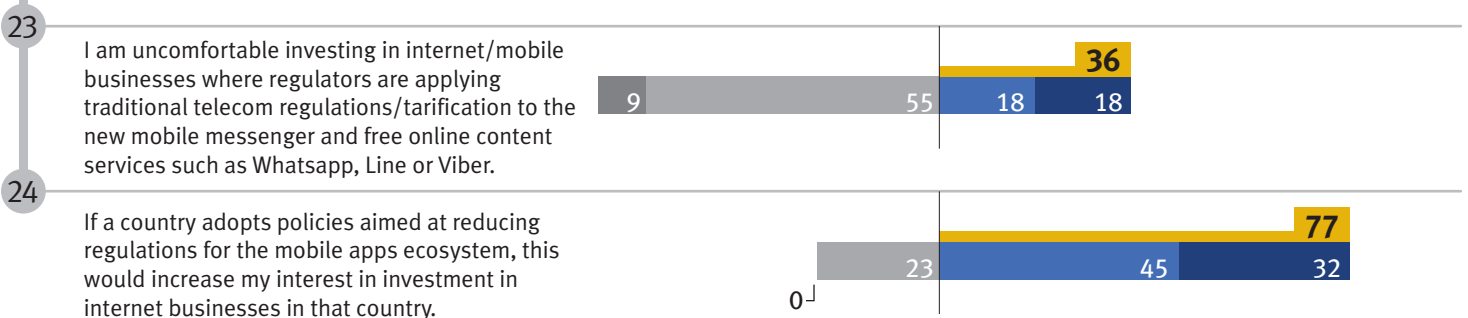




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



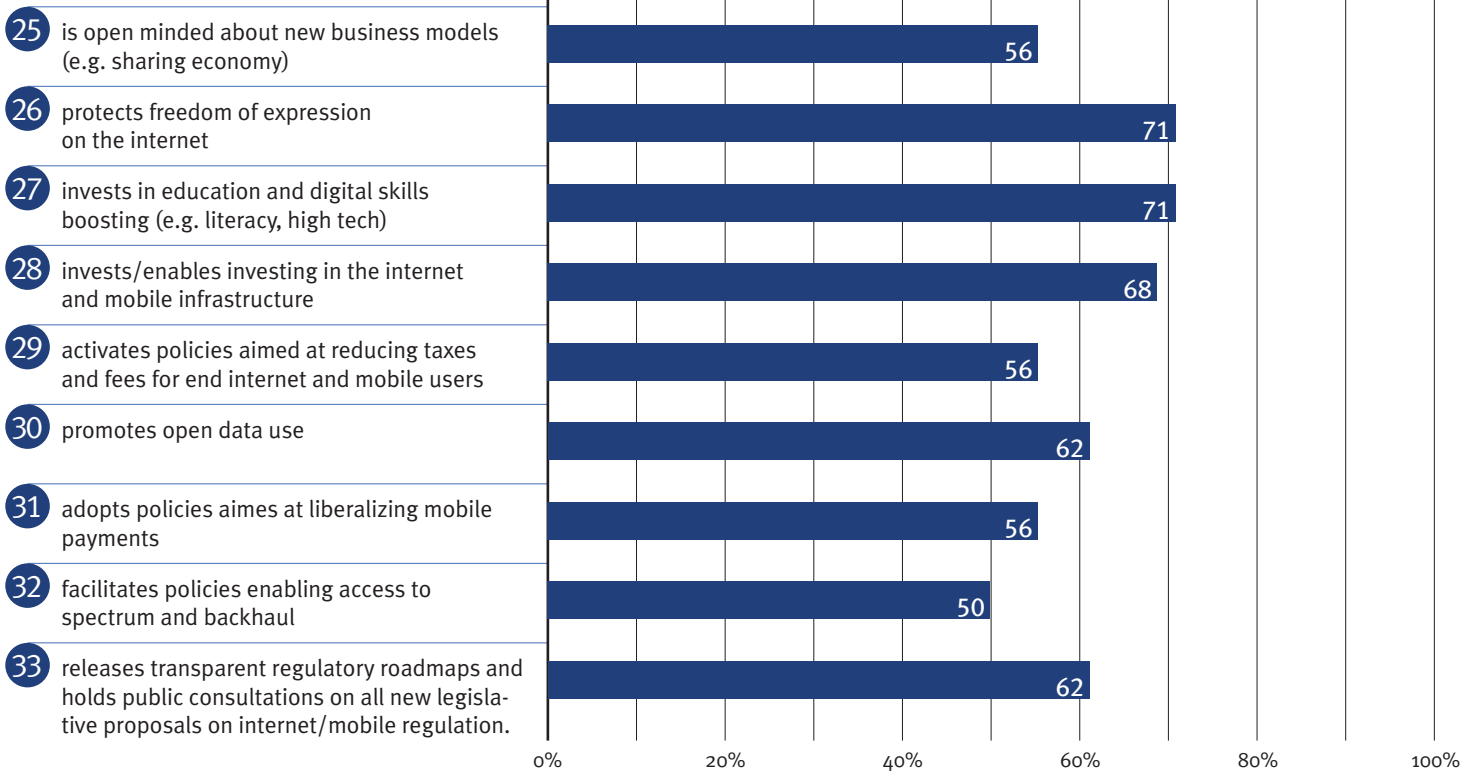


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE KOREA IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE KOREAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS KOR25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF KOREAN FINDINGS

In summary, 97% of Korean investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Korean and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

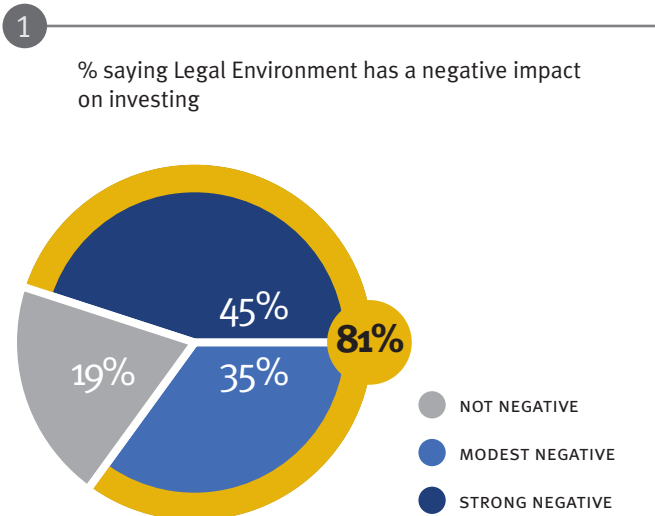
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.7 NIGERIA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 31 INVESTORS IN NIGERIA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE NIGERIAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL NIGERIAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Nigerian investors view the legal environment as having a negative impact on their investing activities with 81% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit NIG1).
- + Regulatory ambiguity reduces investment activity with 74% of Nigerian investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit NIG2).
- + Of significant concern to Nigerian investors is the risk of secondary liability and the exposure to potentially very large damages, with 77% of investors raising this concern (see Exhibit NIG3).
- + Nigerian investors are also closely monitoring Taxation. 84% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit NIG4).

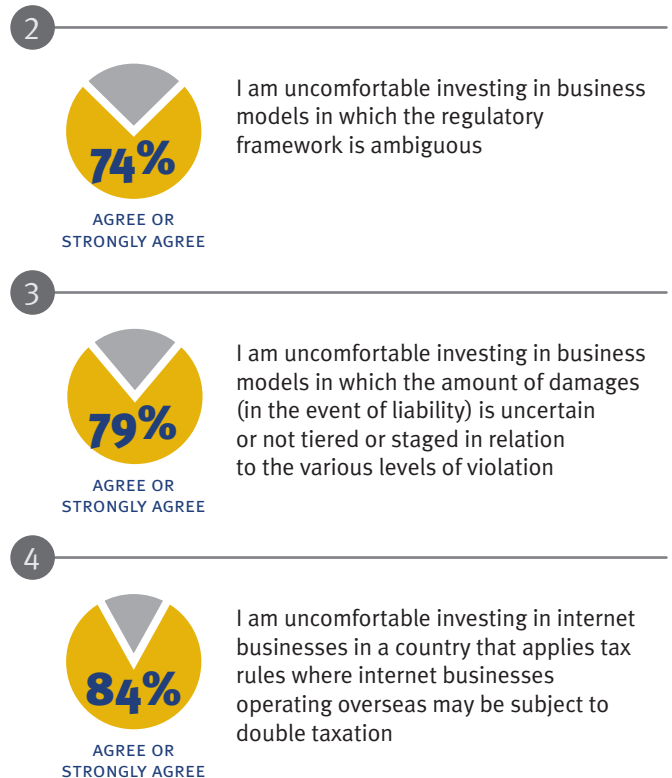


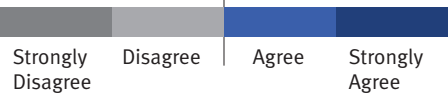
POTENTIAL AREAS OF REGULATION

We then asked Nigerian investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table NIG5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

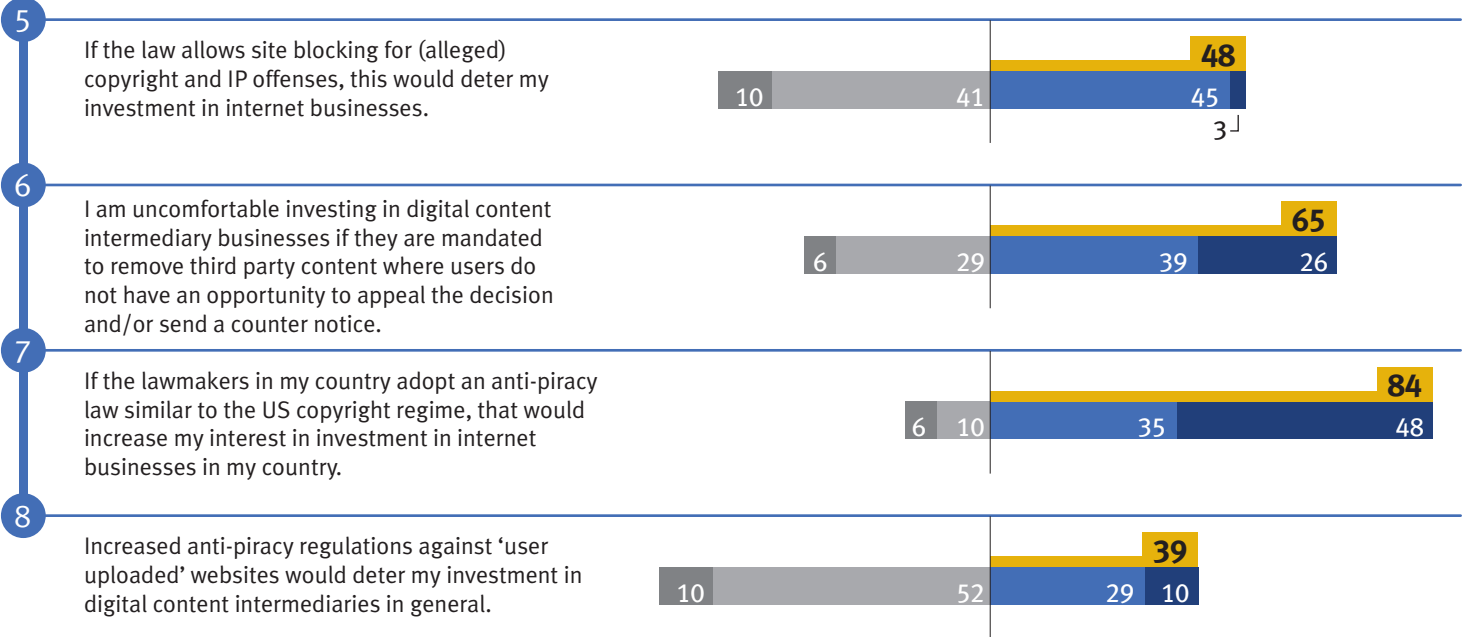
Nigeria benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Nigerian investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



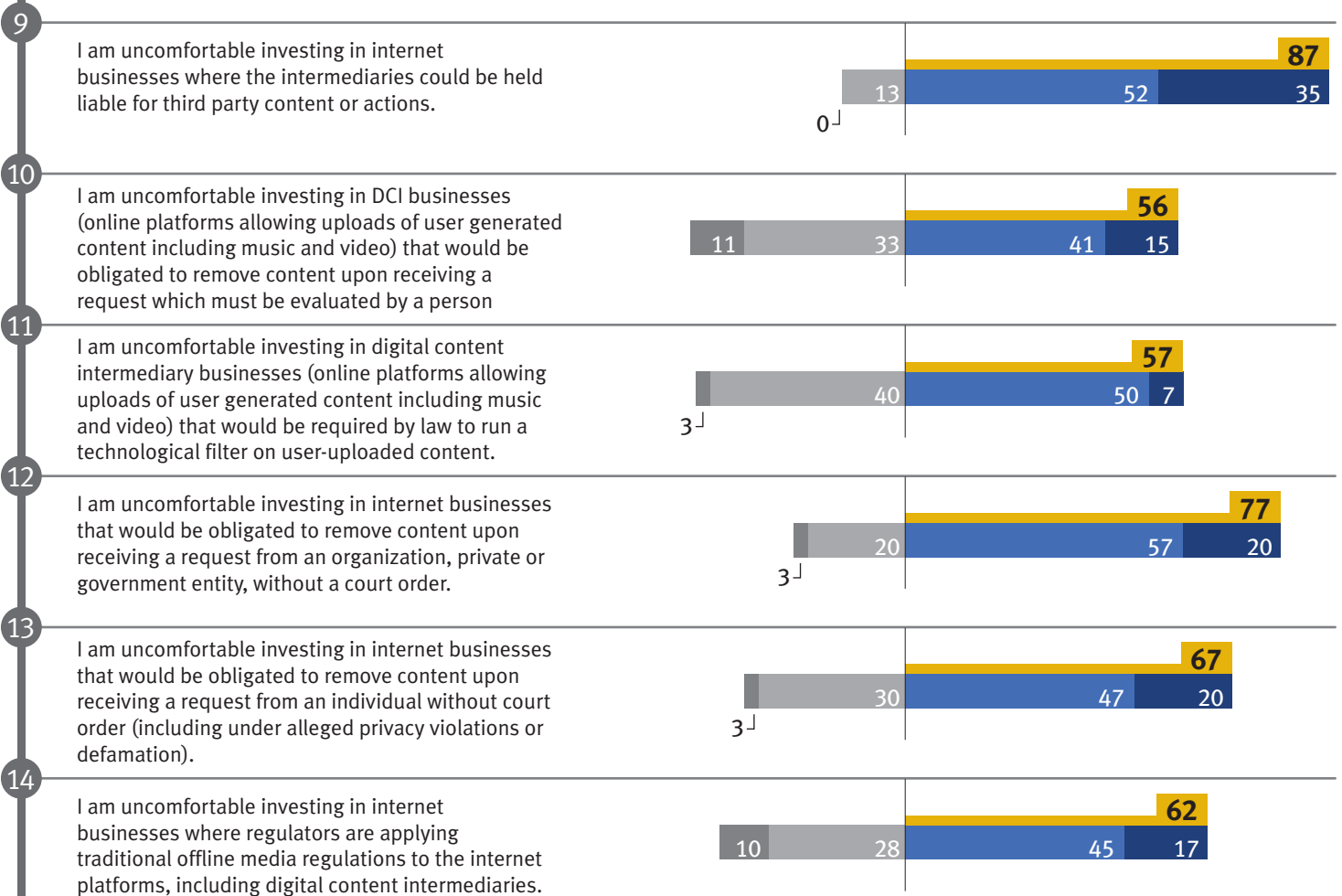


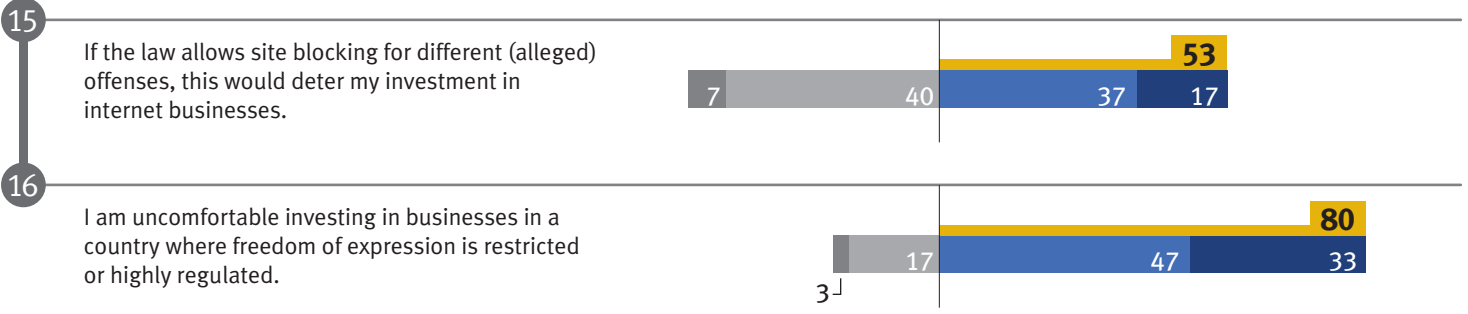
+ Numbers shown in percents
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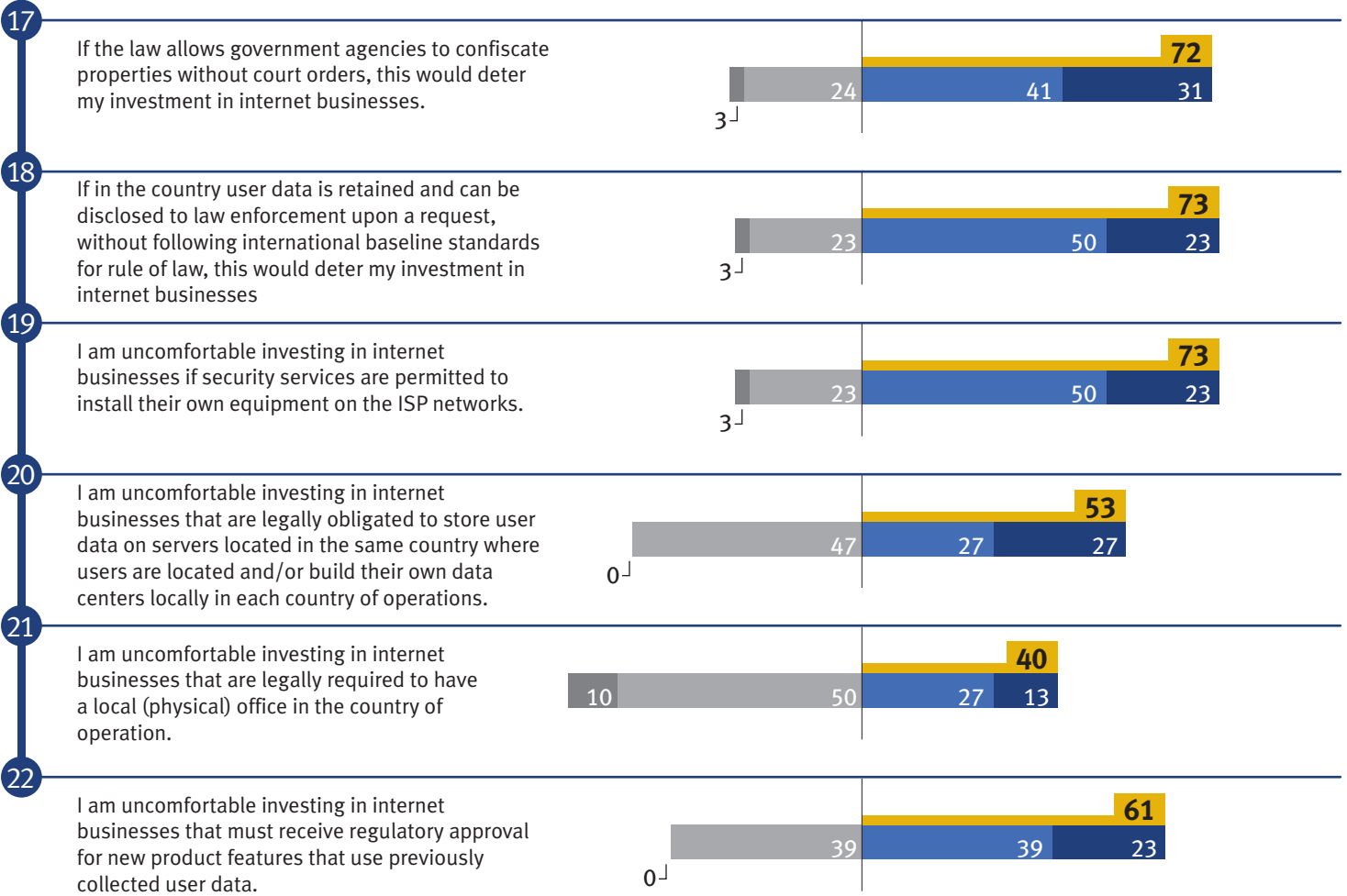


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

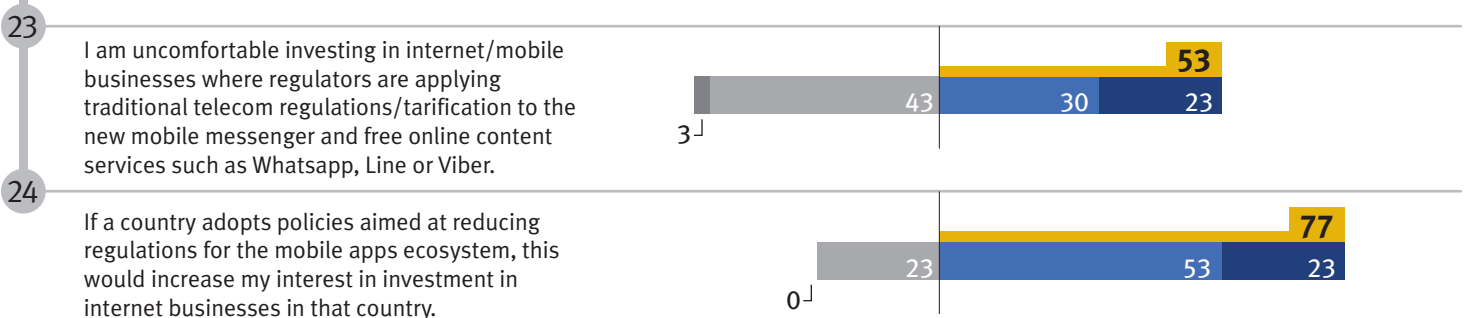




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES

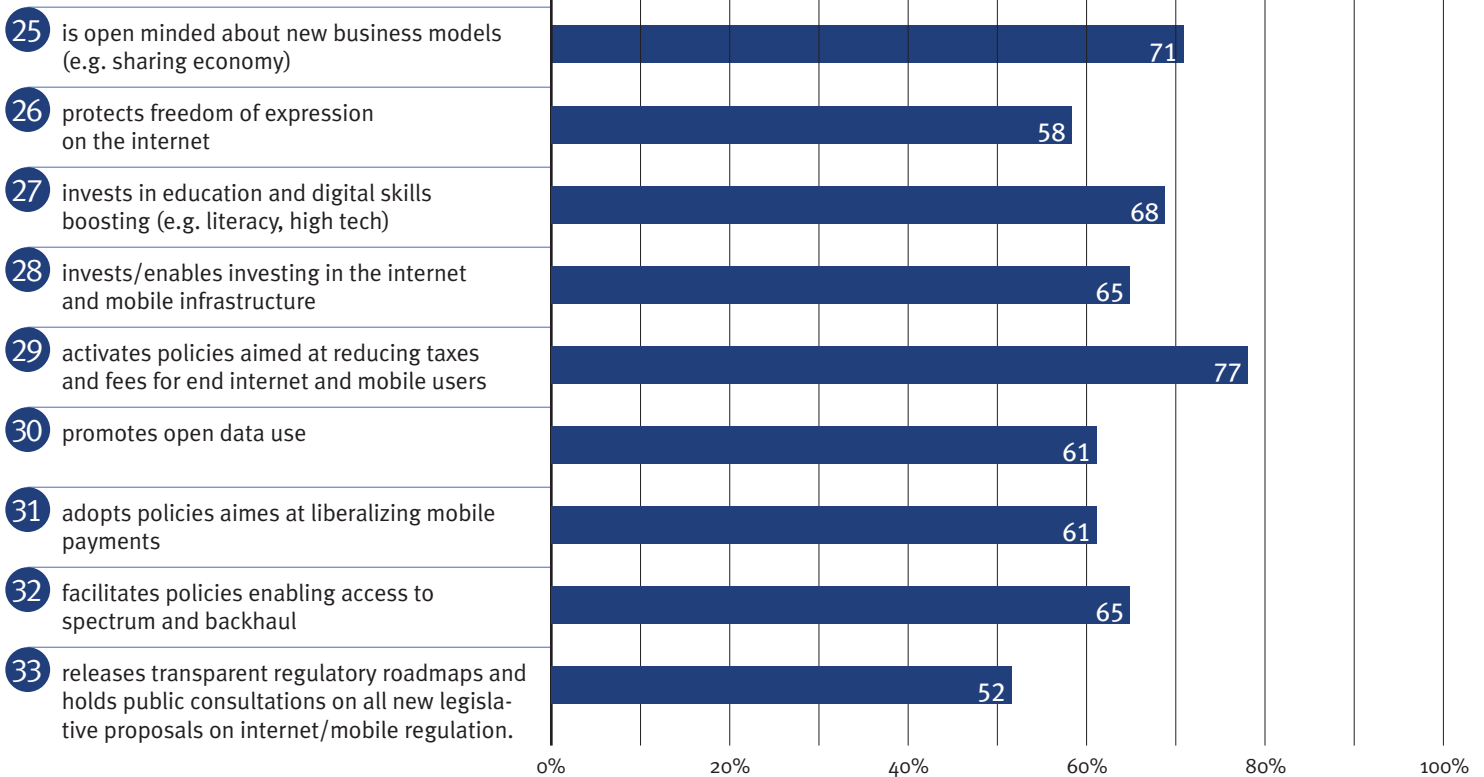


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE NIGERIAN IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE NIGERIAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS NIG25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF NIGERIAN FINDINGS

In summary, 81% of Nigerian investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Nigerian and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

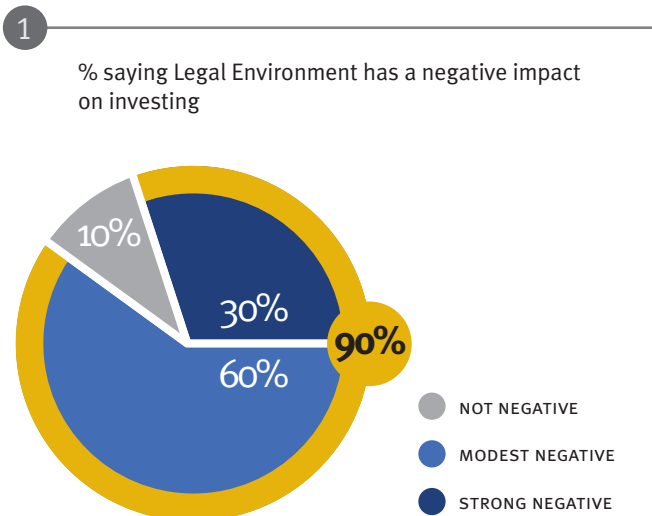
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.8 SAUDI ARABIA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 30 INVESTORS IN SAUDI ARABIA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE SAUDI ARABIAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL SAUDI ARABIAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Saudi investors view the legal environment as having a negative impact on their investing activities with 90% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit SAU1).
- + Regulatory ambiguity reduces investment activity with 80% of Saudi investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit SAU2).
- + Of significant concern to Saudi investors is the risk of secondary liability and the exposure to potentially very large damages, with 79% of investors raising this concern (see Exhibit SAU3).
- + Saudi investors are also closely monitoring Taxation. 81% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit SAU4).

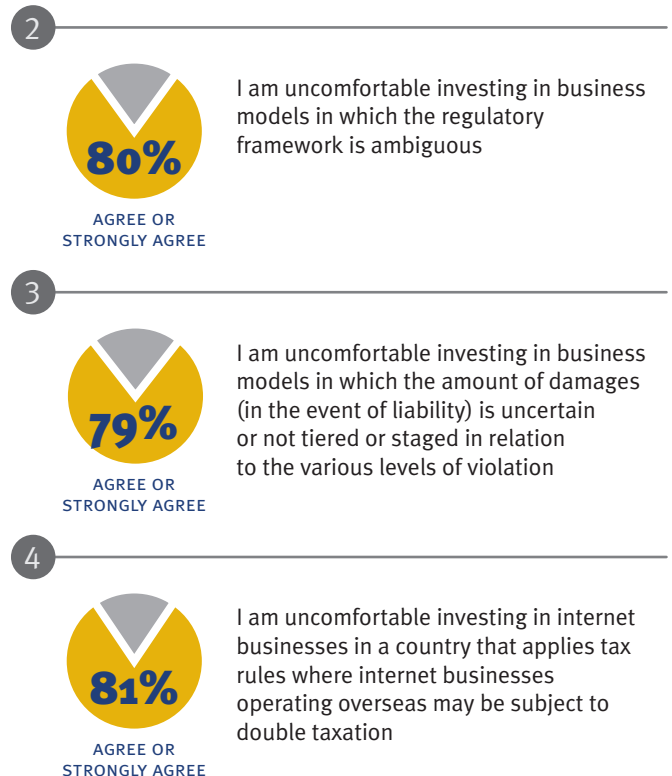


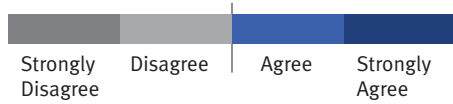
POTENTIAL AREAS OF REGULATION

We then asked Saudi investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table SAU5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

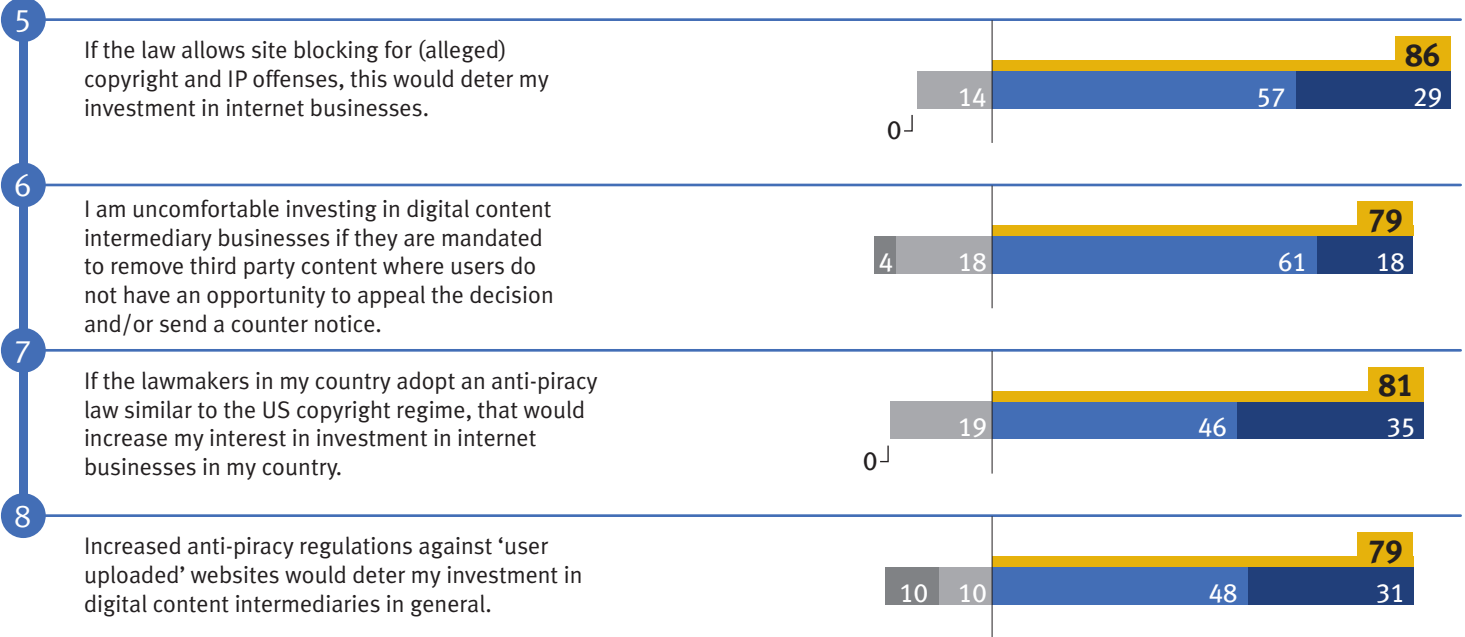
Saudi Arabia benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Saudi investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



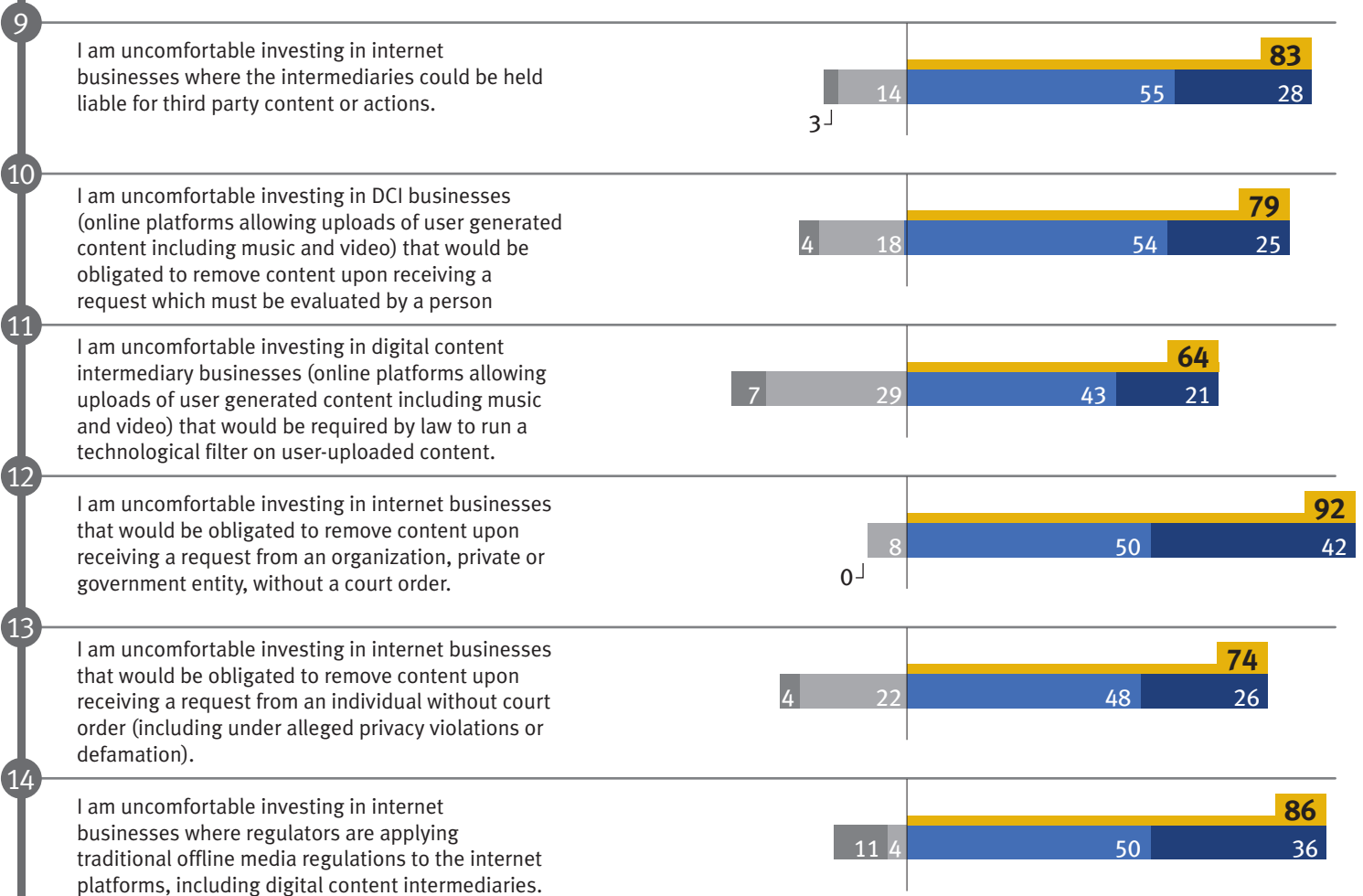


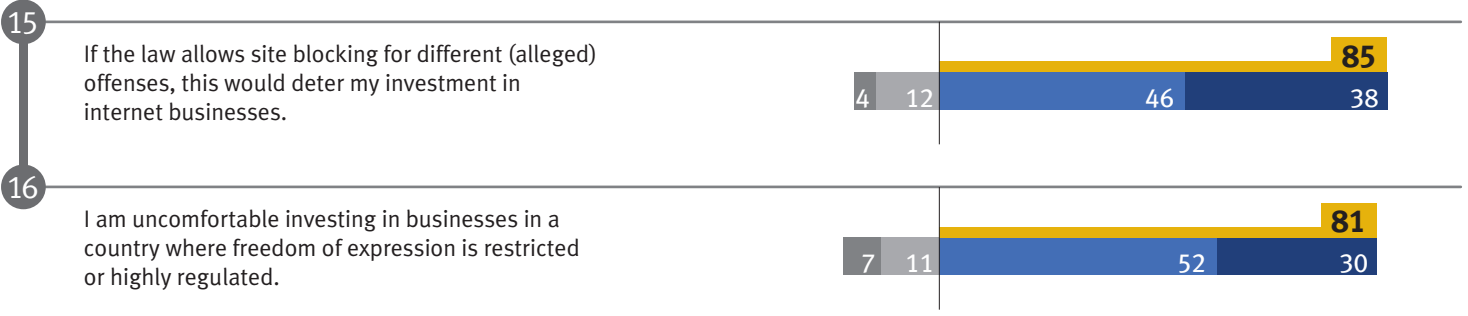
+ Numbers shown in percents
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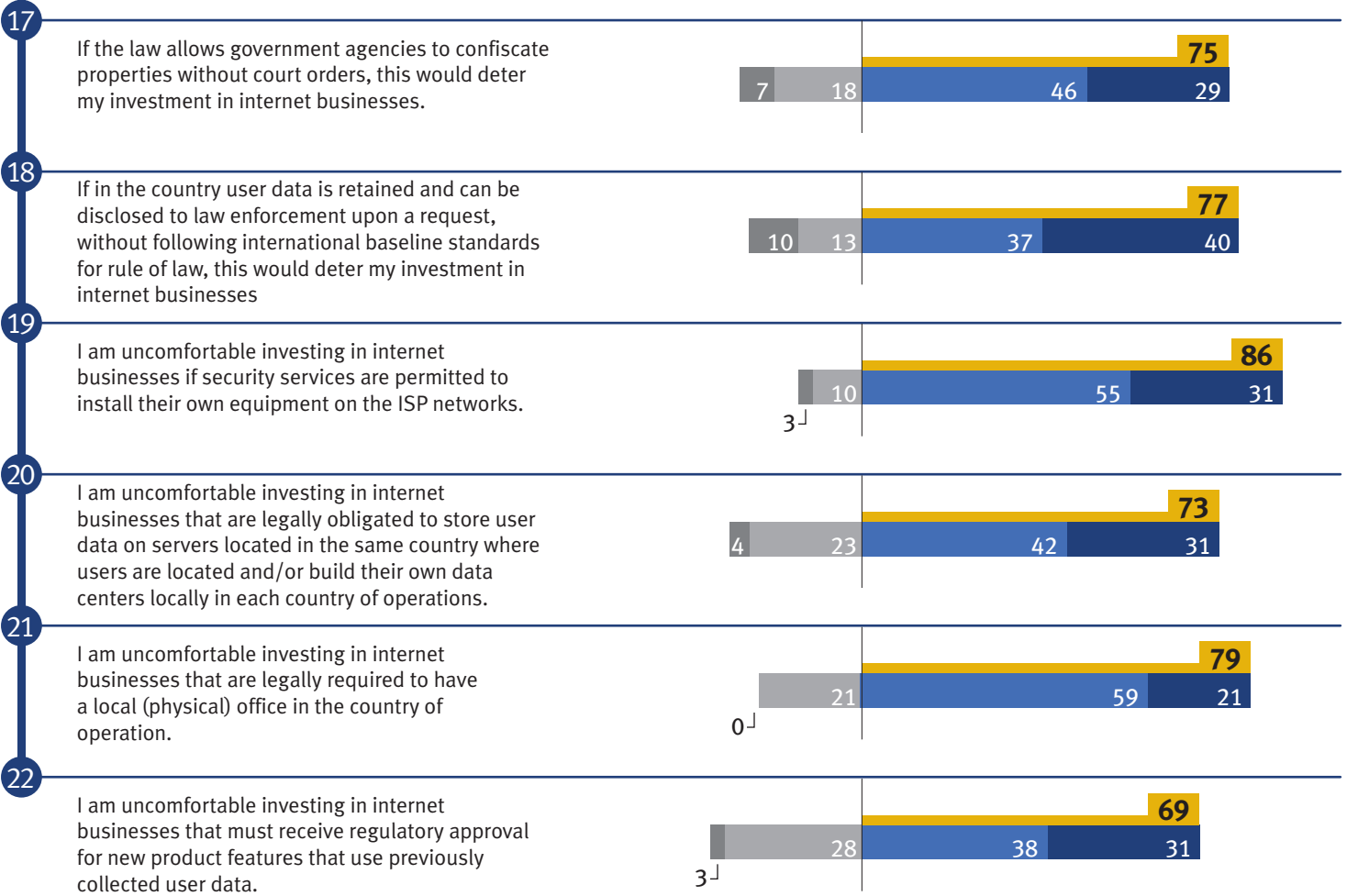


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

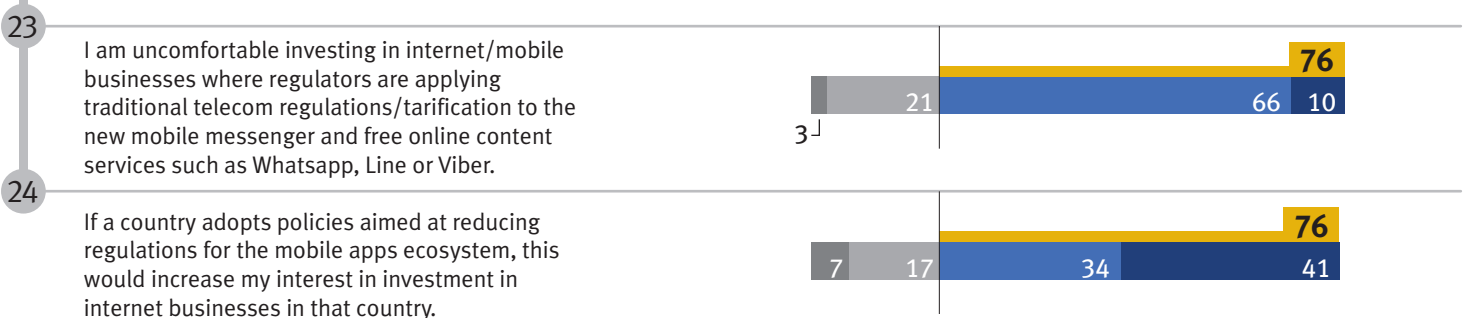




PRIVACY AND SECURITY

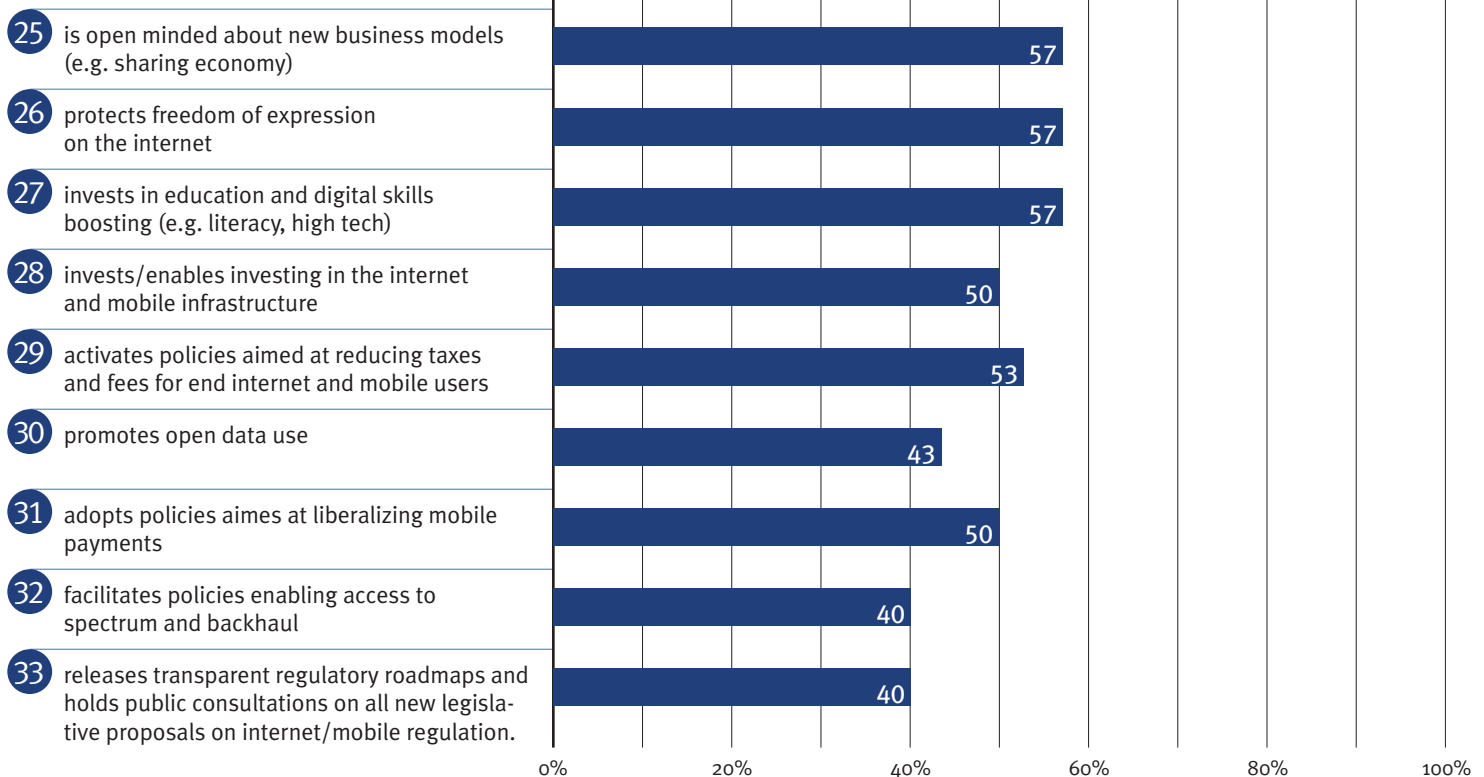


MOBILE INFRASTRUCTURE AND SERVICES



PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE SAUDI IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE SAUDI ARABIAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS SAU25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?**THE GOVERNMENT...**

Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF SAUDI ARABIAN FINDINGS

In summary, 90% of Saudi investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Saudi and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

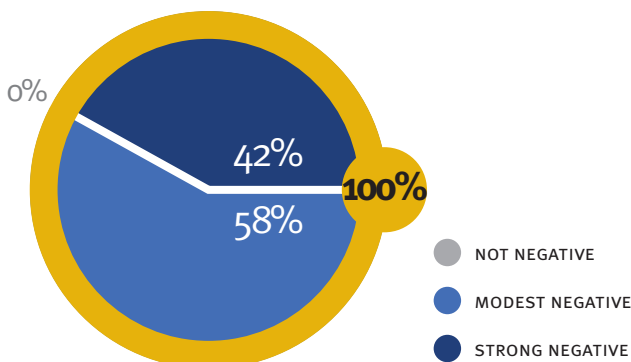
7.9 SOUTH AFRICA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 31 INVESTORS IN SOUTH AFRICA IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE SOUTH AFRICAN SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL SOUTH AFRICAN INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + South African investors view the legal environment as having a negative impact on their investing activities with 100% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit SOU1).
- + Regulatory ambiguity reduces investment activity with 74% of South African investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit SOU2).
- + Of significant concern to South African investors is the risk of secondary liability and the exposure to potentially very large damages, with 84% of investors raising this concern (see Exhibit SOU3).
- + South African investors are also closely monitoring Taxation. 81% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit SOU4).

1 % saying Legal Environment has a negative impact on investing

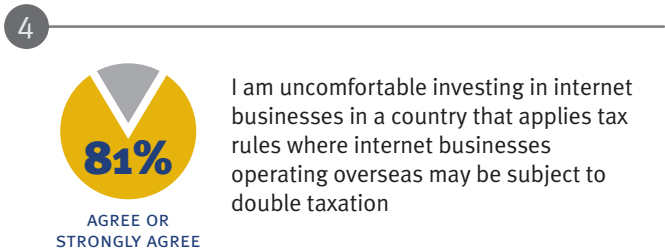
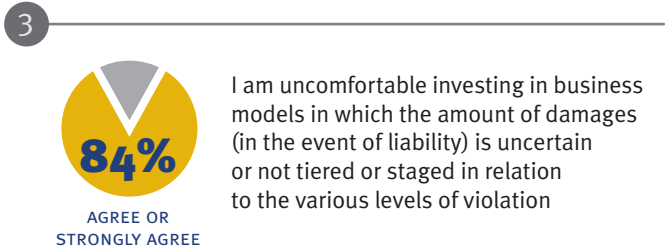
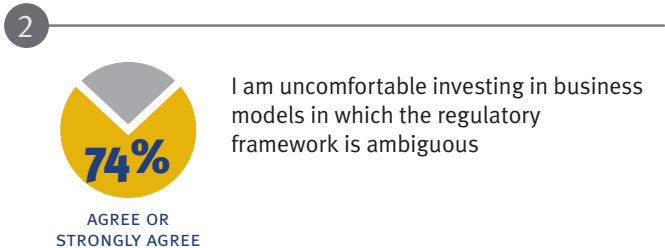


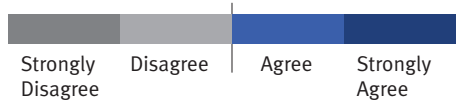
POTENTIAL AREAS OF REGULATION

We then asked South African investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table SOU5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

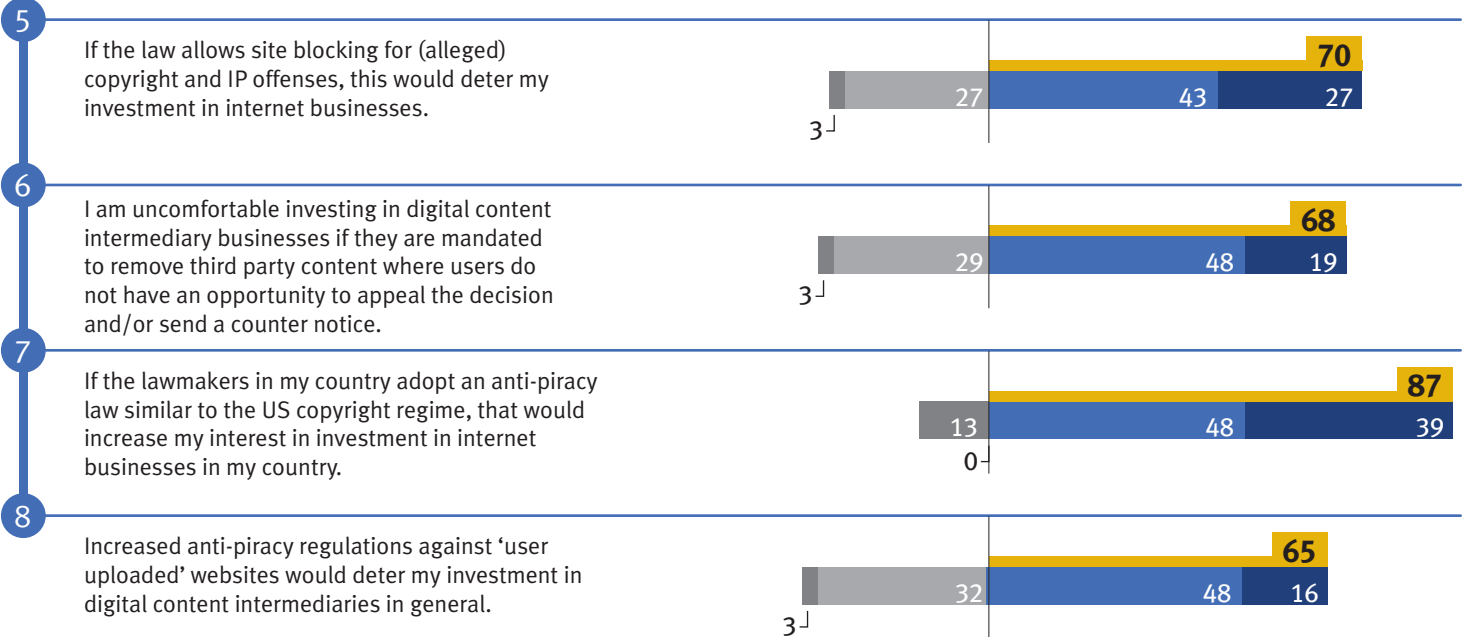
South Africa benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of South African investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



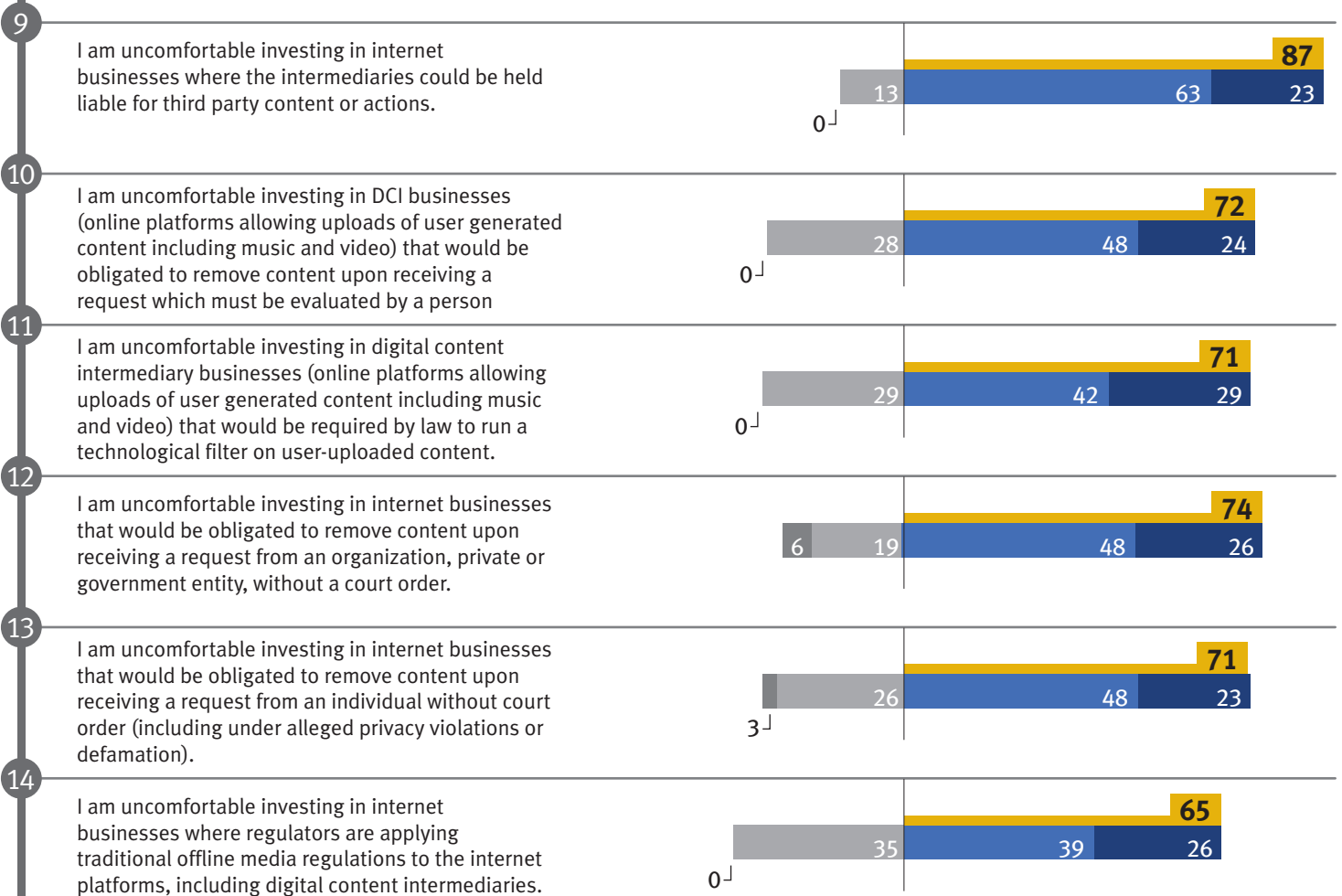


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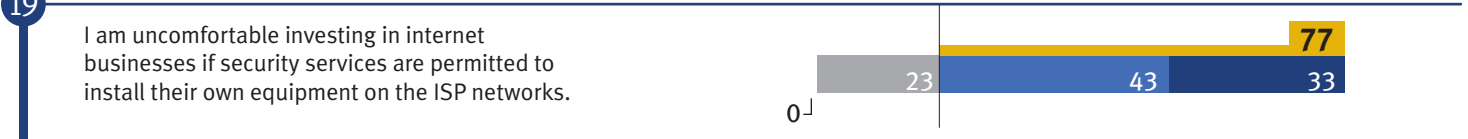


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

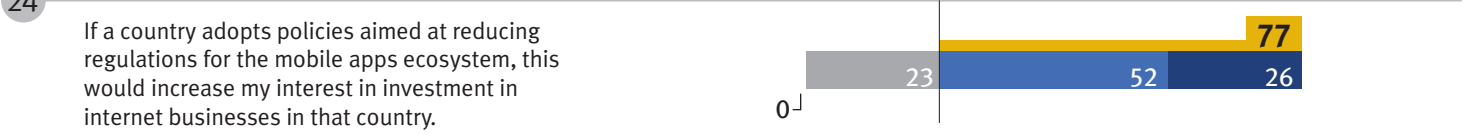




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



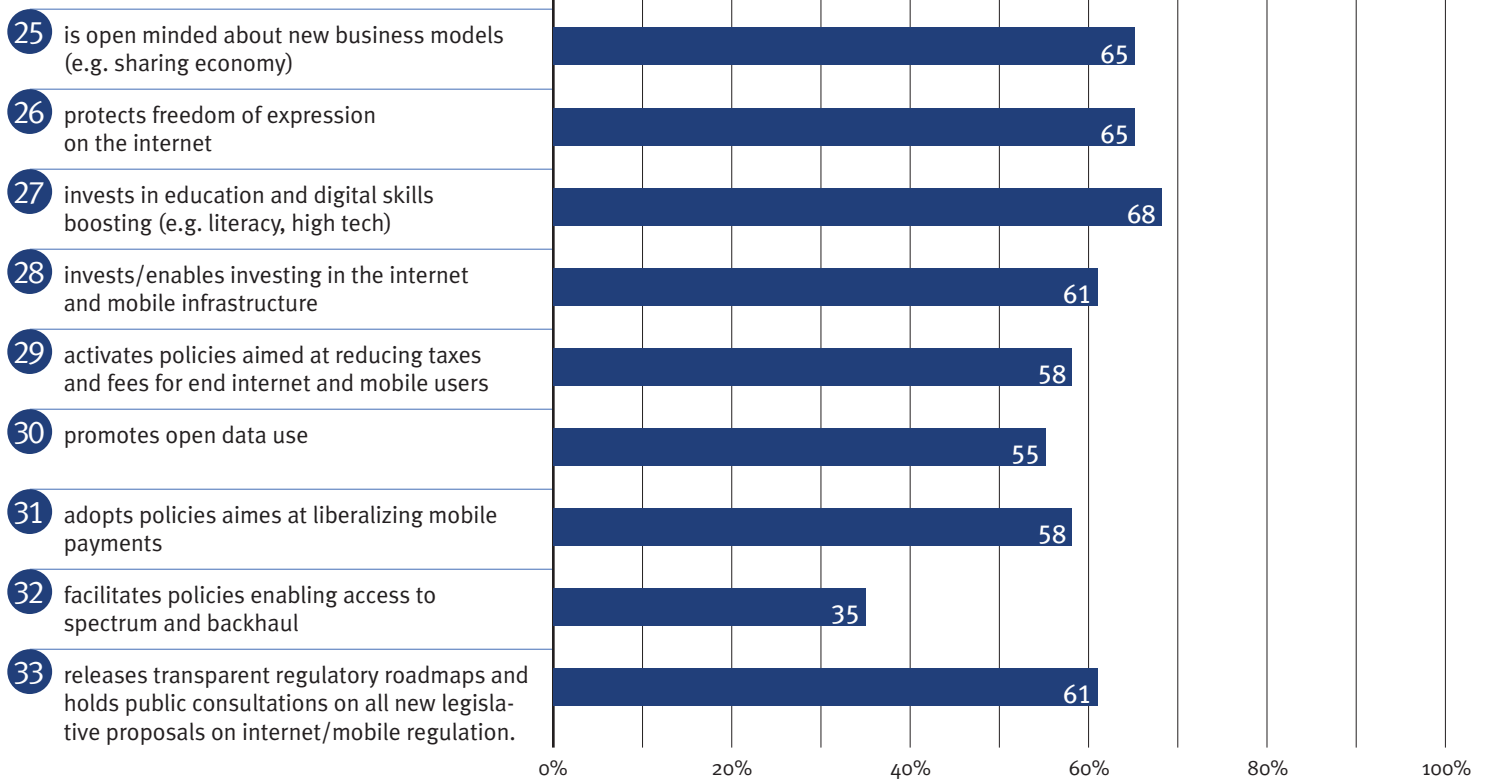


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE SOUTH AFRICAN IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE SOUTH AFRICAN GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS SOU25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF SOUTH AFRICAN FINDINGS

In summary, 100% of South African investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, South African and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

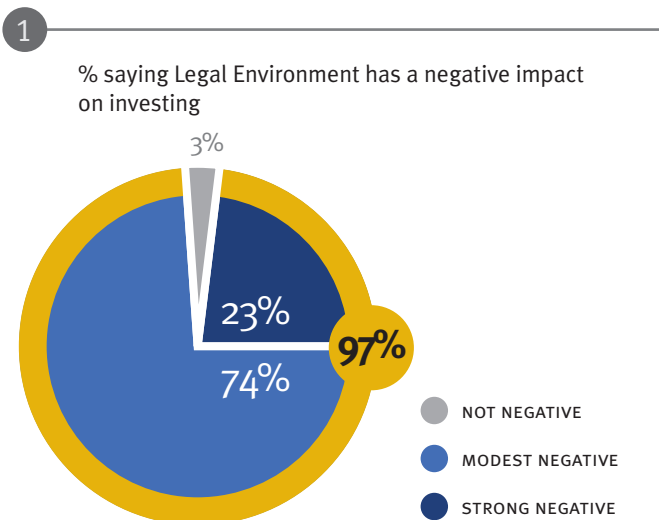
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.10 THAILAND

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 31 INVESTORS IN THAILAND IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE THAILAND SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL THAILAND INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Thailand investors view the legal environment as having a negative impact on their investing activities with 97% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit THA1).
- + Regulatory ambiguity reduces investment activity with 71% of Thailand investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit THA2).
- + Of significant concern to Thailand investors is the risk of secondary liability and the exposure to potentially very large damages, with 71% of investors raising this concern (see Exhibit THA3).
- + Thailand investors are also closely monitoring Taxation. 68% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit THA4).

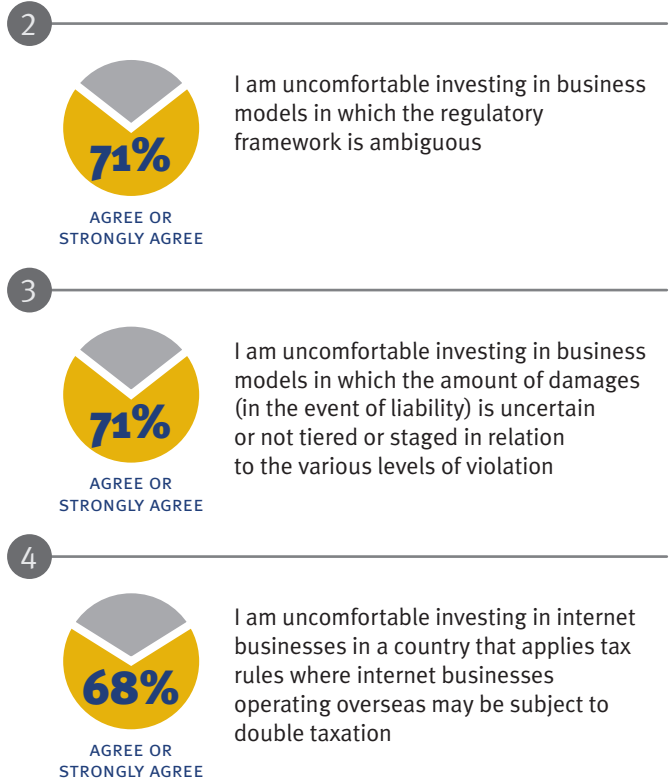


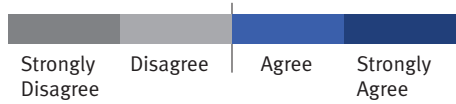
POTENTIAL AREAS OF REGULATION

We then asked Thailand investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table THA5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

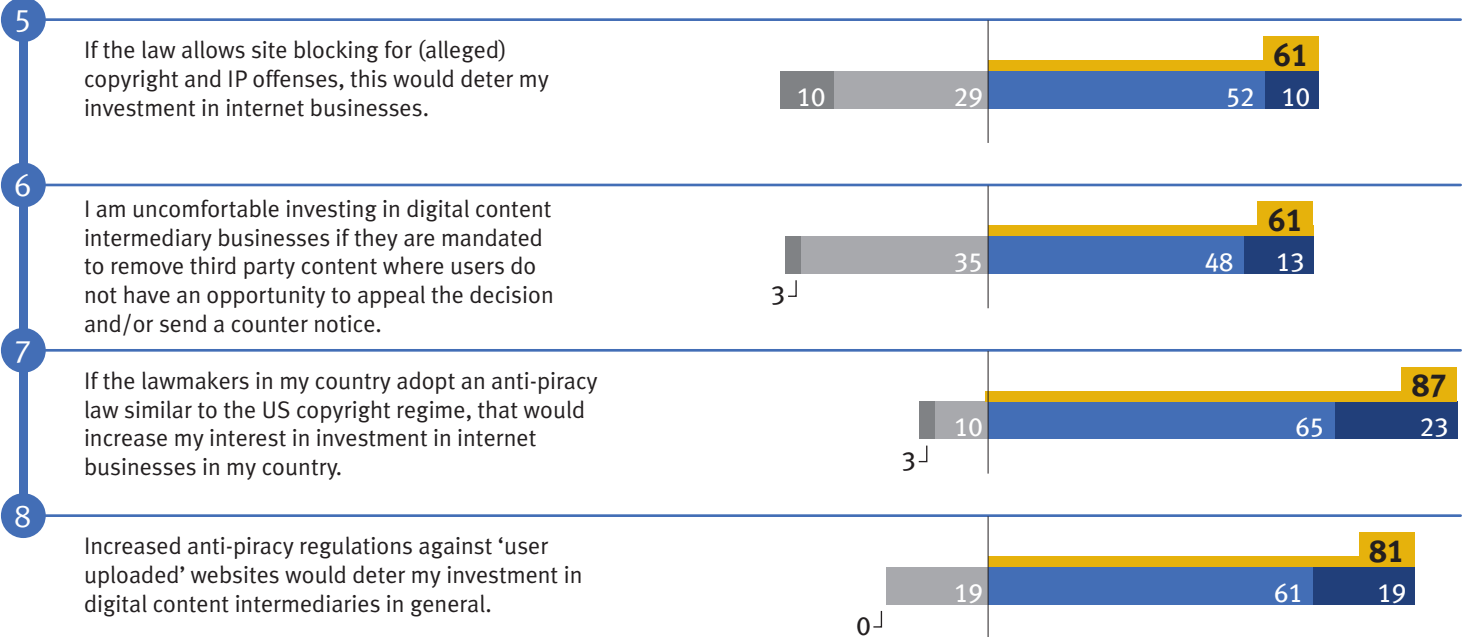
Thailand benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Thailand investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



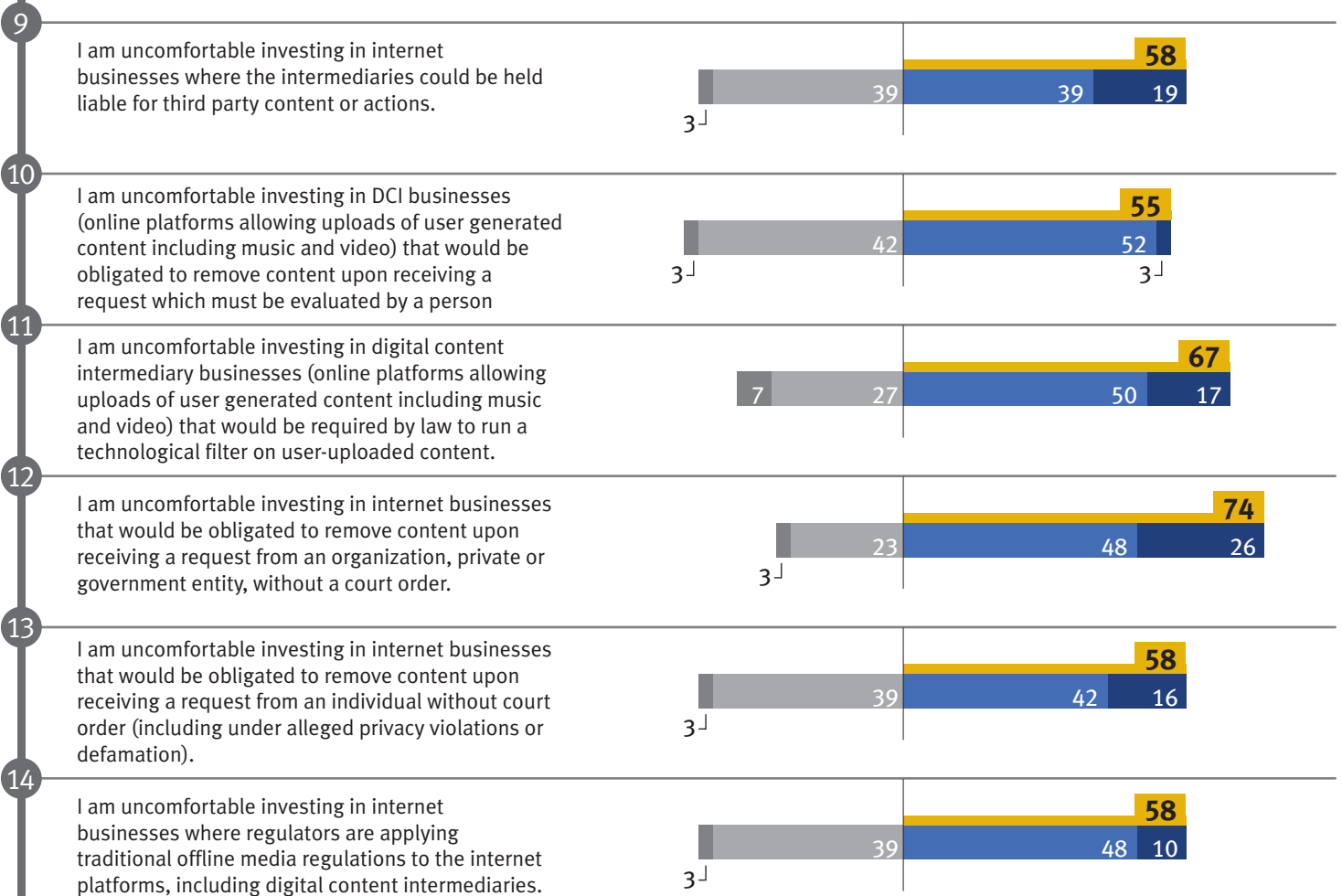


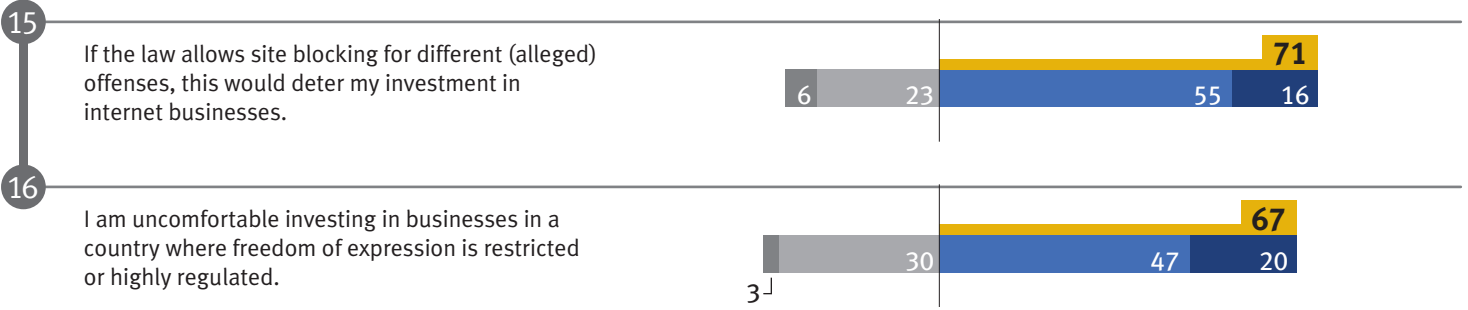
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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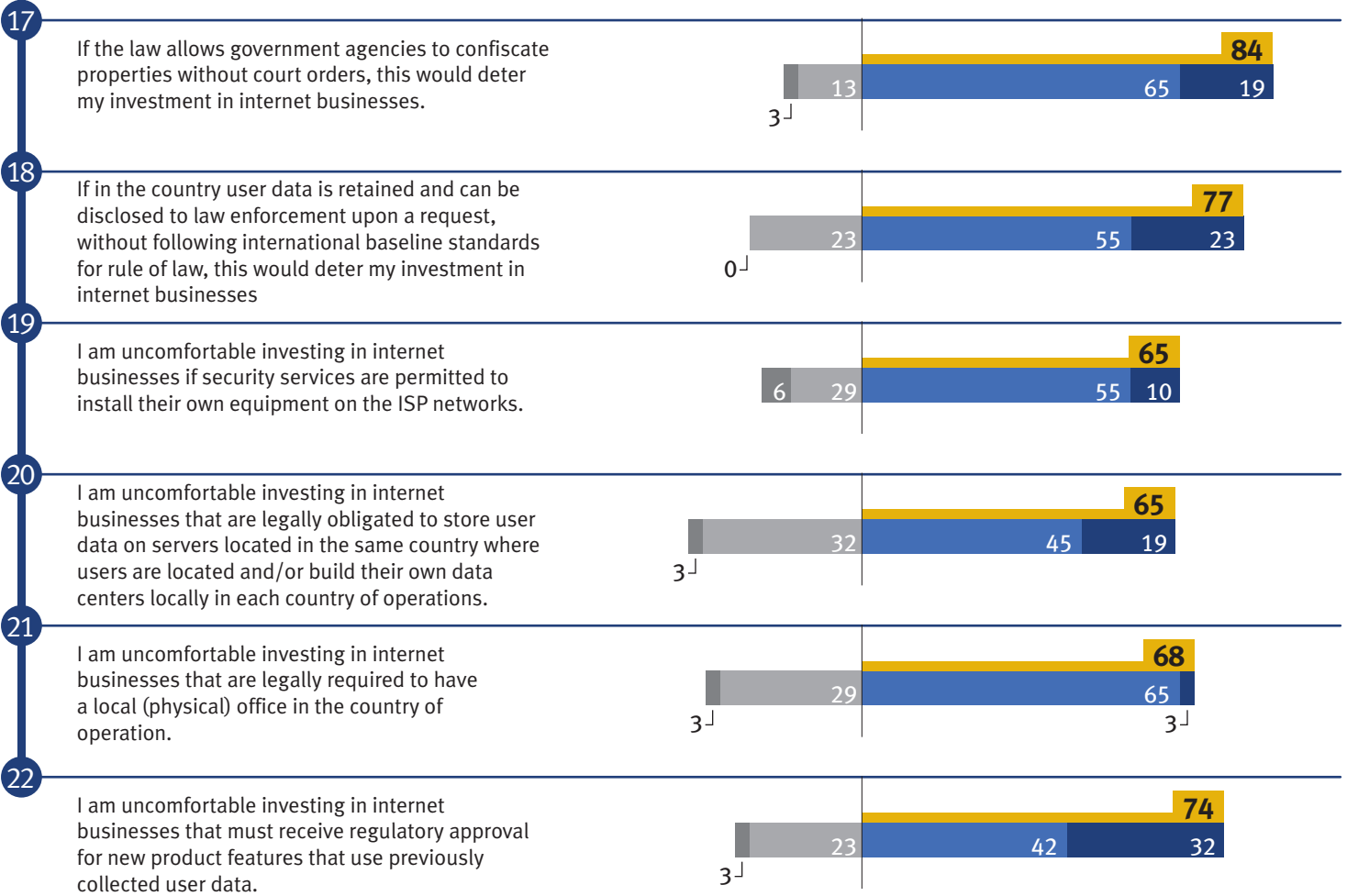


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

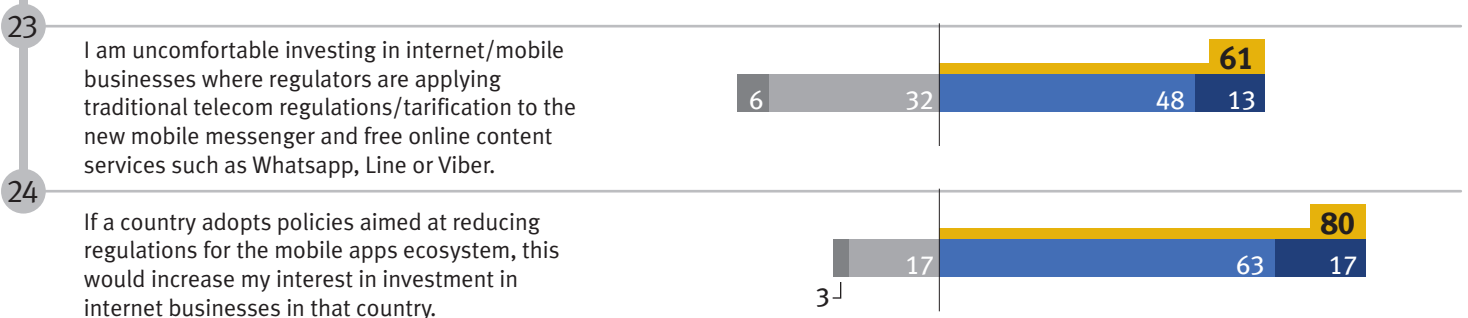




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



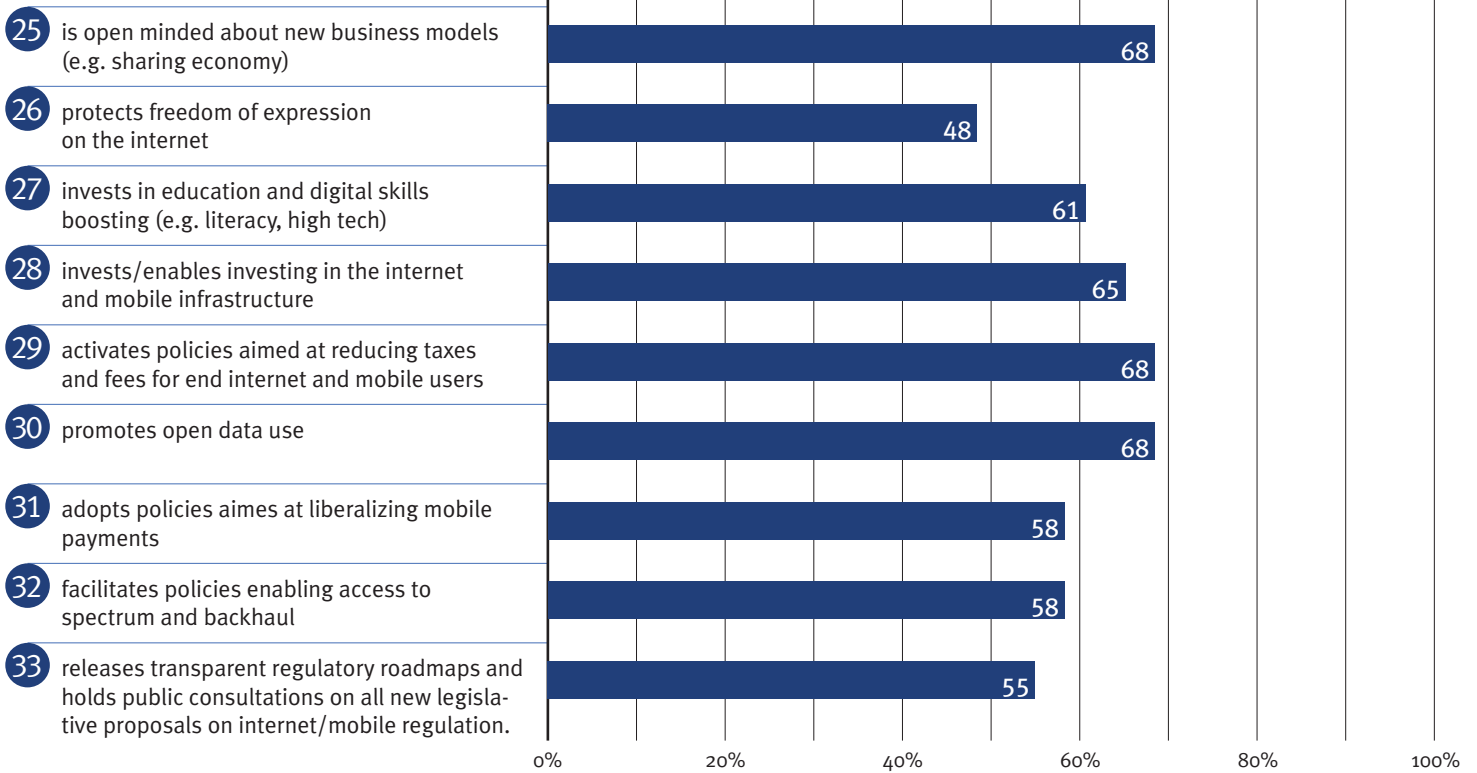


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE THAILAND IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE THAILAND GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS THA25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF THAILAND FINDINGS

In summary, 97% of Thailand investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Thailand and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

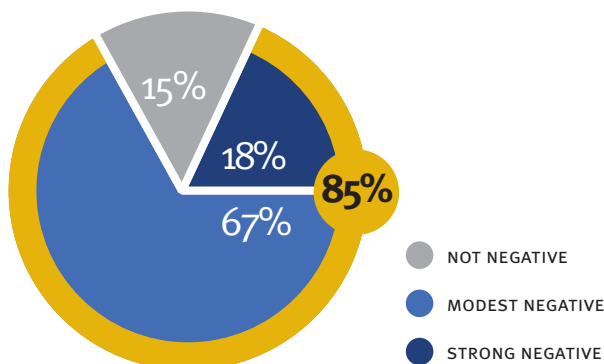
7.11 TURKEY

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 33 INVESTORS IN TURKEY IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE TURKISH SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL TURKISH INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Turkish investors view the legal environment as having a negative impact on their investing activities with 85% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit TUR1).
- + Regulatory ambiguity reduces investment activity with 76% of Turkish investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit TUR2).
- + Of significant concern to Turkish investors is the risk of secondary liability and the exposure to potentially very large damages, with 78% of investors raising this concern (see Exhibit TUR3).
- + Turkish investors are also closely monitoring Taxation. 78% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit TUR4).

1 % saying Legal Environment has a negative impact on investing



POTENTIAL AREAS OF REGULATION

We then asked Turkish investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table TUR5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

Turkey benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Turkish investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.

2



AGREE OR STRONGLY AGREE

I am uncomfortable investing in business models in which the regulatory framework is ambiguous

3



AGREE OR STRONGLY AGREE

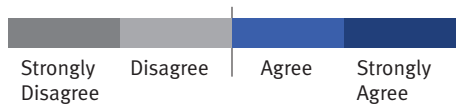
I am uncomfortable investing in business models in which the amount of damages (in the event of liability) is uncertain or not tiered or staged in relation to the various levels of violation

4



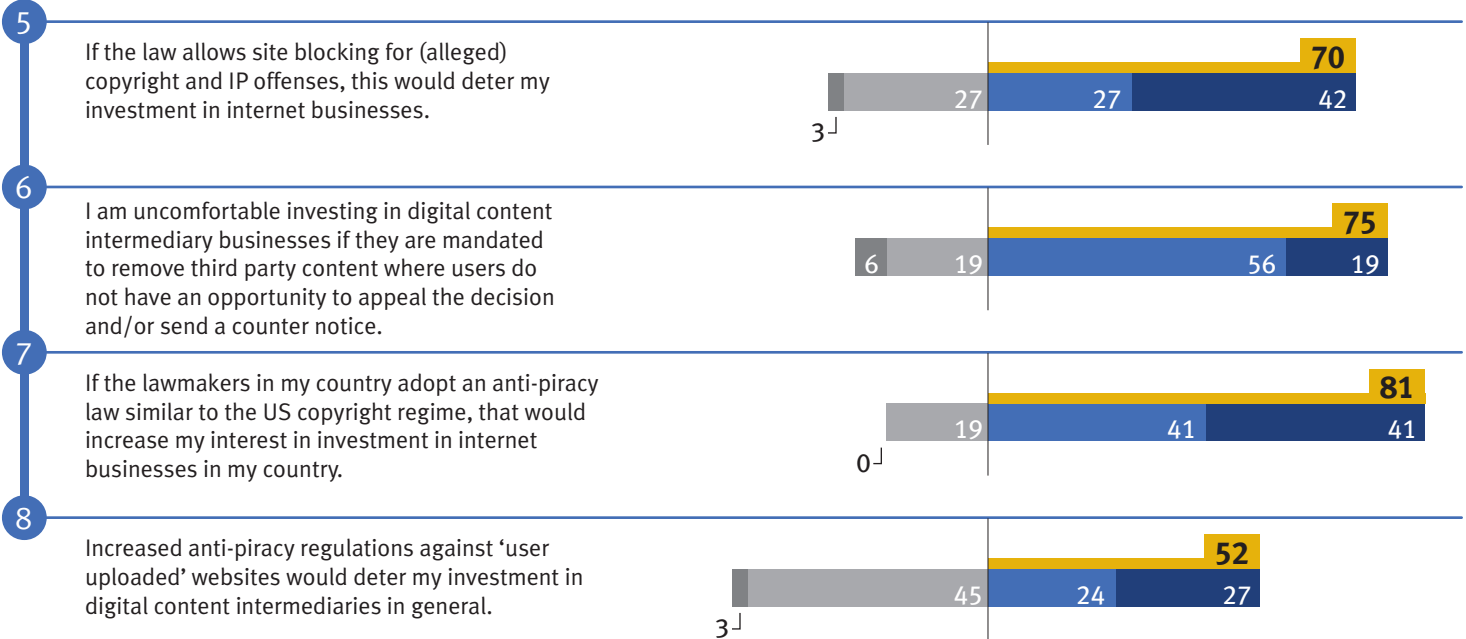
AGREE OR STRONGLY AGREE

I am uncomfortable investing in internet businesses in a country that applies tax rules where internet businesses operating overseas may be subject to double taxation

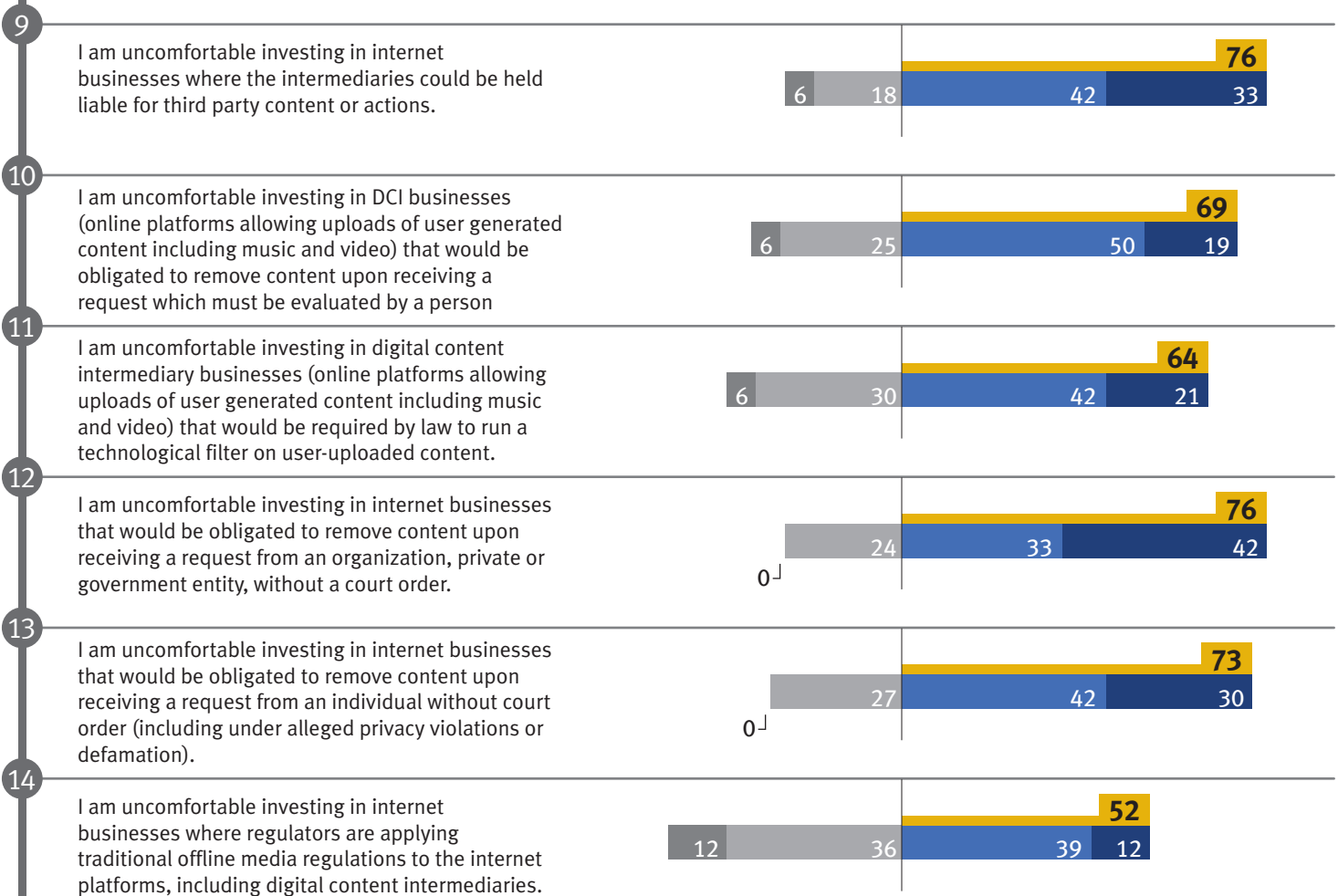


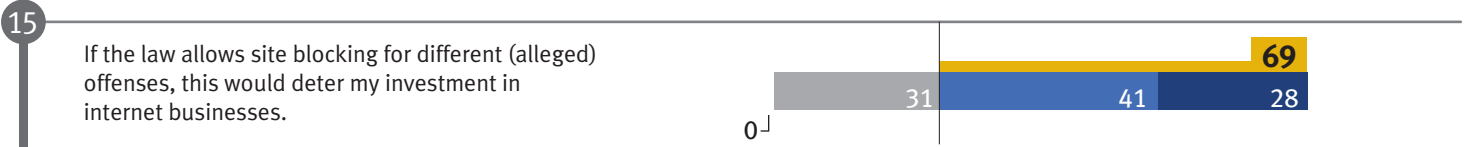
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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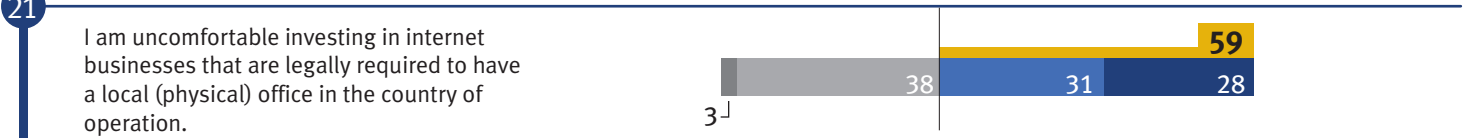
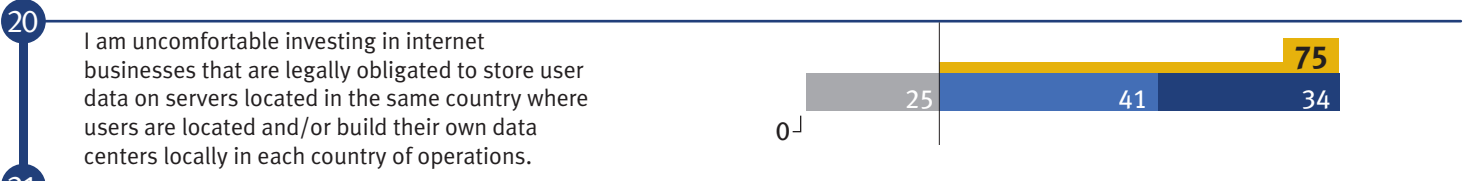
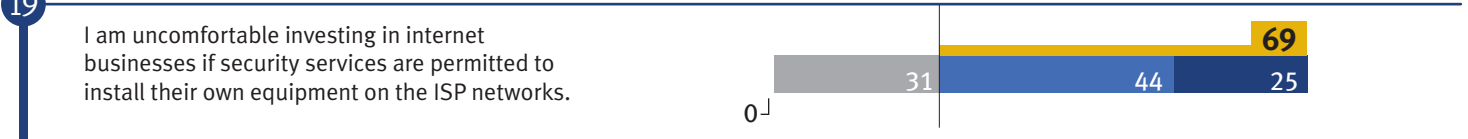
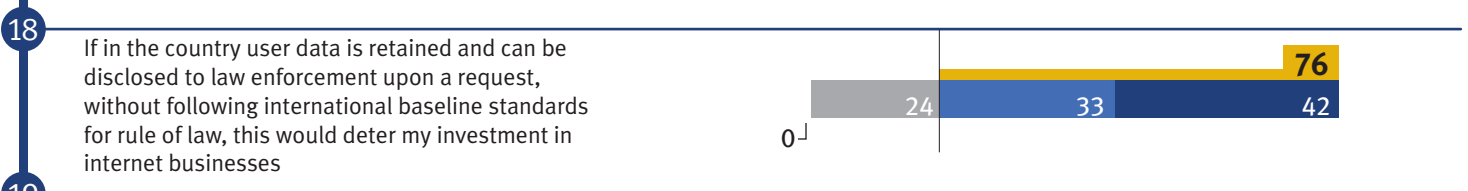


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

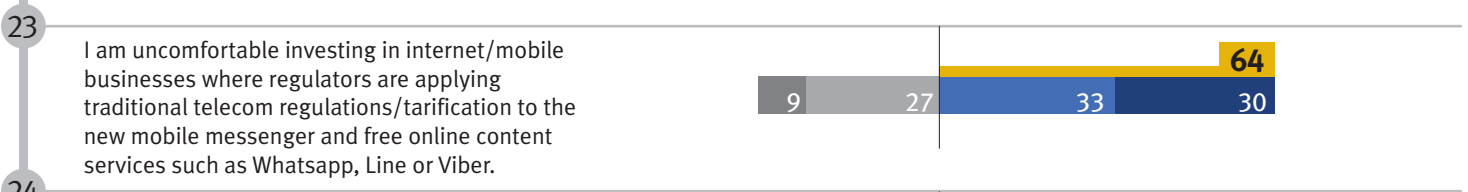




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



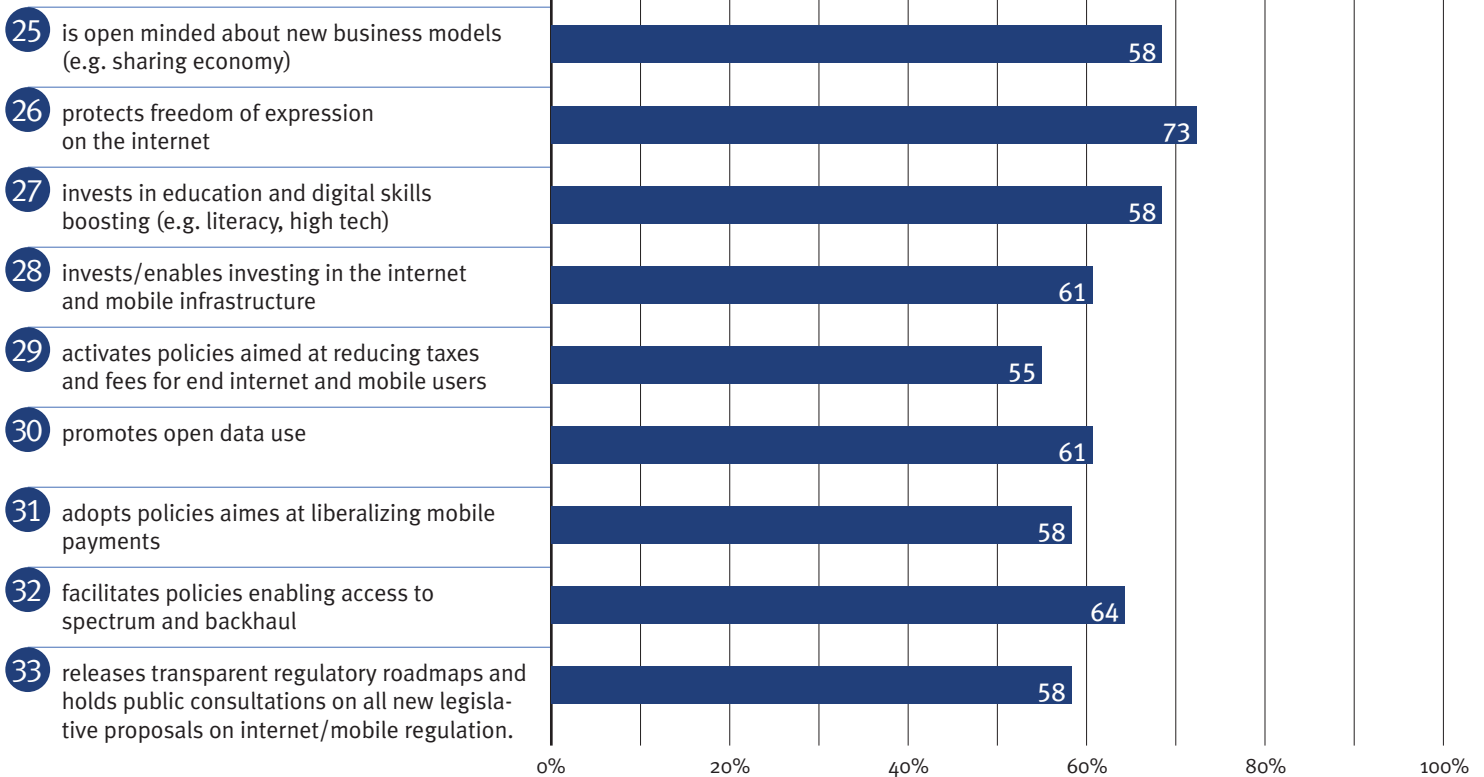


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE TURKEY IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE TURKISH GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS TUR25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF TURKISH FINDINGS

In summary, 85% of Turkish investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Turkish and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

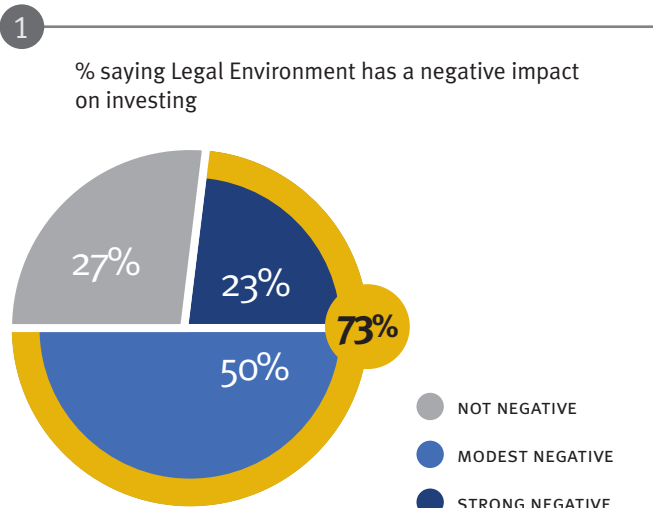
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.12 UAE

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 30 INVESTORS IN UNITED ARAB EMIRATES (UAE) IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE EMIRATI SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL EMIRATI INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Emirati investors view the legal environment as having a negative impact on their investing activities with 73% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit UAE1).
- + Regulatory ambiguity reduces investment activity with 63% of Emirati investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit UAE2).
- + Of significant concern to Emirati investors is the risk of secondary liability and the exposure to potentially very large damages, with 77% of investors raising this concern (see Exhibit UAE3).
- + Emirati investors are also closely monitoring Taxation. 75% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit UAE4).

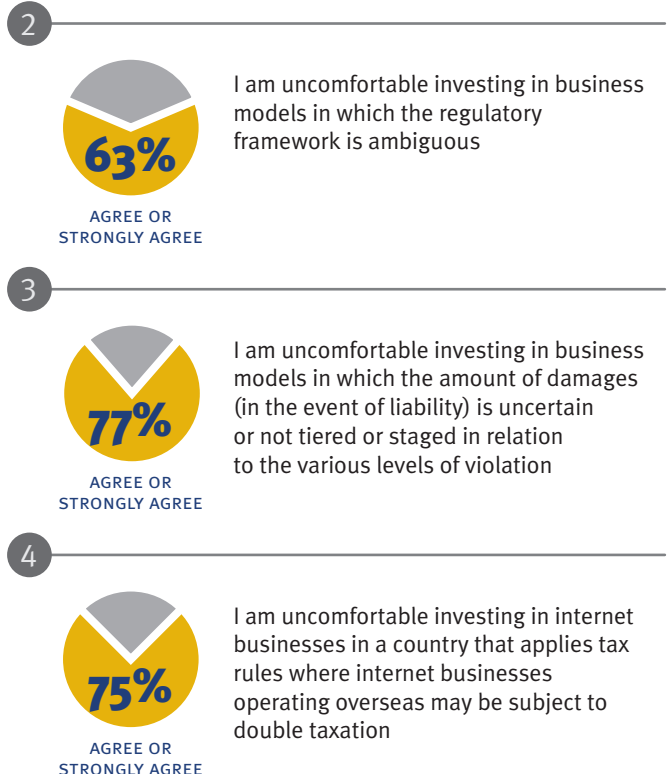


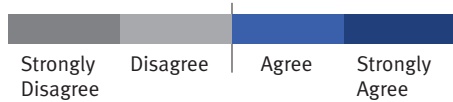
POTENTIAL AREAS OF REGULATION

We then asked Emirati investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table UAE5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

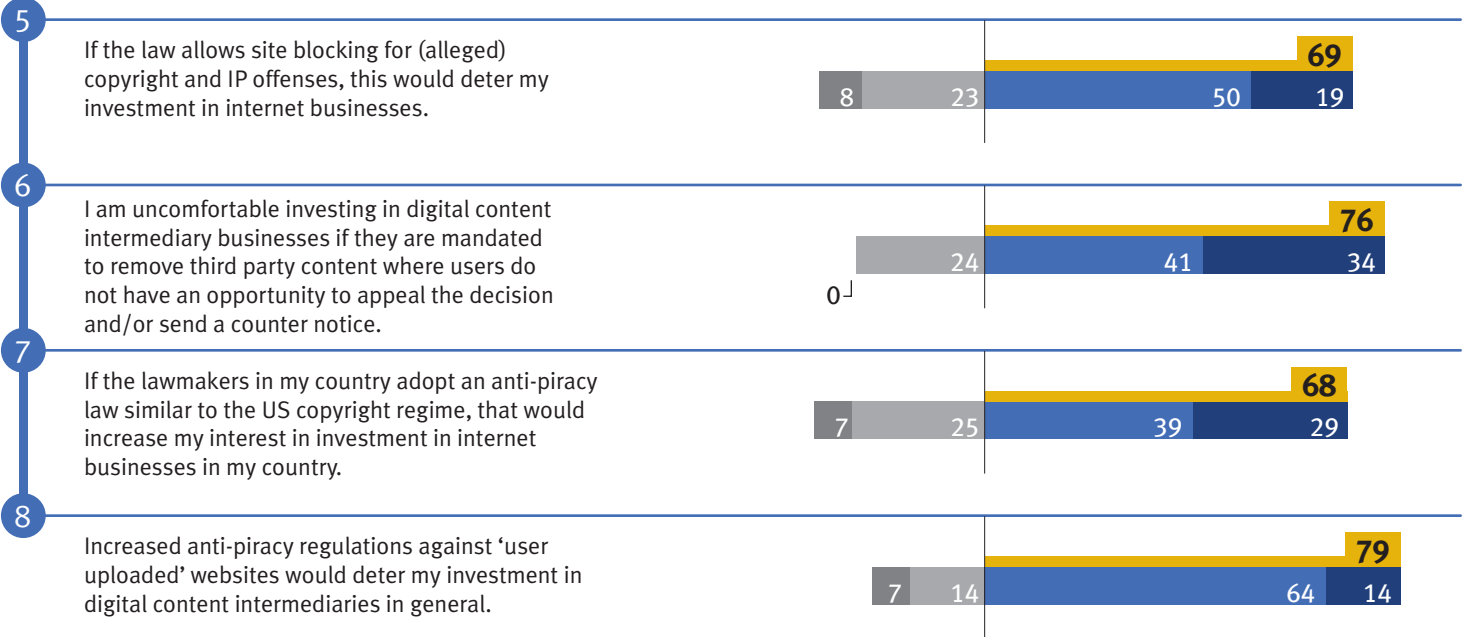
UAE benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Emirati investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



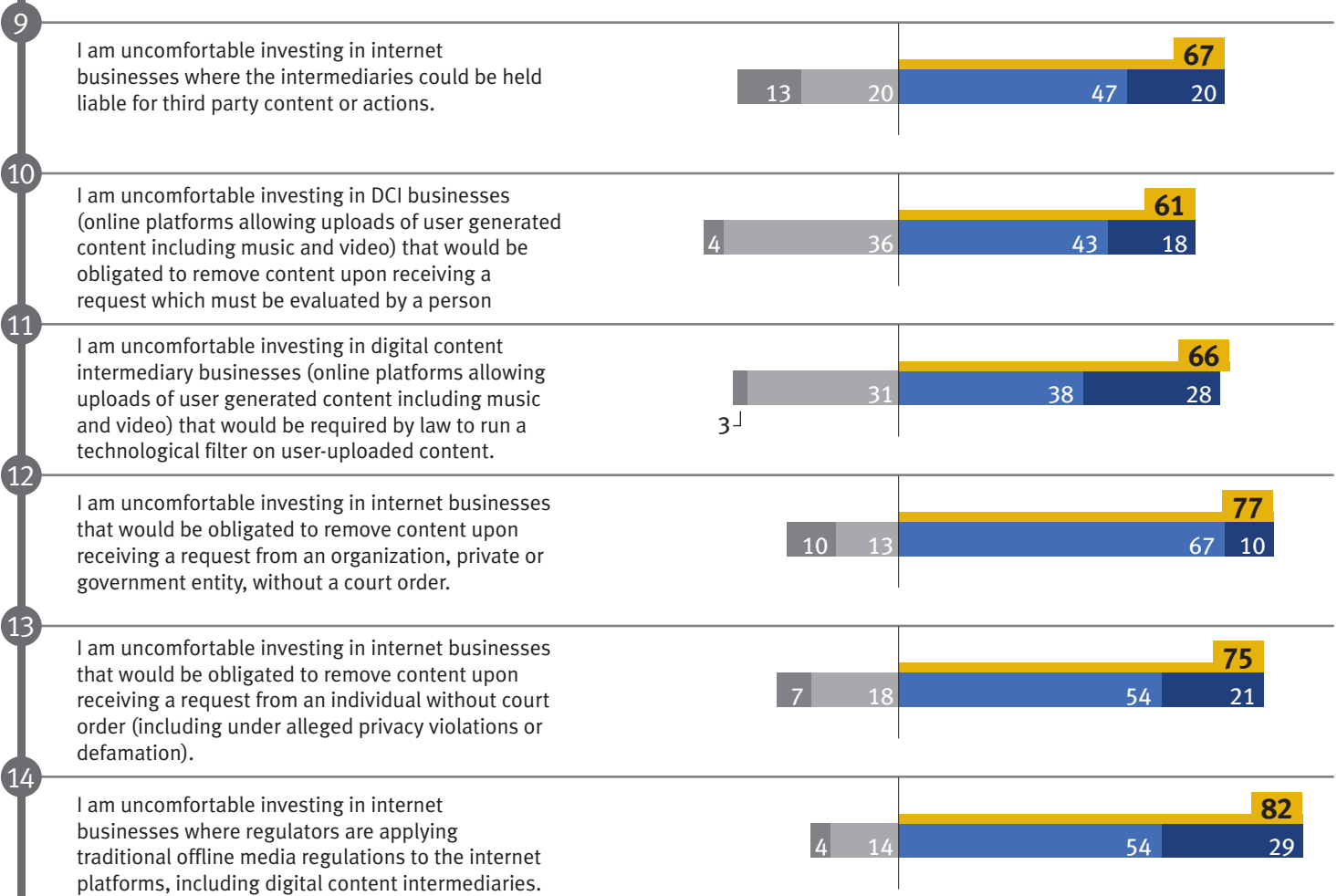


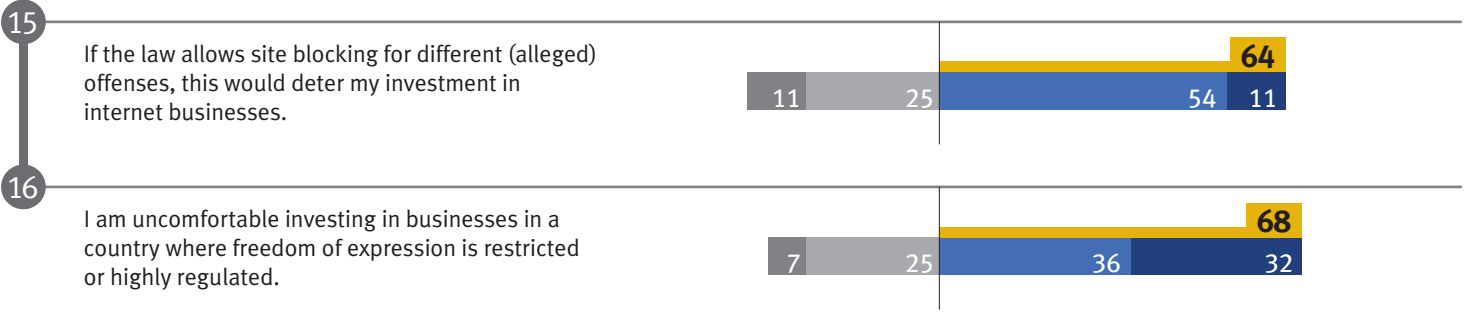
+ Numbers shown in percents
 + Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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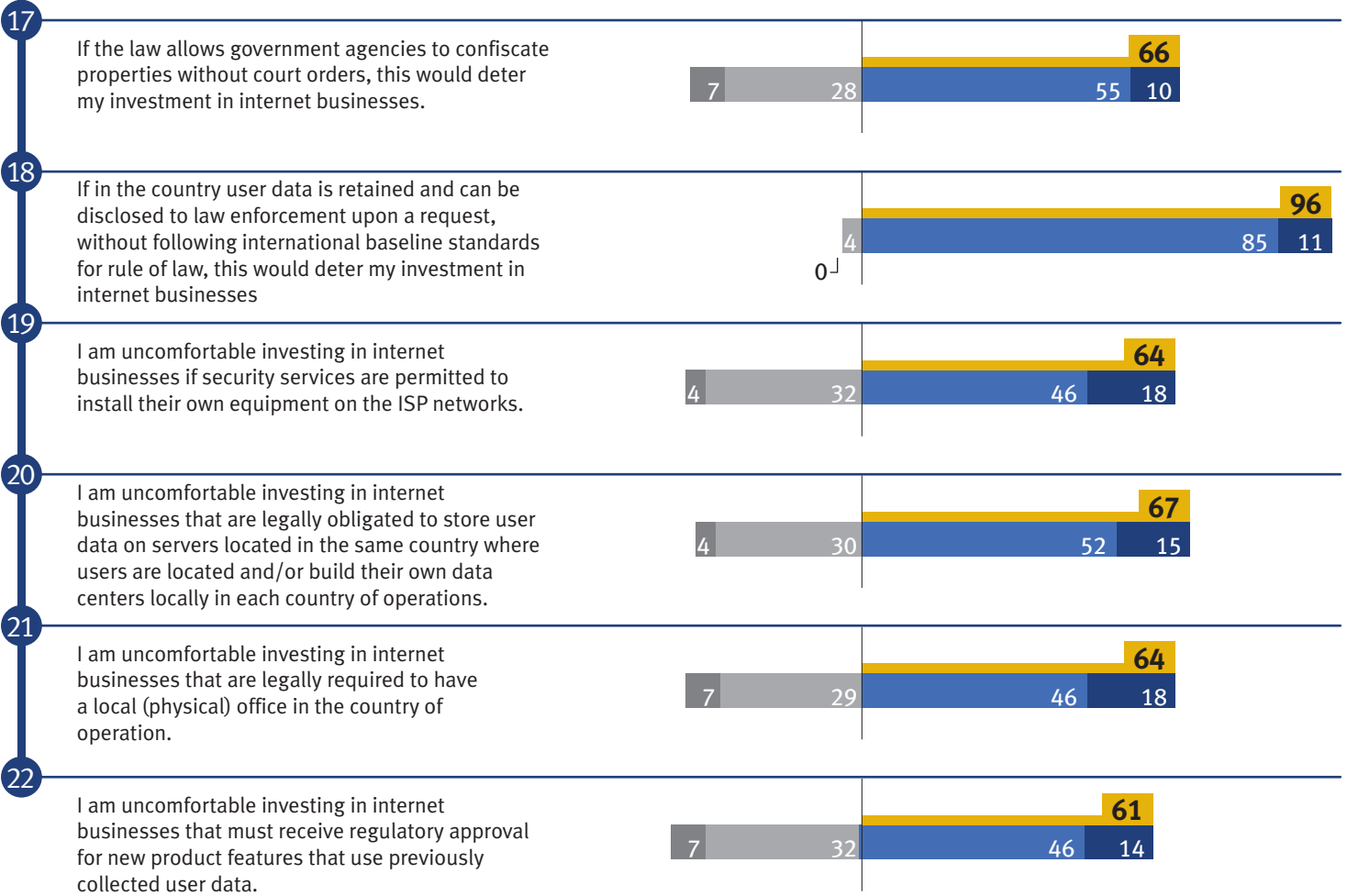


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

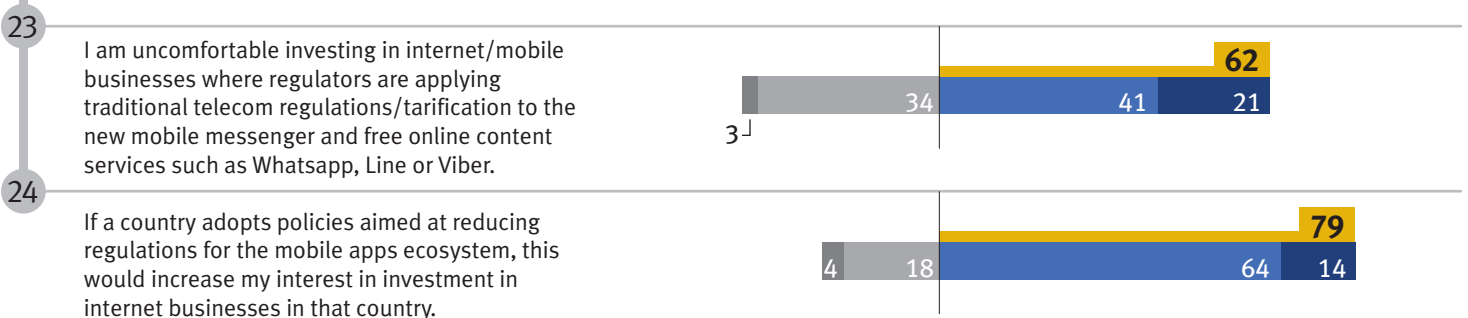




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



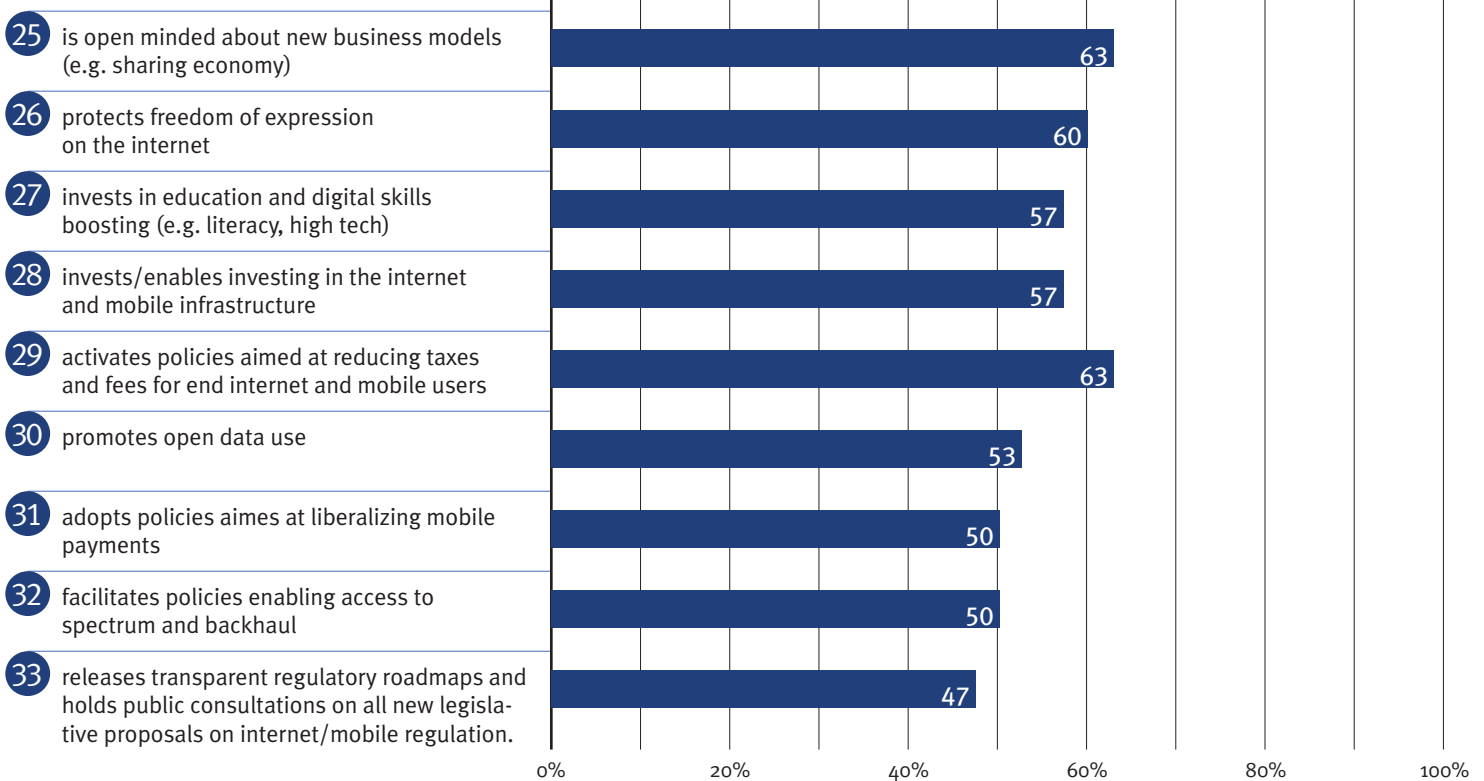


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE EMIRATI IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE UAE GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS UAE25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF UAE FINDINGS

In summary, 73% of Emirati investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Emirati and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

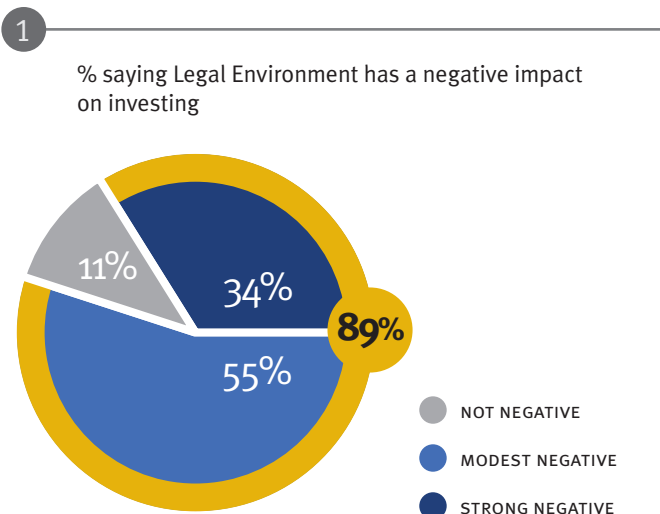
These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

7.13 VIETNAM

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 38 INVESTORS IN VIETNAM IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE VIETNAMESE SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL VIETNAMESE INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + Vietnamese investors view the legal environment as having a negative impact on their investing activities with 89% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit VIE1).
- + Regulatory ambiguity reduces investment activity with 74% of Vietnamese investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit VIE2).
- + Of significant concern to Vietnamese investors is the risk of secondary liability and the exposure to potentially very large damages, with 81% of investors raising this concern (see Exhibit VIE3).
- + Vietnamese investors are also closely monitoring Taxation. 76% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit VIE4).

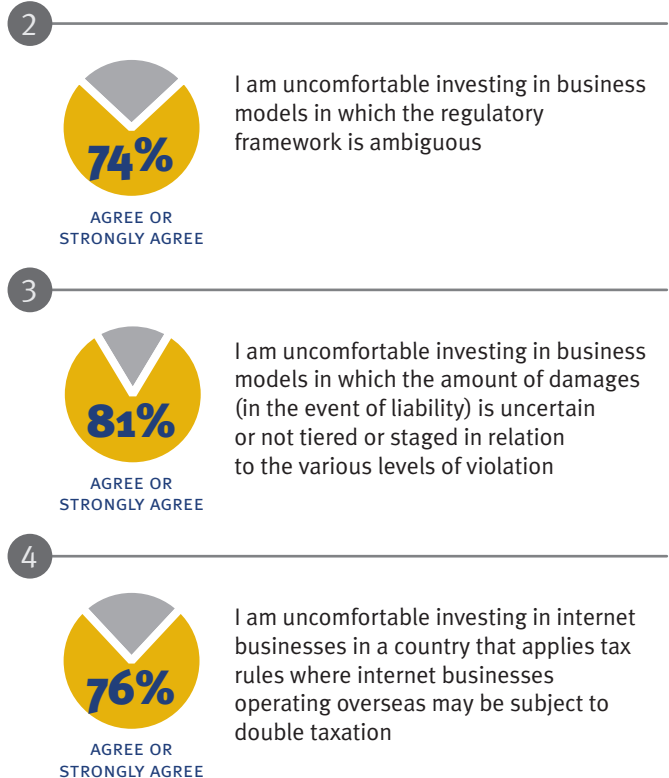


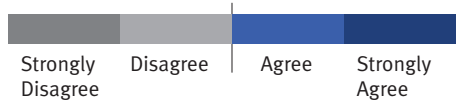
POTENTIAL AREAS OF REGULATION

We then asked Vietnamese investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table VIE5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

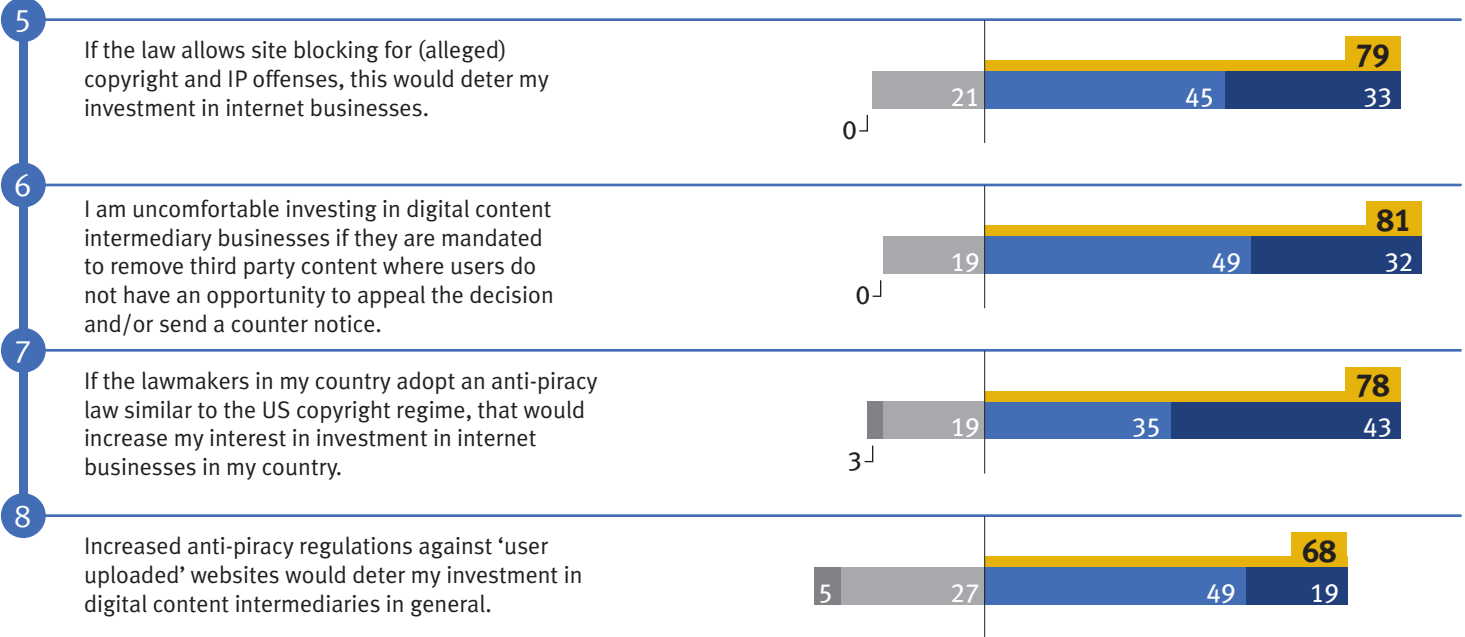
Vietnam benefits greatly from Foreign Direct Investment. The sentiments of US and UK investors were consistent in most areas with those of Vietnamese investors (see Chapter 8) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



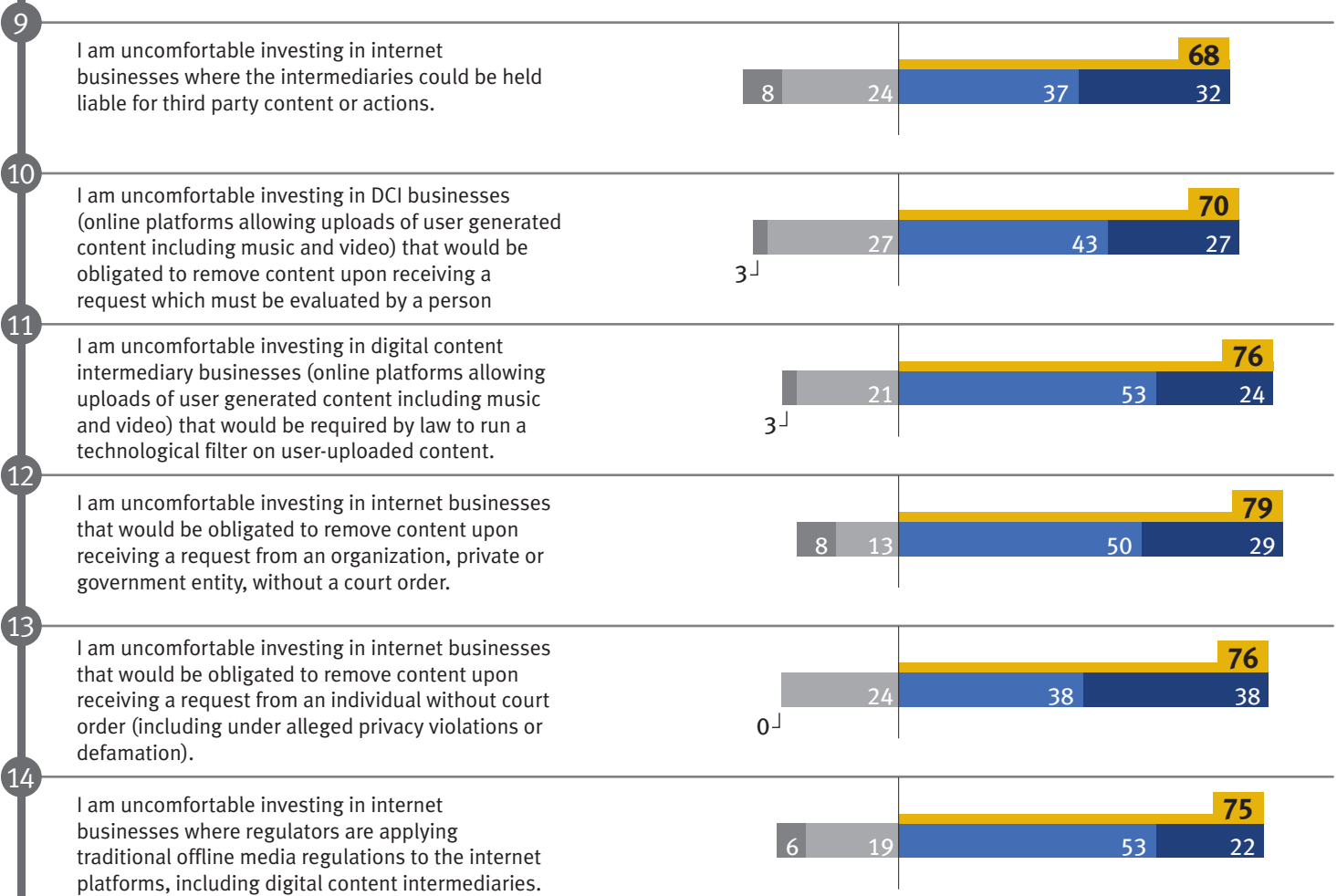


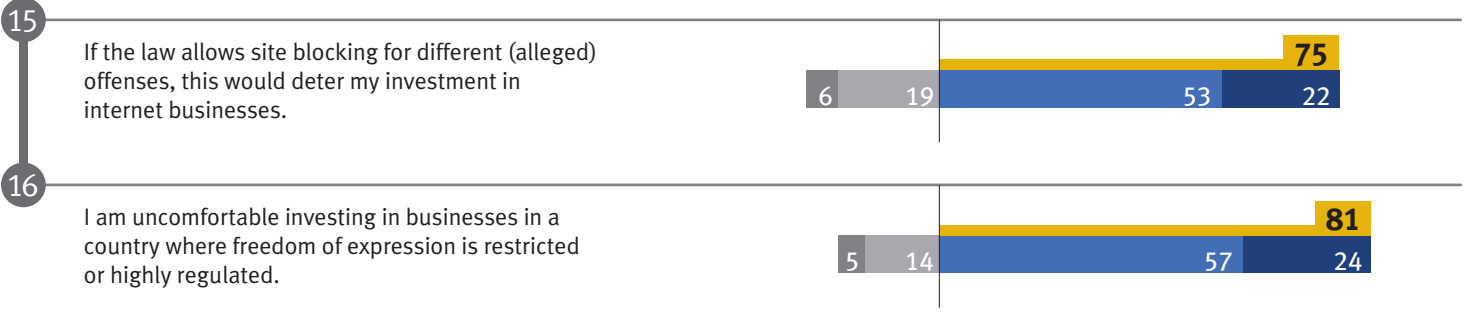
+ Numbers shown in percents
+ Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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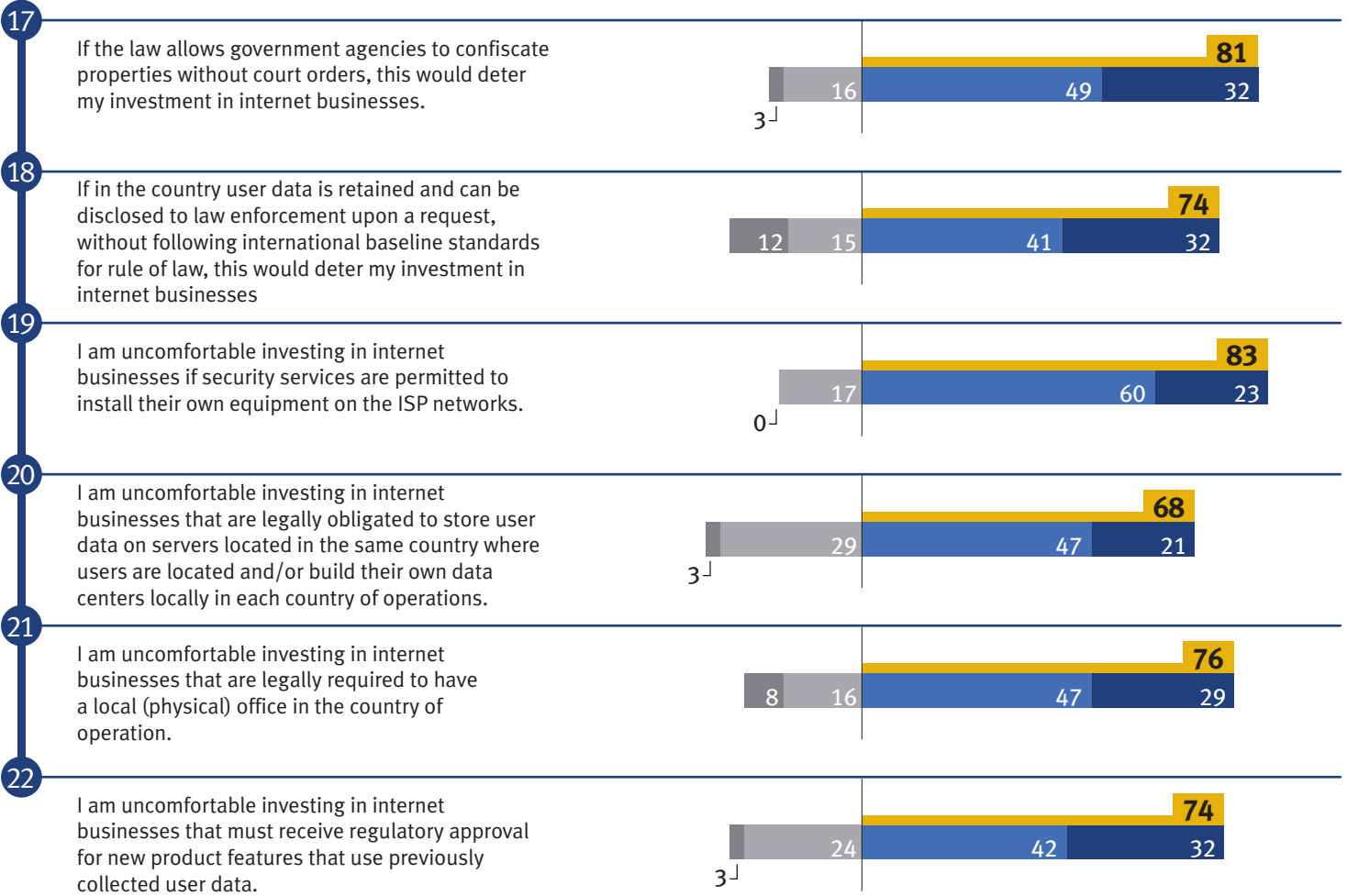


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

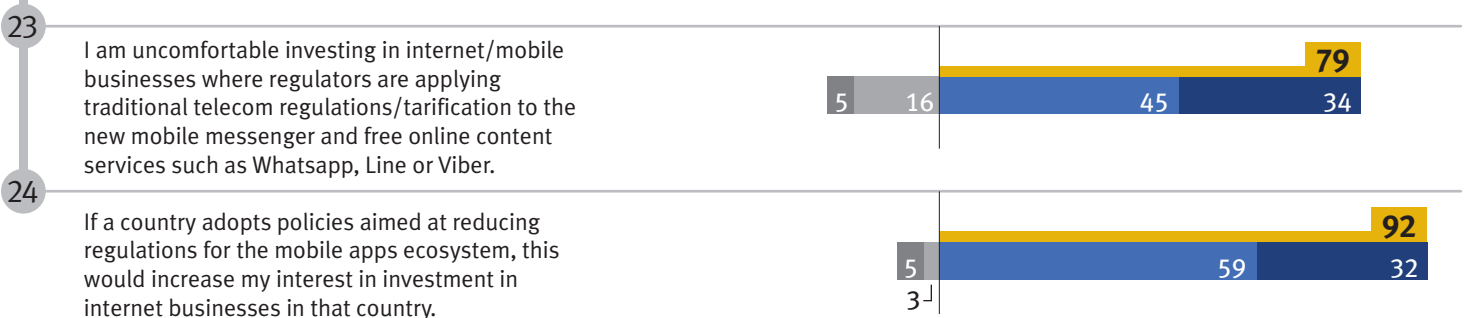




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



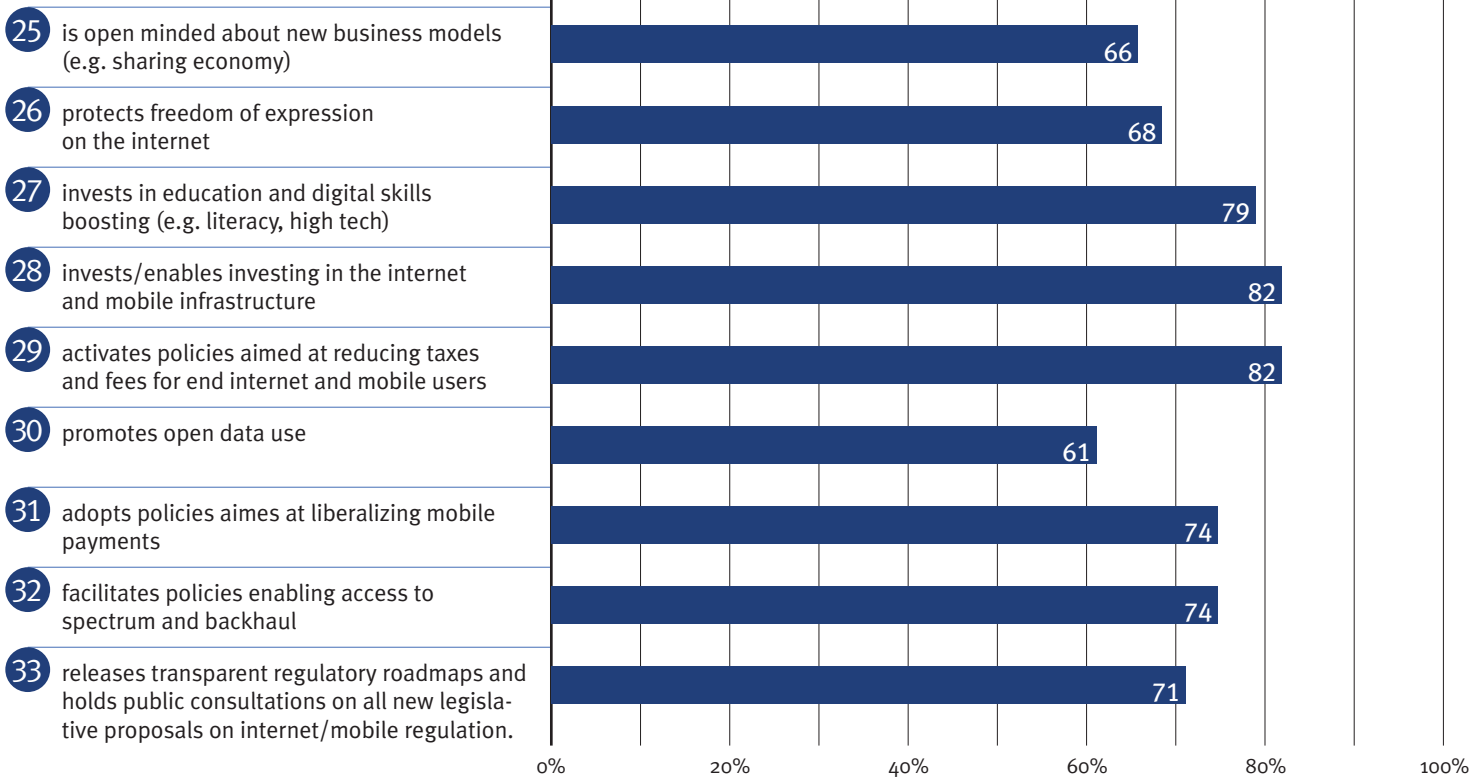


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE VIETNAMESE IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE VIETNAM GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS VIE25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF VIETNAMESE FINDINGS

In summary, 89% of Vietnamese investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. There is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, Vietnamese and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

8

EMPIRICAL FINDINGS

SOURCES OF FOREIGN DIRECT INVESTORS

IN CHAPTER 6 WE DETAILED THE MOST IMPORTANT COMMON THEMES ACROSS ALL FIFTEEN COUNTRIES SURVEYED, AND IN CHAPTER 7 WE PROVIDED THE COUNTRY SPECIFIC FINDINGS FOR EACH OF THE INTERNATIONAL MARKETS IN ASIA, THE MIDDLE EAST AND AFRICA. BETWEEN THEM THESE CHAPTERS PROVIDE A DETAILED PERSPECTIVE ON HOW INVESTORS IN EACH MARKET WOULD REACT TO POTENTIAL INTERNET REGULATIONS AND GOVERNMENT POLICIES AND THE DEGREE TO WHICH EACH WOULD IMPACT THEIR IN-MARKET INVESTMENT ACTIVITY IN THEIR RESPECTIVE COUNTRIES OF RESIDENCE.

Because Foreign Direct Investment (FDI) is so important to the economies of many of the countries surveyed, we also decided to ask exactly the same survey questions to investors in two major sources of FDI - the USA and UK. Essentially, we asked investors in these markets what their reaction would be to the same potential actions in the overseas markets.

In summary, US and UK investors feel exactly that same way as investors in each market. They are very concerned that potential Internet regulations might make it less attractive to invest their capital into Internet businesses. Conversely, they favor certain government policy actions and would invest more into those countries that promote these types of positive actions in their local economies.

The following two sections of this report provide the detailed findings in the US and UK across all areas of potential regulation and government policy that were surveyed. It should be noted that even a minority of investors in any specific country expressing concern might still represent a significant weakening of investment activity which could greatly impact FDI.

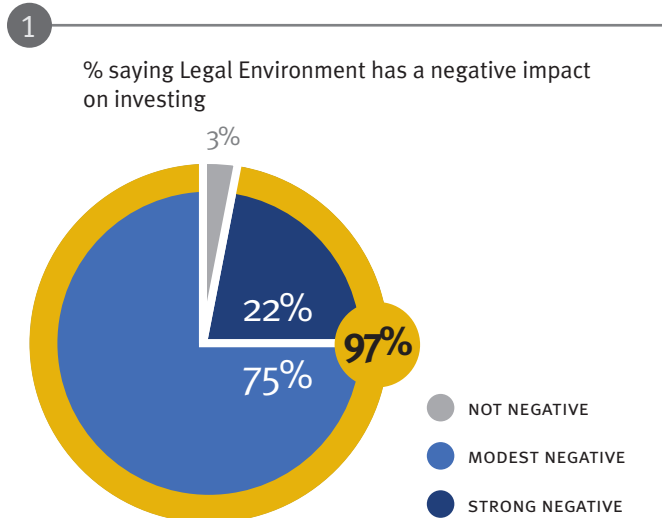


8.1 UK

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 32 INVESTORS IN THE UNITED KINGDOM (UK) IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE UK SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL UK INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + UK investors view the legal environment as having a negative impact on their investing activities with 97% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit UK1).
- + Regulatory ambiguity reduces investment activity with 77% of UK investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit UK2).
- + Of significant concern to UK investors is the risk of secondary liability and the exposure to potentially very large damages, with 77% of investors raising this concern (see Exhibit UK3).
- + UK investors are also closely monitoring Taxation. 68% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit UK4).

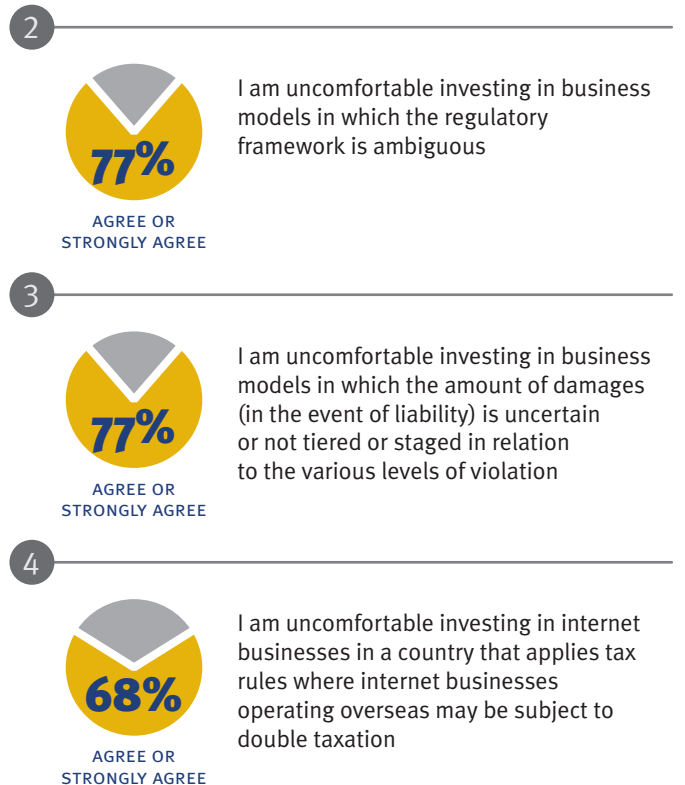


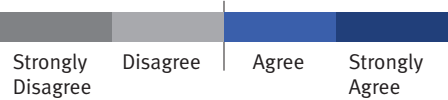
POTENTIAL AREAS OF REGULATION

We then asked UK investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table UK5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

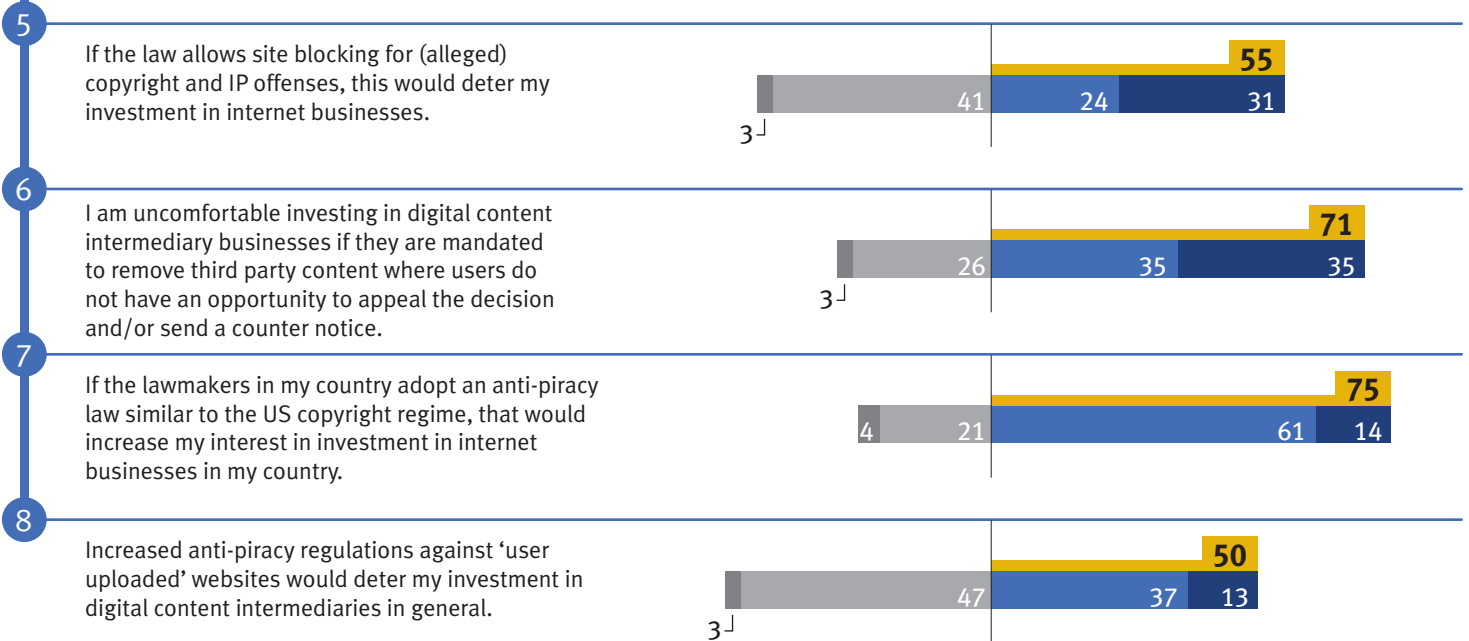
The 13 countries surveyed in the body of this report benefit significantly from Foreign Direct Investment (FDI). We surveyed investors in the US and UK to determine if their sentiments were consistent, and found that they were in most areas with those of the in-market investors (see Chapter 7) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.



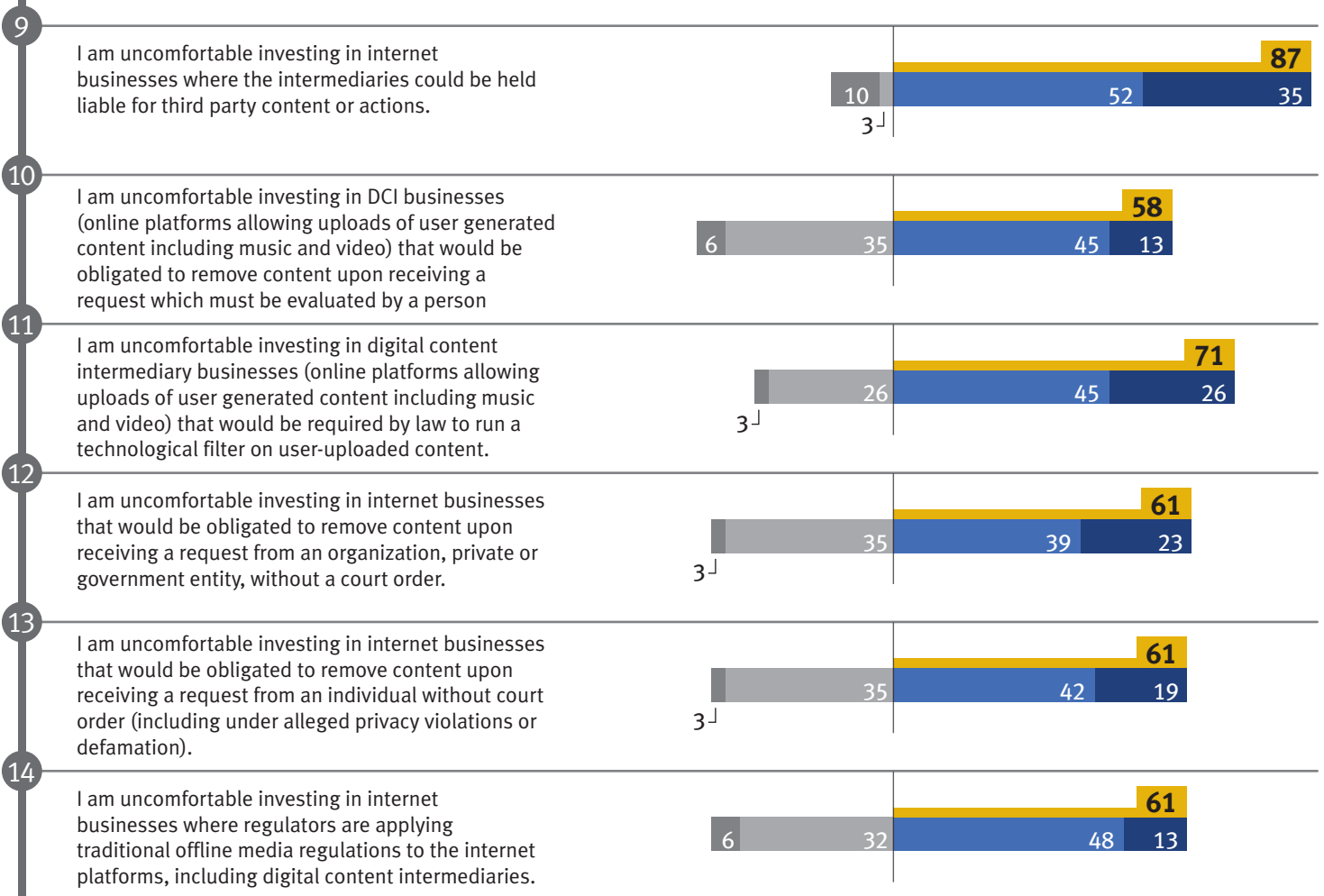


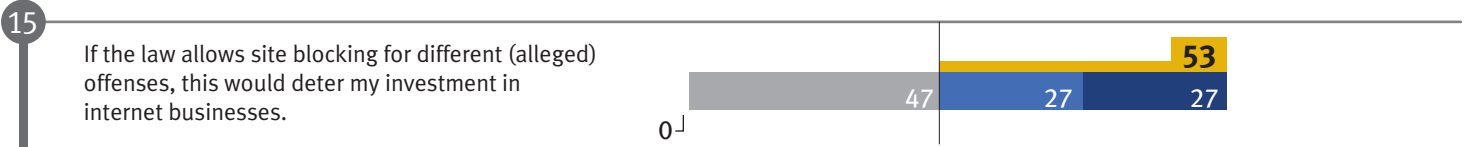
+ Numbers shown in percents
 + Totals may be impacted by rounding, and answers may not sum to 100% when some investors chose not to respond

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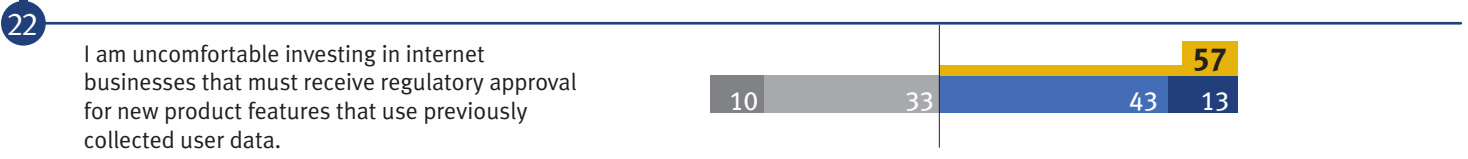
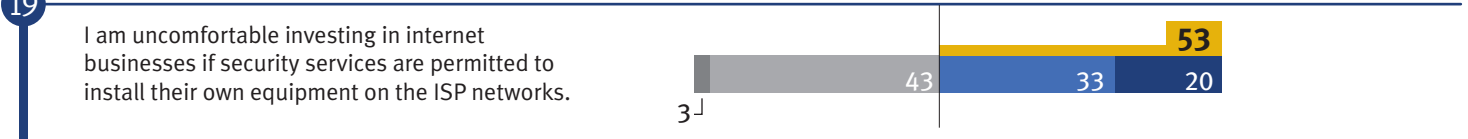
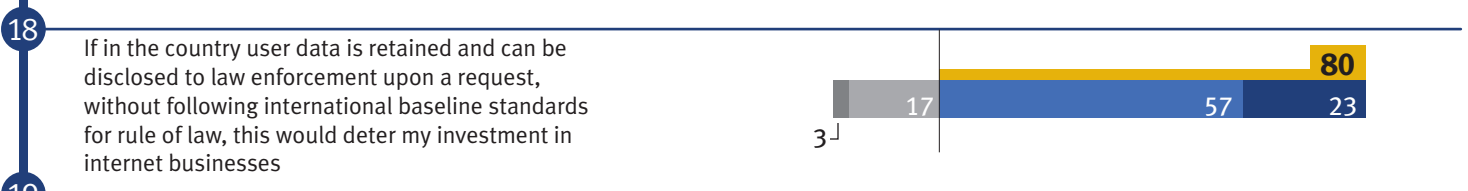


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

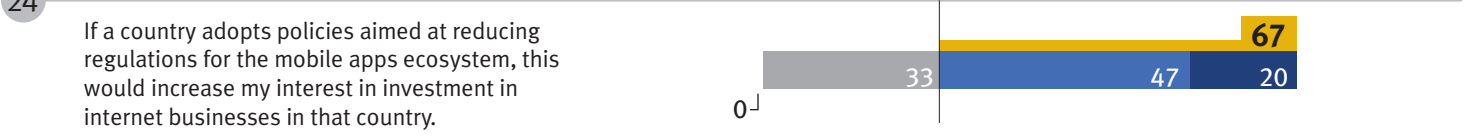
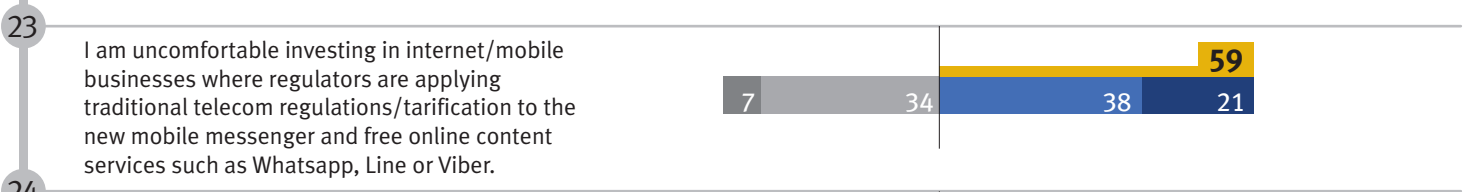




PRIVACY AND SECURITY



MOBILE INFRASTRUCTURE AND SERVICES



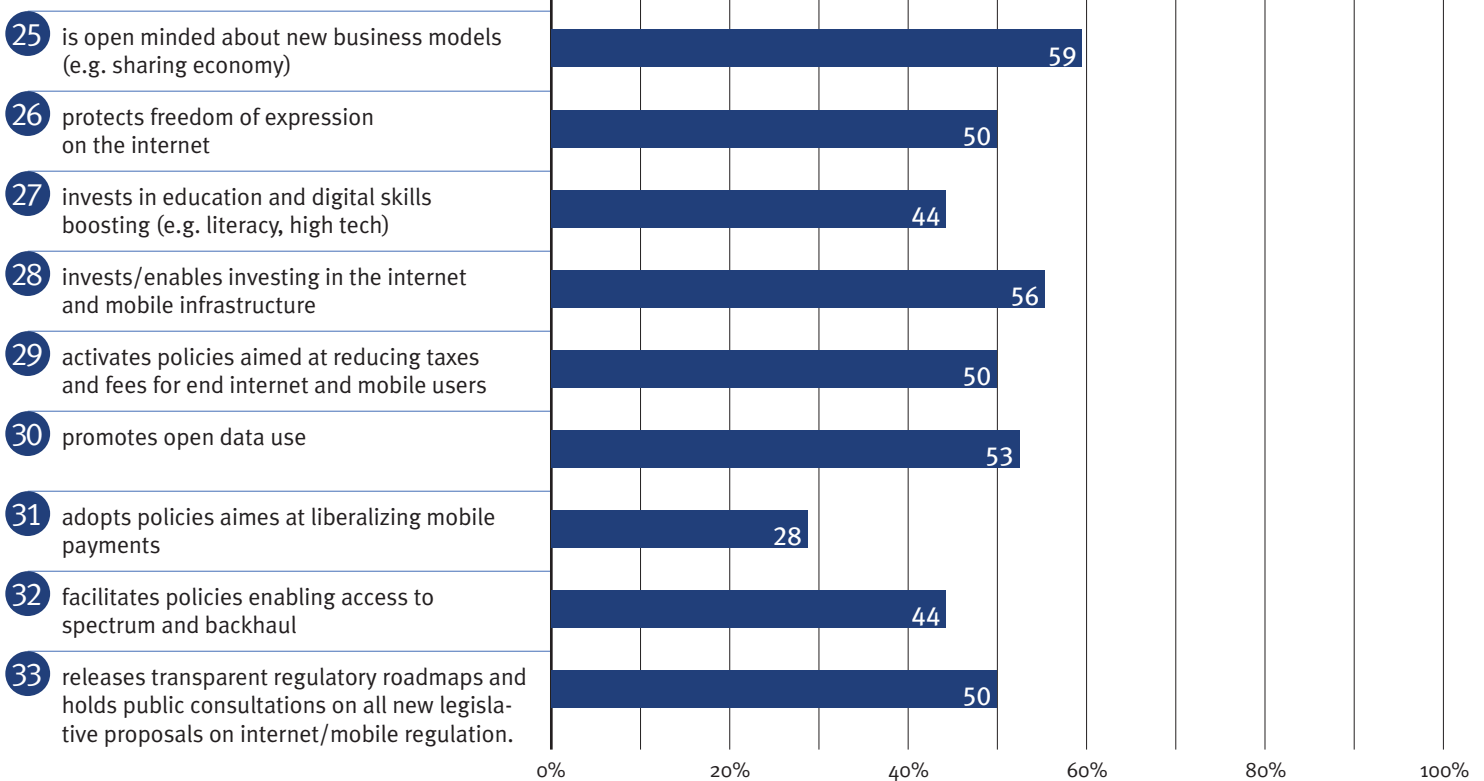


PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE UK IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE UK GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS UK25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?

THE GOVERNMENT...



Note: % of investors responding "most likely" or "likely" to invest more - 5 and 4 on a five point scale

SUMMARY OF UK FINDINGS

In summary, 97% of UK investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. Since UK investors provide much of the FDI for other countries, there is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, UK and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

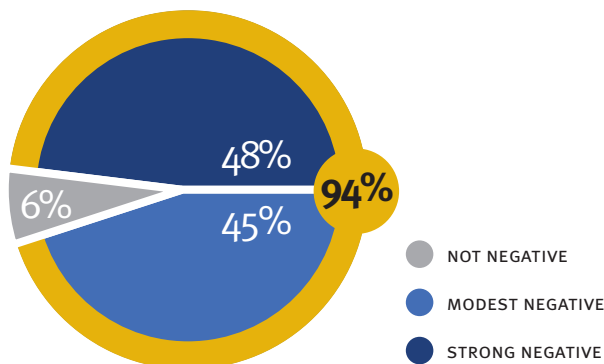
8.2 USA

IN 2016, WE SURVEYED A STATISTICALLY RELEVANT SAMPLE OF 33 INVESTORS IN THE UNITED STATES OF AMERICA (US) IN ORDER TO ASSESS THE DEGREE TO WHICH THE FUTURE LEGAL ENVIRONMENT MIGHT IMPACT THEIR BEHAVIOR WITH REGARD TO INVESTING IN INTERNET BUSINESSES. THIS CHAPTER PRESENTS THE FINDINGS FROM THE US SURVEY. IT SHOULD BE READ IN CONJUNCTION WITH CHAPTER 6 (EMPIRICAL FINDINGS – COMMON THEMES ACROSS COUNTRIES) AND CHAPTER 8 (EMPIRICAL FINDINGS – OVERSEAS INVESTORS) WITHOUT WHICH IT IS ONLY A PARTIAL DESCRIPTION OF THE RESULTS OF OUR WORK.

OVERALL US INVESTOR PERSPECTIVE ON REGULATORY ENVIRONMENT

- + US investors view the legal environment as having a negative impact on their investing activities with 94% of the investors surveyed saying it has a modest or strongly negative impact (see Exhibit USA1).
- + Regulatory ambiguity reduces investment activity with 69% of US investors surveyed saying they are uncomfortable investing in business models in which the regulatory framework is ambiguous (see Exhibit USA2).
- + Of significant concern to US investors is the risk of secondary liability and the exposure to potentially very large damages, with 76% of investors raising this concern (see Exhibit USA3).
- + US investors are also closely monitoring Taxation. 97% would be uncomfortable investing in Internet businesses should the country apply tax rules that make Internet businesses operating overseas subject to double taxation (see Exhibit USA4).

1 % saying Legal Environment has a negative impact on investing



POTENTIAL AREAS OF REGULATION

We then asked US investors about four specific broad areas of potential legislation and the degree to which they might become uncomfortable investing as a result. Overall, a majority or substantial minority of investors would be deterred from investing in Internet businesses impacted by these potential areas of regulation - it is important to note that even a minority of investors deterred from investing could significantly reduce the pool of capital available (see Table USA5-24).

IMPACT ON FOREIGN DIRECT INVESTMENT

The 13 countries surveyed in the body of this report benefit significantly from Foreign Direct Investment (FDI). We surveyed investors in the US and UK to determine if their sentiments were consistent, and found that they were in most areas with those of the in-market investors (see Chapter 7) such that these potential areas of regulation would be expected to reduce FDI as well as in-market investment capital.

2



I am uncomfortable investing in business models in which the regulatory framework is ambiguous

3

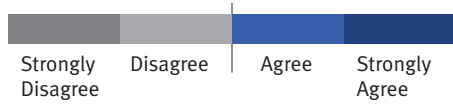


I am uncomfortable investing in business models in which the amount of damages (in the event of liability) is uncertain or not tiered or staged in relation to the various levels of violation

4

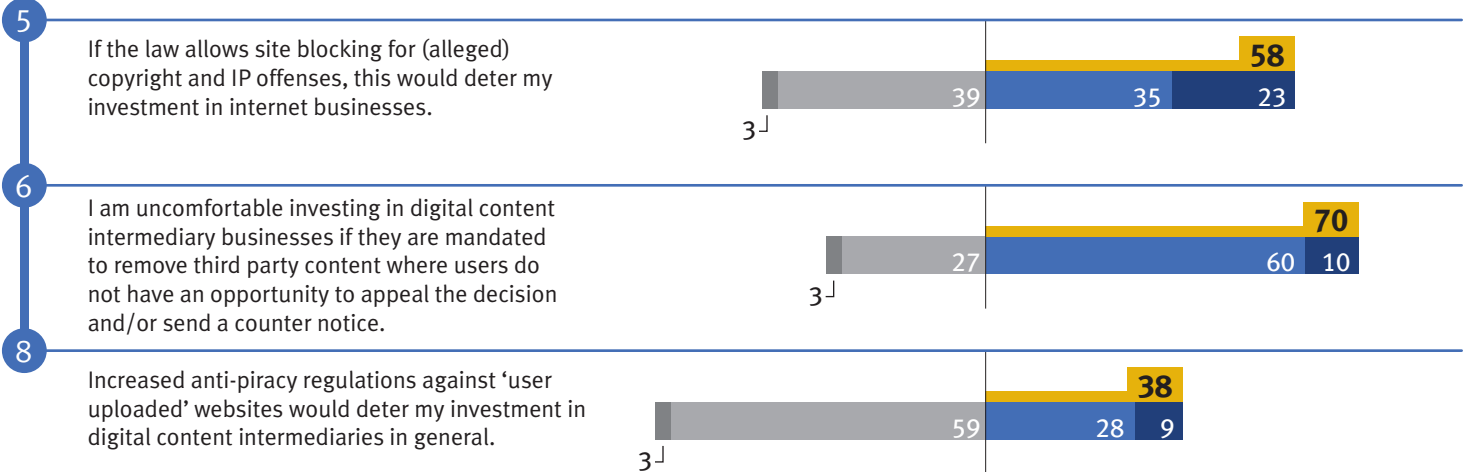


I am uncomfortable investing in internet businesses in a country that applies tax rules where internet businesses operating overseas may be subject to double taxation

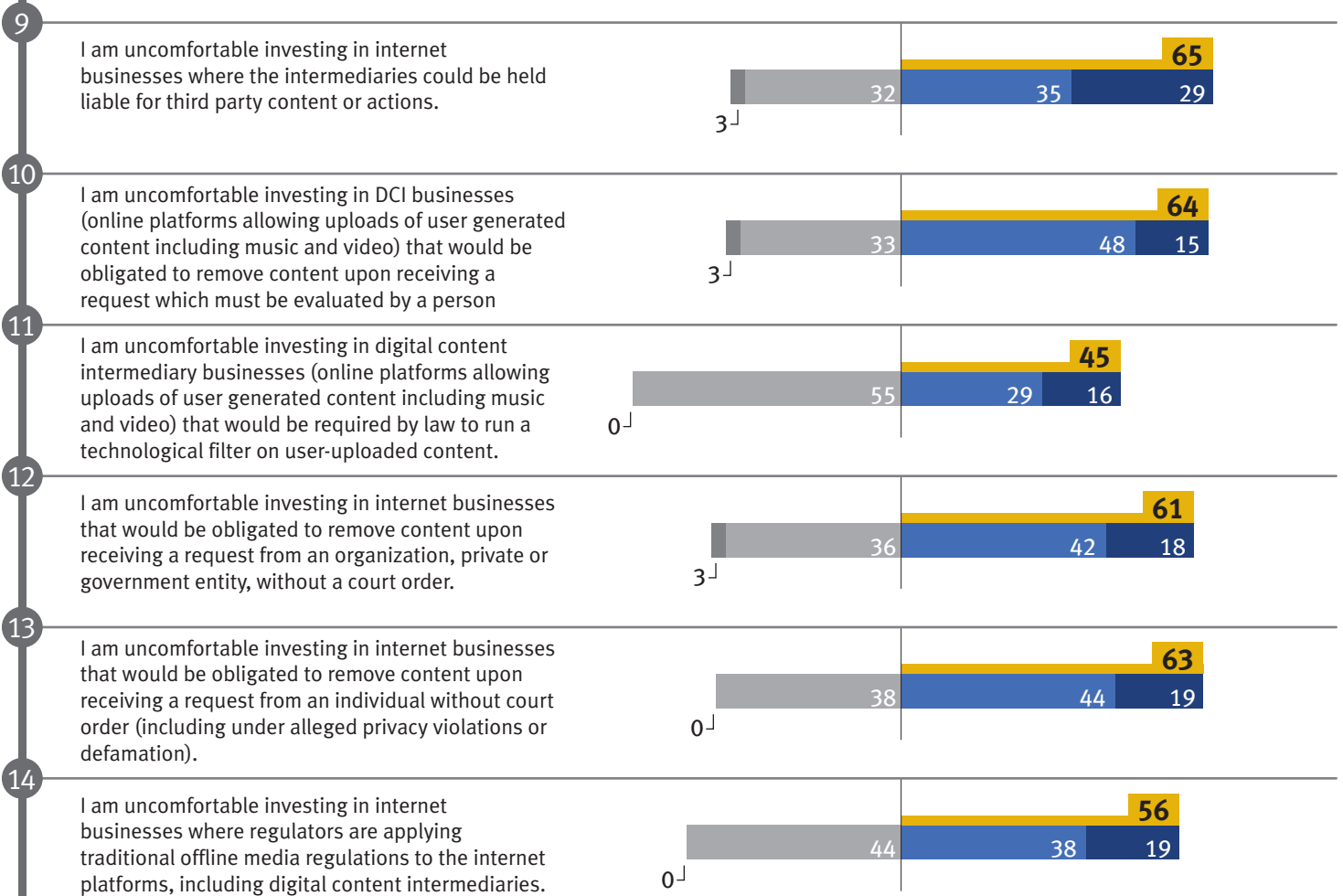


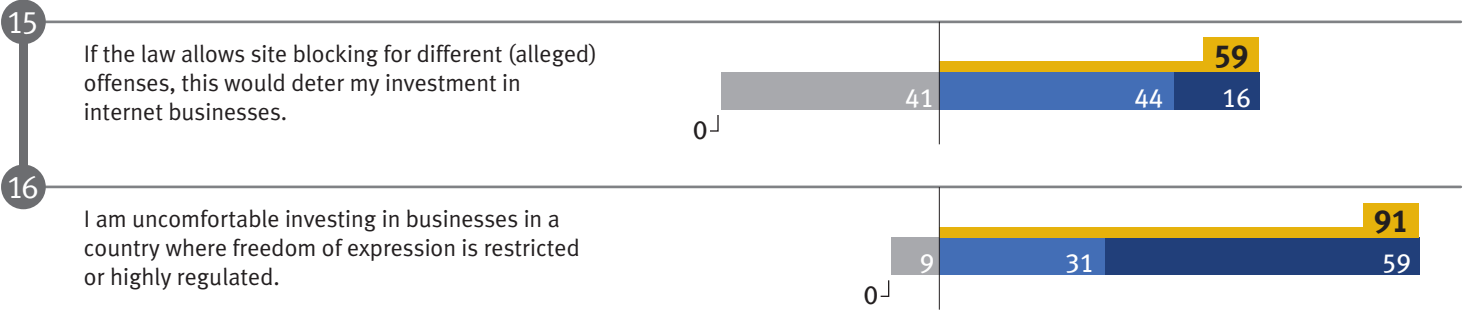
+ Numbers shown in percents
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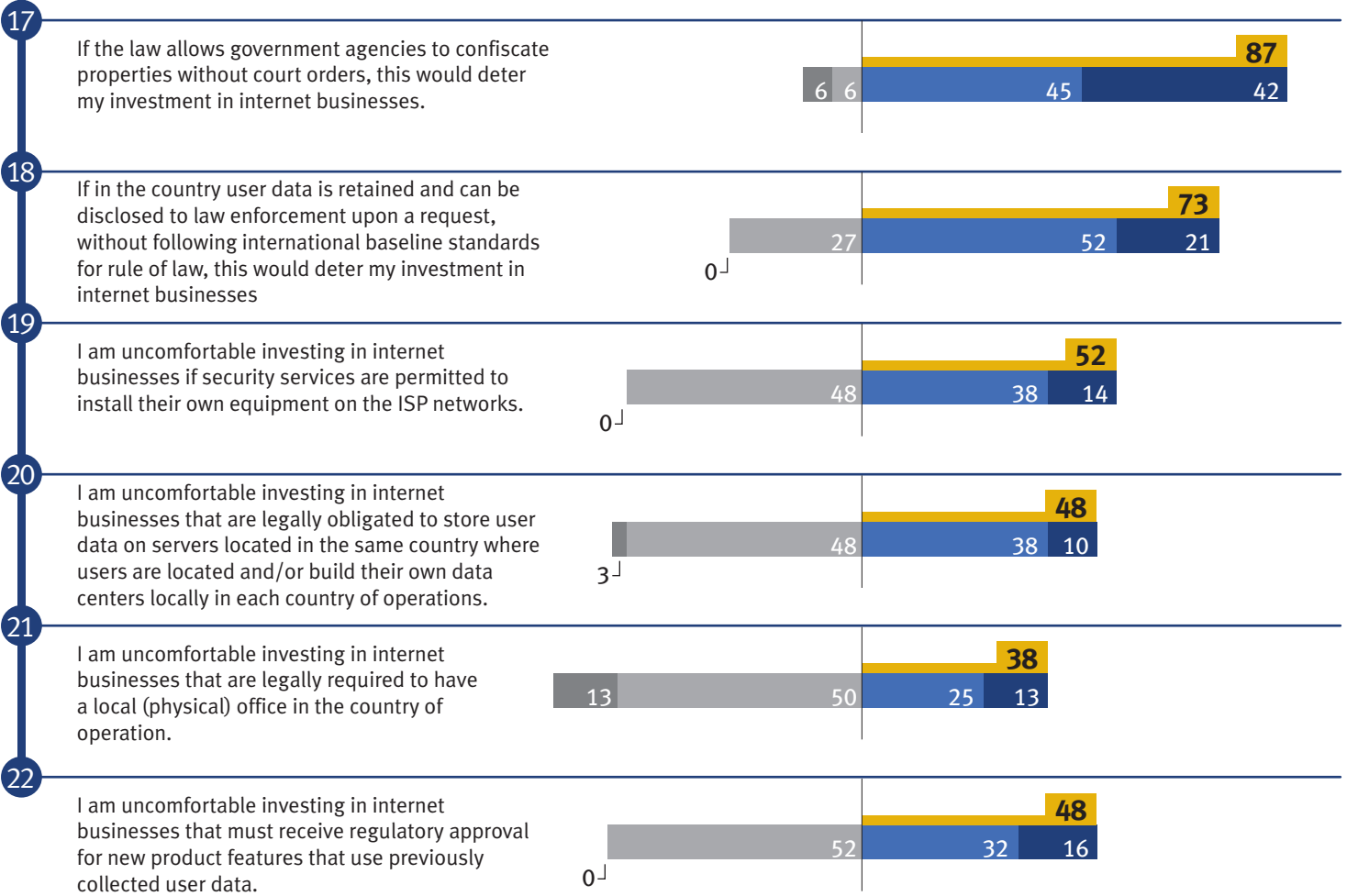


INTERMEDIARY LIABILITY PROTECTION AND CENSORSHIP

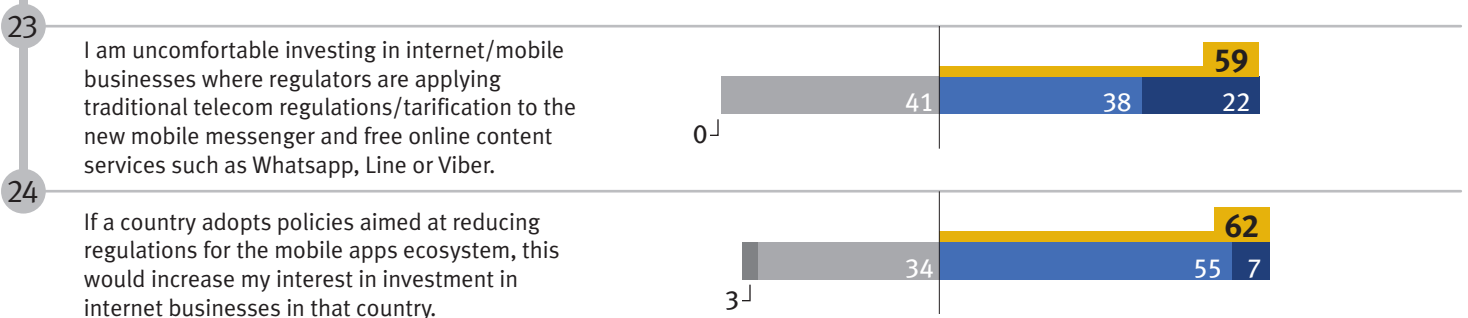




PRIVACY AND SECURITY

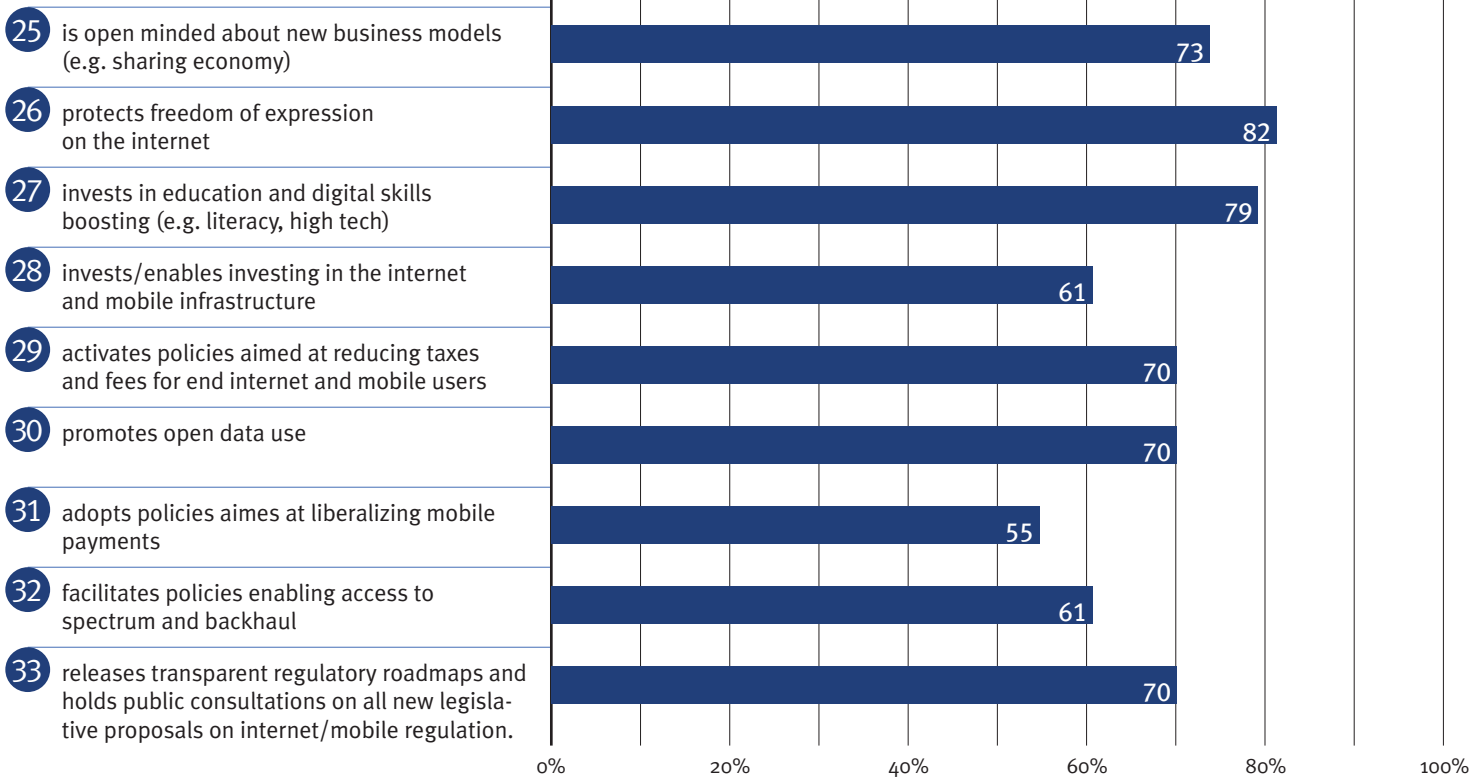


MOBILE INFRASTRUCTURE AND SERVICES




PREFERENCE FOR GOVERNMENT POLICY SUPPORT

WHILE US IN-MARKET INVESTORS AND OVERSEAS INVESTORS PROVIDING FDI CAPITAL AGREE ON THE NEGATIVE IMPACTS OF POTENTIAL INTERNET REGULATION, THEY ALSO AGREE THAT THERE ARE AREAS IN WHICH THEY WOULD GREATLY APPRECIATE US GOVERNMENT SUPPORT. WE ASKED THE INVESTORS ABOUT NINE POTENTIAL POLICY ACTIONS THAT NATIONAL GOVERNMENT MIGHT FOCUS ON. IN EVERY CASE, INVESTORS WOULD INCREASE THEIR INVESTMENT IN LOCAL INTERNET BUSINESSES SHOULD THESE POLICY ACTIONS BE TAKEN (SEE RESULTS USA25-33).

WHICH OF THE FOLLOWING POTENTIAL GOVERNMENT ACTIONS OR INITIATIVES IN YOUR COUNTRY WOULD MOST IMPACT YOUR INVESTMENT DECISIONS?
THE GOVERNMENT...


Note: % of investors responding “most likely” or “likely” to invest more - 5 and 4 on a five point scale

SUMMARY OF US FINDINGS

In summary, 94% of US investors believe the legal environment has a negative impact on their investing activities with a significant majority concerned about investing in Internet business models that are today confronted by ambiguity and uncertain outcomes, potentially large damages, and the risks of secondary liability as well as the negative impact of other contemplated areas of legislation. Since US investors provide much of the FDI for other countries, there is also a risk of reducing FDI investment capital from overseas investors who share these concerns.

Conversely, US and overseas investors agree that there are many ways in which government can support the local investment environment which would make them willing to bring additional capital and invest more in local Internet businesses.

These findings highlight the concern of many lawmakers that unintended consequences might result from potential new internet regulations. Our findings illustrate that there is a risk that potential regulations might greatly curtail or cut off capital from the Internet companies that are driving global innovation, GDP growth and new job formation.

COMPARATIVE RESULTS TABLE

Percent Who Agree or Strongly Agree

STATEMENTS

1	% saying Legal Environment has a negative impact on investing
2	I am uncomfortable investing in business models in which the regulatory framework is ambiguous.
3	I am uncomfortable investing in business models in which the amount of damages (in the event of liability) is uncertain or not tiered or staged in relation to the various levels of violation.
4	I am uncomfortable investing in internet businesses in a country that applies tax rules where internet businesses operating overseas may be subject to double taxation.
5	If the law allows site blocking for (alleged) copyright and IP offenses, this would deter my investment in internet businesses.
6	I am uncomfortable investing in digital content intermediary businesses if they are mandated to remove third party content where users do not have an opportunity to appeal the decision and/or send a counter notice.
7	If the lawmakers in my country adopt an anti-piracy law similar to the US copyright regime, that would increase my interest in investment in internet businesses in my country.
8	Increased anti-piracy regulations against 'user uploaded' websites would deter my investment in digital content intermediaries in general.
9	I am uncomfortable investing in internet businesses where the intermediaries could be held liable for third party content or actions.
10	I am uncomfortable investing in DCI businesses (online platforms allowing uploads of user generated content including music and video) that would be obligated to remove content upon receiving a request which must be evaluated by a person.
11	I am uncomfortable investing in digital content intermediary businesses (online platforms allowing uploads of user generated content including music and video) that would be required by law to run a technological filter on user-uploaded content.
12	I am uncomfortable investing in internet businesses that would be obligated to remove content upon receiving a request from an organization, private or government entity, without a court order.
13	I am uncomfortable investing in internet businesses that would be obligated to remove content upon receiving a request from an individual without court order (including under alleged privacy violations or defamation).
14	I am uncomfortable investing in internet businesses where regulators are applying traditional offline media regulations to the internet platforms, including digital content intermediaries.
15	If the law allows site blocking for different (alleged) offenses, this would deter my investment in internet businesses.
16	I am uncomfortable investing in businesses in a country where freedom of expression is restricted or highly regulated.
17	If the law allows government agencies to confiscate properties without court orders, this would deter my investment in internet businesses.
18	If in the country user data is retained and can be disclosed to law enforcement upon a request, without following international baseline standards for rule of law, this would deter my investment in internet businesses
19	I am uncomfortable investing in internet businesses if security services are permitted to install their own equipment on the ISP networks.
20	I am uncomfortable investing in internet businesses that are legally obligated to store user data on servers located in the same country where users are located and/or build their own data centers locally in each country of operations.
21	I am uncomfortable investing in internet businesses that are legally required to have a local (physical) office in the country of operation.
22	I am uncomfortable investing in internet businesses that must receive regulatory approval for new product features that use previously collected user data.
23	I am uncomfortable investing in internet/mobile businesses where regulators are applying traditional telecom regulations/tarification to the new mobile messenger and free online content services such as Whatsapp, Line or Viber.
24	If a country adopts policies aimed at reducing regulations for the mobile apps ecosystem, this would increase my interest in investment in internet businesses in that country.
THE GOVERNMENT...	
25	is open minded about new business models (e.g. sharing economy)
26	protects freedom of expression on the internet
27	invests in education and digital skills boosting (e.g. literacy, high tech)
28	invests/enables investing in the internet and mobile infrastructure
29	activates policies aimed at reducing taxes and fees for end internet and mobile users
30	promotes open data use
31	adopts policies aimed at liberalizing mobile payments
32	facilitates policies enabling access to spectrum and backhaul
33	releases transparent regulatory roadmaps and holds public consultations on all new legislative proposals on internet/mobile regulation.

	GLOBAL	AUSTRALIA	INDIA	INDONESIA	ISRAEL	JAPAN	KOREA	NIGERIA	SAUDI ARABIA	SOUTH AFRICA	THAILAND	TURKEY	UAE	VIETNAM	UK	USA
	89	90	65	91	96	97	97	81	90	100	97	85	73	89	97	94
	75	67	84	88	65	71	88	74	80	74	71	76	63	74	77	69
	78	80	74	76	81	74	79	79	79	84	71	78	77	81	77	76
	80	71	94	94	77	77	74	84	81	81	68	78	75	76	68	97
	69	68	84	74	72	68	68	48	86	70	61	70	69	79	55	58
	71	66	81	71	52	77	64	65	79	68	61	75	76	81	71	70
	81	77	84	97	80	62	88	84	81	87	87	81	68	78	75	
	61	42	94	68	52	65	50	39	79	65	81	52	79	68	50	38
	71	69	74	77	65	67	42	87	83	87	58	76	67	68	87	65
	64	38	70	71	62	70	66	56	79	72	55	69	61	70	58	64
	62	46	58	68	58	67	44	57	64	71	67	64	66	76	71	45
	71	59	77	79	64	70	48	77	92	74	74	76	77	79	61	61
	66	48	68	79	64	63	44	67	74	71	58	73	75	76	61	63
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	65	73	74	79	77	42	68	65	50	61	65	61	57	82	56	61
	64	60	61	82	73	52	56	77	53	58	68	55	63	82	50	70
	62	60	81	71	69	68	62	61	43	55	68	61	53	61	53	70
	57	53	84	62	50	61	56	61	50	58	58	58	50	74	28	55
	57	37	77	85	54	48	50	65	40	35	58	64	50	74	44	61
	57	50	61	71	73	39	62	52	40	61	55	58	47	71	50	70

Information regarding Internet investors and their perspectives and concerns is hard to come by and yet these same constituencies are the drivers of early stage company formation and innovation. In order to capture their thinking, this study conducted primary research in fifteen countries. In each country online surveys were designed to capture investor sentiment and allow quantification of the likely impact of future internet regulations. The survey instrument itself was first drafted by Fifth Era before being tested in each country to ensure that it was an effective tool, and also that translations into the home languages, where necessary, would create consistent results. This year we applied the same criteria in each market regarding who was allowed to take the survey. First they needed to declare that they were Internet investors. Secondly, they needed to have net worth excluding their primary residence of USD \$1 million or annual income of USD \$200,000.

We then worked with leading panel companies in each of the fifteen countries to ensure that the survey yielded statistically relevant samples of the country specific sophisticated investors. In total, 475 Internet investors completed the survey and were verified respondents. Potential respondents that did not meet the criteria in each country were not allowed to take the survey. Survey responses that included incomplete answers were removed as well as those from respondents who spent less than five minutes providing their responses, since this was deemed too short a period during which to thoughtfully complete the survey. A copy of the entire survey is available on request. Towards the end of the survey instrument, respondents were asked to share the investor groups of which they are a part. The full list of participating investor groups represented in this survey and in prior versions of this survey is provided in the report. However, most survey respondents chose to remain anonymous, including the larger funds which we surveyed directly.

APPENDIX 2

PARTICIPATING INVESTOR GROUPS AND ORGANIZATIONS

WE WOULD LIKE TO ACKNOWLEDGE AND THANK THE FOLLOWING INVESTOR GROUPS AND ORGANIZATIONS AS WELL AS ALL OF THE INDIVIDUAL INVESTORS THAT PARTICIPATED IN OUR ONGOING STUDY – FOR THOSE OF YOU WHO PREFER TO REMAIN ANONYMOUS, WE APPRECIATE YOUR PARTICIPATION TOO. WE ARE ALSO ACKNOWLEDGING THOSE WHO PROVIDED PERSPECTIVES ON POTENTIAL REGULATIONS AND ADDITIONAL INSIGHTS WHICH WE HAVE REPORTED IN THE CONTENTS OF THIS REPORT, OR IN THE 2014 AND 2011 REPORTS:

Abraaj Group (UAE)
Alexander Forbes Group Holdings
(South Africa)
Allan Gray Investments (South Africa)
Alliance In Motion Global (Nigeria)
Alliance of Angels (USA)
Angel List (USA)
Angel Resource Institute (USA)
ARF Angels (USA)
August Capital (USA)
AVA Angel Club (Korea)
Axon Capital (USA)
Babcock Investment Group (Nigeria)
Baker & McKenzie LLP (UK)
Band of Angels (USA)
Berkshire Hathaway (USA)
Bin Jabr Group (UAE)
Bird & Bird (UK)
Blue Sky Alternative Investments (Japan)
Boise Angel Fund (USA)
BCN Business Angels (Spain)
Beer & Partners (UK)
BetterInvesting (UAE)
Bualuang Securities (Thailand)
Bulgarian Business Angels Network
(Bulgaria)
BV Capital/eVentures (USA)
Cabiedes & Partners (Spain)
Caixa Capital (Spain)
Cambridge Angels (UK)
Crosslink Capital (USA)
Crowdcube (UK)
Digital Assets Deployment (UK)
Dingman Center Angels (USA)
Dubai Group (UAE)
East Coast Angels (USA)
EBAN (Europe)
ECIJA (Spain)
Equitymaster Club (UAE)
Ethenea Independent Investors (Thailand)
Fenwick & West LLP (USA)
Foley & Lardner LLP (USA)
Forex Epeuaen Children Ltd (Korea)
Frogstock (Korea)
Galata Business Angels (Turkey)
GEMS (Nigeria)
Globespan Capital Partners (USA)
Golden Seeds (USA)
Golden Indonesia Seeds (Indonesia)
Granite Ventures Greylock Partners (USA)
Gruppo Baventino (Italy)
GSR Ventures (USA)
Hana Daetoo Securities (Korea)
Harbottle & Lewis LLP (UK)
Harvard Angels (USA)
Hatch! Angel (Vietnam)
IESE (Spain)
Ignite Accelerator (UK)
Indonesia Investments (Indonesia)
Intel Capital (USA)
Intelligent Investors Club (Vietnam)
Investir en Direct (France)
Investment One (Nigeria)
ITU Investment Club (Turkey)
Joshua Group (Nigeria)
Keiretsu Forum (Asia)
Keiretsu Forum (France)
Keiretsu Forum (India)
Keiretsu Forum (Spain)
Keiretsu Forum (Turkey)
Keiretsu Forum (UK)
Keiretsu Forum (USA)
Kemp Little LLP (UK)
Kotak Securities (India)
Lazada Group (Vietnam)
Let's Partner With You LTD (Nigeria)
Liberty Investments (South Africa)
LJT Group (Indonesia)
Martin Varsavsky (Spain)
MNC Group (Indonesia)
MTS Gold Futures (Thailand)
National Association of Investors
Corporation (UAE)
Nauta Capital (Spain)
New Mexico Angels (USA)
Next World Capital (USA)
OATV (USA)
Okuri Ventures (Spain)
Olayan Group (Saudi Arabia)
Old Mutual Investment Group
(South Africa)
One Capita (UAE)
Oregon Entrepreneurs Network (USA)
P3 Investments Group (South Africa)
PA Angel Network (USA)
Plug and Play Tech Center (USA)
Rho Capital Partners (USA)
Rana Investment Company (Saudi Arabia)
Rivkin Asset Management (Australia)
Risc Ventures (USA)
Rustic Canyon Partners (USA)
Sacramento Angels (USA)
Scale Ventures (USA)
Selby Ventures (USA)
SCBThailand (Thailand)
SCG Investments (Thailand)
Sharekhan Investment (India)
Shi Partners (Korea)
Sierra Angels (USA)
Silver Lake (USA)
Sofinnova Ventures (France, UK)
Startup Bootcamp (UK)
Sterling Investment Corporation (India)
Strong Future International (Nigeria)
Techfirm (USA)
TeleSoft Partners (USA)
Tetuan Valley (Spain)
TUSIAD (Turkey)
TVG Capital Partners (Asia)
U&Law (Spain)
Vantage Point Venture Partners (USA)
Vietnam Investment Development Group
(Vietnam)
Vietnamese Investments Group (Vietnam)
VVIP Family (Indonesia)
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