

THE PULSE

Monthly Insights 



Indonesia will celebrate its 77th Independence Day on August 17. The occasion will be marked by a series of festivities across the country, including games, cultural programs, flag hoisting, and parades. Indonesia Business Partners, a subsidiary of Asean Business Partners also celebrates its birthday on this day. After two years of muted celebrations, 2022 will mark a return to a growing economy with hope and optimism all around.

INSIDE



Nusantara Will Support “Smarter” Businesses

🕒 4-minute read



Vietnam Gears Up For Deeper US Trade Relations

🕒 4-minute read



Philippines Awaits A Turnaround

🕒 4-minute read



Tokenisation: A Tool to Avoid e-Payment Frauds

🕒 4-minute read



Bakong Paves The Way For A Digital Future

🕒 4-minute read

NUANSTRA WILL SUPPORT "SMARTER" BUSINESSES

Indonesia's new capital project is expected to drive demand for digital finance, automated systems, and green products.



In less than two years, Indonesia will move its capital to a new city called Nusantara. It means archipelago in Old Javanese and construction work is already in full swing. For businesses in the country, this marks a sharp shift from the congested capital Jakarta into a brand new territory.

Jakarta is facing an ecological crisis, and according to projections, it could sink by 2050. Hence the decision to establish a new capital. Situated deep within the Kalimantan jungle on Borneo island, the new capital is envisioned as a sustainable and smart city.

This means that corporations engaged in "green" businesses would get preference. The Indonesian government has also met with global renewable energy companies to woo them to invest in Nusantara.

THE BIG SHIFT

The development of Nusantara will happen in stages so that businesses get ample time to set up their infrastructure in the region.

Phase-Wise Development of Nusantara

Stage 1: 2022-2024

Work on urban development, infrastructure, and economy.

Stage 2: 2025-2029

Completion of all infrastructure projects.

Stage 3: 2030-2034

Work on public transportation, drinking water, and power supply.

Stage 4: 2035-2039

Work on health and education sectors to support the economy.

Stage 5: 2040-2045

Peak development stage with industries and stable population.

Source: Mondaq

Close to 1.4 million people are expected to reside in Nusantara by 2045. This will open up opportunities for sectors such as green energy, real estate, agriculture, transport and communications, FMCG, and retail.

Research from Indonesia's energy ministry shows that East Kalimantan's combined potential for biofuel, hydro, solar, and wind energy can reach up to 20 GW. In the initial phase of the capital shift, there will be a focus on developing renewable energy sources. Companies engaged in clean power and allied businesses stand to benefit, especially considering that the current renewable capacity is insignificant.

AREAS OF GROWTH

Commercial growth prospects are aplenty. Even neighboring countries such as Malaysia have expressed interest in investing in Nusantara. In fact, Malaysian government authorities have asked businesses to look for non-traditional business opportunities, such as education and health. These are the two immediate business areas:

Green economy: Indonesia wants to minimize pollution in Nusantara. This is good news for electric vehicle makers to set up business operations in the capital. Gojek and Grab are two companies that could see massive potential. Simultaneously, technology firms involved in building smart cities will also find relevance here.

Real Estate: Property developers are keen to expand their business in Nusantara. This would include building homes for residents, commercial buildings, as well as hotels for tourists.

WILL THERE BE CHALLENGES?

President Joko Widodo wants Nusantara to be a 10-minute city, which means moving from one place to another would take 10 minutes or less. Twenty percent of the funding will come from the state, while the rest will be external investments.

But the project needs rapid financial support towards this endeavor. With Japan's SoftBank reneging on its investment commitment, there are financial challenges. Indonesia has sought funds from Saudi Arabia and the UAE for the \$34 billion Nusantara project.

The mammoth project also faces some constraints. Experts believe that the shift to Nusantara could impact the endangered flora and fauna in the region.

Considering the size of the investment, a public-private finance model has been proposed. The actual shift from Jakarta to Nusantara will depend on how soon the financial needs are met.

VIETNAM GEARS UP FOR DEEPER US TRADE RELATIONS

US-Vietnam trade touched new records in 2021; now there is massive growth potential.



The United States and Vietnam completed 27 years of diplomatic relations on July 12. During this period, the two countries have forged stronger ties to bilateral trade, investment, and regional peace. Now, there are talks of deepening the partnership, with Vietnam leading a delegation to the US.

In ASEAN, Vietnam is slowly becoming the sought-after partner for the US. There is a conscious effort to expand the existing trade relationship. Within ASEAN, Vietnam is the US' biggest trade partner, with \$57.4 billion in total trade as of May 2022.

Among other initiatives, the US and Vietnam will also collaborate on clean energy programs. A \$36 billion five-year USAID project will help Vietnam transition to greener sources of energy.

STRENGTHENING EXISTING TIES

Vietnam is undergoing rapid transformation to become the manufacturing hub of the world in the near future. The current leader, China, has already faced production bottlenecks amidst new variants of Covid. American multinationals such as Apple are now shifting their manufacturing units to Vietnam. There's more to come.

Top Trading Partners of the United States - May 2022

Rank	Country	Exports	Imports	Total Trade	Percent of Total Trade
---	Total, All Countries	828.6	1,337.9	2,166.5	100.0%
---	Total, Top 15 Countries	575.6	1,034.8	1,610.3	74.3%
1	Canada	143.8	182.1	325.9	15.0%
2	Mexico	132.2	184.6	316.8	14.6%
3	China	60.0	223.1	283.1	13.1%
4	Japan	33.1	62.2	95.2	4.4%
5	Germany	29.6	56.5	86.1	4.0%
6	Korea, South	28.8	46.9	75.7	3.5%
7	Vietnam	5.1	52.3	57.4	2.6%
8	India	19.6	36.0	55.6	2.6%
9	United Kingdom	30.7	24.8	55.5	2.6%
10	Taiwan	17.6	37.5	55.1	2.5%
11	Netherlands	28.0	15.6	43.6	2.0%
12	Ireland	7.1	33.9	41.0	1.9%
13	France	18.2	22.5	40.6	1.9%
14	Switzerland	10.3	29.5	39.8	1.8%
15	Italy	11.6	27.2	38.8	1.8%

Source: [US Census Bureau](#)

During a 2021 visit to Vietnam, US Vice President Kamala Harris indicated both sides will embark on a strategic partnership. This includes supporting Vietnam to defend trade interests in the South China Sea, a waterway on which China claims sovereignty

THE US-VIETNAM FUTURE

In 2021, bilateral trade between the US and Vietnam touched \$111.56 billion. Machinery, textile, and electronics were among the top three items exported from Vietnam to the US.

American companies such as Apple and Intel are investing heavily in Vietnam. Intel, for example, has invested \$475 million into its Vietnamese arm to build a chip assembly facility. This is in addition to the \$1 billion investment made in 2006. Intel has also committed to making a multi-fold increase in its Vietnam investment.

Simultaneously, the US is also relaxing product-level tariffs on renewable energy. For instance, there is a two-year tariff exemption on Vietnamese solar panels amidst skyrocketing energy demand.

Experts believe that the existing free trade agreement between the US and Vietnam could be used to enhance supply chain cooperation. Hanoi's close relationship with the US regional allies, such as Japan and South Korea, is also expected to boost US-Vietnam trade further.

During a recent US delegation visit to Hanoi, the two countries reiterated the focus on socio-economic cooperation, bilateral investment, and sustainable development. The US-Vietnam alliance is also working on future areas of cooperation, including digital economy, economic resilience, and renewable energy. This mutual cooperation will bring economic and geopolitical benefits to both countries. The US-Vietnam partnership will only get stronger from now on.

PHILIPPINES AWAITS A TURNAROUND

The country faces a bleak investment outlook, and all eyes are on President Ferdinand Marcos Jr. to lead the revival.



The newly elected Philippines president Ferdinand Marcos Jr. has a task at hand. The country is still recovering from the financial impact of the pandemic, and a bleak investment outlook is an added concern. A faster economic revival is the primary expectation from the new regime.

To bring about changes, Marcos Jr. wants to first mend the country's relations with the European Union (EU). Outgoing president Rodrigo Duterte had a tumultuous relationship with the EU. Marcos Jr. will pursue a foreign policy where the Philippines is a "friend to all, enemy to none". A senior diplomat with rich experience in Europe has also been appointed as the government's top foreign envoy.

The move to improve relations comes at a time when the Philippines' GDP forecast has been lowered.

BRINGING BACK GROWTH

Upon taking charge, the finance team of President Marcos Jr. announced that GDP growth will be 6.5-7.5% this year, compared to the 7-8% projection by the previous administration.

However, the Marcos Jr. government expects the Philippines' economy to grow by 6.5-8% annually from 2023 to 2028, higher than the Duterte administration's estimate of 6-7%.

Agriculture and food security are among the biggest priorities of the new government. Marcos Jr., who is also the secretary of the agriculture department, wants to increase the production of staple crops such as rice and corn.

Simultaneously, the government also wants to support small, medium, and micro enterprises in the country. Marcos Jr. also wants public-private partnerships to boost MSMEs.

INVESTMENT FOCUS

The Marcos Jr. government is having a re-look at past projects. His administration wants to renegotiate loan agreements with China pertaining to \$4.9 billion worth of railway projects in the Philippines.

Meanwhile, a think-tank report said that the investment outlook in the Philippines is deteriorating. The high inflation rate of 6.1% in June 2022 and depleting savings are to blame.

Infrastructure woes continue in the country. Analysts have said that infrastructure will be the key focus under the Marcos Jr. regime. Improving tourism infrastructure will be another priority to boost the country's recovery, said the president.

While the administration has not yet revealed the detailed plans for phase-wise revival, agriculture, infrastructure, and tourism are the three critical reform sectors.

RAY OF HOPE

At present, the Philippines is among the fastest-growing economies in ASEAN. The first quarter GDP growth was 8.3%.

However, a complete revival will depend on the pace at which the government attracts new investments in the infrastructure, technology, and tourism sectors. The Philippines has remained resilient so far. President Ferdinand Marcos Jr.'s policies to implement new projects and generate employment will hold the key to its economic future.

TOKENISATION: A TOOL TO AVOID E-PAYMENT FRAUDS

RAVI BATTULA - WIBMO



With rapid adoption of digital payments across the globe, pandemic accentuated adoption of digital payments by many first-time users. Per IDC report, In SE Asia alone, digital payments is projected to grow by 162% to \$179 billion by 2025.

There will be 188 million new users of digital payments in South East Asia by 2025, largest markets for digital payments are projected to be Indonesia (\$83 billion), Vietnam (\$ 29 billion) and Thailand (\$24 billion). Additionally, cash will see a major decline across Philippines, Vietnam and Thailand. As per Google, Temasek Bain & Company 75% of the population across six major Southeast Asian countries have access to internet with majority of them having shopped online at least once with more than 60 million first time users of digital services.

With growing adoption of digital payments, security is paramount without compromising the user experience or adding friction to the payments flow. To support booming subscription economy, recurring payments (standing instructions, bill payments, online subscriptions) should be a breeze where customer trusts the merchant and stores his card data on merchant website/app (known as Card on File) at the time of payment enrolment using explicit customer authentication. While customer gets the convenience of not entering payment data every time merchants get higher success rate minimizing the drop outs at checkout. In such a scenario data protection, security, data governance by merchants is essential while collecting and storing the customer sensitive card data in their own format with varied degrees of security standards. Even one loose-end or the weakest link by any merchant will expose entire customer data in the hands of bad actors, putting entire ecosystem at risk e.g. in case of a breach, customer has to cancel his card, and delete stored card data at all the merchant locations while Issuing banks will have to deal with chargebacks and merchants will face the liability pressure.

Payment card 'Tokenization' could be a silver bullet that precisely tries to address situations envisaged above. In addition to card on file storage it also paves way for many more use cases eg. device based tokenization (storing card credentials securely on the users trusted device) for contactless tap/wave and pay at transit, mobility or fast check out solutions. As devices get connected, IoT is on the rise, embedded, invisible payments will be the future closely coupled with subscriptions wherein your car can make automated payments at toll, pay at a drive or your refrigerator can order groceries automated when the stock depletes.

[Protect your customers today with WIBMO payment gateway plugins](#)

In India recently RBI (Reserve Bank of India) has mandated that merchants, acquirers and payment gateways should store the customer card information only in a tokenized form, laying ground for Issuers and card networks to provide secure tokenization solutions with customer friendly directive to manage their tokens transparently. This will be a major boost for digital economy while laying strong foundations for data privacy.

So, what is a token and why is it so secure while being so flexible – Token is an alias/substitute for a real card or payment data that is irreversible and highly secure as compared to encryption which is a reversible process. When merchants implement tokenization to store the card data, every token that is generated for the same card number is unique per merchant which cannot be used at any other merchant. This ensures that any weak link or in case of a data breach, the token is rendered useless by the bad actors. Customer can simply generate a new token only for that merchant while continuing to use their card at other merchant locations. This also takes away the liability shift from merchants whilst minimizing chargebacks for Issuers.

Taking a cue from India, Issuers can also come up with their tokenization solutions in conjunction with card network to offer their acquirers, payment gateways and merchants a standardized tokenization solution to bring in consistency and security across the ecosystem for not only tokenizing the cards but also tokenize wallets and any sensitive payment handles/identifiers.

For more information or queries, please write to sales@wibmo.com

BAKONG PAVES THE WAY FOR A DIGITAL FUTURE

Cambodia's blockchain-based payment system is aiding financial inclusion in the country.



In less than two years, Cambodia has achieved what several developed countries are only thinking about. The country's blockchain-based payment system Bakong has reached nearly 8 million users, which is almost 50% of Cambodia's population. There are multiple upgrades planned in order to make the payment system accessible to more citizens.

The National Bank of Cambodia's (NBC) blockchain-driven payment that was launched in October 2020 is now being used for payment across banking, retail, and transportation. Now a unified QR code is being rolled out under Bakong.

MAKING A SHIFT

In October 2020, the Bakong payment system was introduced as an additional choice for customers to access digital financial services through their mobile. These were useful in places where ATMs or POS terminals were not in place. Within Bakong, all financial institutions and payment providers are connected under a single payment platform. Fund transfers happen in real-time.

Users don't need a bank account to register for Bakong, so even rural customers with limited internet access can avail of the facility. Because of the ease of access, over 200,000 previously unbanked Cambodians use a Bakong e-wallet.

The QR code addition is expected to boost all categories of retail payments in Cambodia, including e-commerce. The primary target audience is the unbanked, who have been left out of the traditional banking systems for years.

Of the 8 million people who are connected to Bakong users, there are 297,000 registered users. These are Cambodian residents who were previously not connected to the traditional banking system.

Key Benefits of Bakong



Send/Receive Money From Any App

Customers of all participating banks can now transfer funds easily by scanning QR codes, keying in phone numbers, or just selecting from their contact list.



The Most Convenient Member Banks

1. Choose from any banks within Bakong's network to be your partner for cash-in and cash-out transactions.
2. Easily deposit funds to any accounts within Bakong's network of participating banks.



Request Money

Create your own personalized QR code for friends to send you money without sharing any personal information. Simply scan and confirm!



Track Your Transactions

View all payments within a convenient history listing.

Source: The National Bank of Cambodia

BUILDING A CONNECTED FUTURE

Taking a cue from the expansion of Bakong, blockchain venture capital firms have also evinced interest in entering Cambodia.

Under the National Financial Inclusion Strategy 2019–25, Cambodia wants to increase usage of formal financial services from 59% to 70% by 2025, and reduce the financial exclusion of women from 27% to 13%.

NBC is adding a layer of electronic KYC and open API to increase cross-border payments. This will enable users with a single eKYC to switch between banks without the need for multiple registrations.

For Cambodian migrant workers in neighboring countries, Bakong will also enable payment solutions locally. Malaysia is already part of the cross-border network through the partner bank, Maybank.

The Bakong project's success is paving the way for other Asian countries to explore hybrid payment solutions on blockchain. Taking lessons from Bakong's best practices, the global shift towards digital currencies will get a further fillip.

ABOUT US



ASEAN Business Partners is an independent, market entry and market growth specialists that helps internationally oriented companies manage and grow their operations in ASEAN sustainably and profitably. We are well-networked, independent of governments, and dedicated purely to serving our clients. Our management and country experts are unrivaled in their ASEAN network, experience, and expertise, with proven credentials.

We are a team of top-class professionals with expertise in different industries. Our executives have worked as CEOs, CFOs and in other senior positions in top multi-national companies and represent the best talent available globally. Our founder, Sumit Dutta, is an ex-HSBC CEO who has worked in Indonesia, Vietnam, Hong Kong, India, and the US. A majority of our team and country experts are former senior-level executives from multinational corporations.

We are passionate about the ASEAN region, one of the highest growth markets in the world, and believe it will be the market of choice for all forward-looking international companies. We seek to create value for our clients and their customers in ASEAN, and so contribute to the prosperity of ASEAN nations and their people.

Please take a moment to review our website. If there is any way we can assist you, please reach out to us.

Newsletter Editors: Sarayu Srinivasan, Vibhusha Sharma



Sumit Dutta

Founder and Chief Executive Officer



Raj Ghosh

Head of Client Relations for USA and Canada



Tony Turner

Head of Client Relations for UK and EU



Kavita Panda

Head of Partnerships and Country Manager India

 contact@bizasean.com

 www.bizasean.com

 [@Aseanbusinesspartners](https://www.linkedin.com/company/aseanbusinesspartners)

 (+65) 9176-4136

DISCLAIMER

The report is prepared using information of a general nature and is not intended to address the circumstances of any particular individual or entity. The report has been prepared from various public sources and the information received from these sources is believed to be reliable. The information available in the report is selective and subject to updation, revision and amendment. While the information provided therein is believed to be accurate and reliable, ASEAN Business Partners does not make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information and data available in the public domain. While due care has been taken while preparing the newsletter, ASEAN Business Partners does not accept any liability whatsoever, for any direct or consequential loss.