

JULY 2023

# THE PULSE

Monthly Insights 



Malaysia is all set to host the 14th edition of the George Town Festival in Penang. The cultural extravaganza will be held between July 15 and 30 and feature over 50 programs to celebrate the region's arts and rich heritage. The 16-day festival will feature Malaysian and international artists from genres such as film, visual art, music, theatre, and dance. It is a space for people from across generations and communities to interact and learn about each other.

## INSIDE



**Vietnam Plans to Bolster Green Credit**

🕒 4-minute read



**Philippines' BPOs Are Getting AI/ML Ready**

🕒 4-minute read



**Indonesia's New Capital, Nusantara, is Open for Investments**

🕒 4-minute read



**ASEAN Moves to Reduce Reliance on US Dollar**

🕒 4-minute read

Hello!

This is the July edition of our monthly newsletter, The Pulse, brought to you by ASEAN Business Partners. We endeavour to capture the trends and developments in this vibrant region to help you identify business opportunities in Asia.

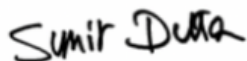
In this edition, we focus on Vietnam's efforts to promote green credit, the AI/ML shift in the Philippines' BPOs, new investment opportunities in Nusantara, and ASEAN moving away from the dollar.

Here's a glimpse:

- **Vietnam's Green Credit Switch** (4 minute read): Vietnam wants to boost green finance and build a climate-conscious economy. The government plans to increase the availability of sustainable financial products.
- **Philippines' BPOs Are AI/ML Ready** (4 minute read): BPO service providers in the Philippines are on the path to adopting AI/ML technology to reduce costs and enhance productivity. But responsible use is the key to success.
- **Nusantara Is Open for Business** (4 minute read): Indonesia is inviting global investors to fund Nusantara, the country's new capital. Nusantara will be powered by renewable energy and offer sustainable living.
- **ASEAN Cuts USD Reliance** (4 minute read): ASEAN is on a quest to reduce its dependence on the US dollar. The region wants to use local currencies for cross-border transactions and build a resilient regional economy.

We hope you enjoy reading our articles. If you need help exploring potential opportunities or implementing growth plans in ASEAN, please write to us at [contact@bizasean.com](mailto:contact@bizasean.com).

Warm regards,



Sumit Dutta  
Founder & CEO  
ASEAN Business Partners

# VIETNAM PLANS TO BOLSTER GREEN CREDIT

The country wants to power the economy through green credit and green banking



Vietnam is going greener. The country is building a low-carbon economy that will be powered by renewable energy and green credit. To bolster these efforts, the government is keen to increase the availability of sustainable financial products.

Green credit and green banking will be the dual pillars of support for Vietnam to achieve the net-zero emission target by 2050. These sustainable financial products are meant to act as catalysts to decarbonise. Green credit policies offer cheaper loans to corporations with low carbon emissions. Green banking refers to the steps taken to reduce banks' carbon footprint.

Simultaneously, financial institutions have also been encouraged to fund projects that are environmentally conscious and sustainable. This includes public-private partnerships between Vietnamese financiers and international institutions. Legislative changes coupled with sustainability efforts by local businesses and green funding will further the progress towards a greener Vietnam.

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## MOVING TOWARDS SUSTAINABLE PRACTICES

Vietnam is eager to increase the green economy's contribution to the country's GDP. It has set a target of increasing the figure from \$6.7 billion in 2020 to \$300 billion by 2050. To achieve this goal, the country will require ~\$368 billion, or 6.8% of its GDP, in funding until 2040 to transition to a net zero energy economy. It is estimated that the private sector will need to contribute a 50% share towards this endeavour.



## VIETNAM'S SWITCH TO GREEN

- Vietnam aspires to increase its green economy's share in the GDP to \$300 billion by 2050.
- The green economy contributed \$6.7 billion to Vietnam's GDP in 2020.
- It aspires to decarbonise through its green efforts.
- The country will need \$368 billion of funds by 2040 to become a net-zero economy.
- Vietnam is using green credit and green banking to promote capital allocation to sustainable projects.

The switch started as early as 2015 when the government tasked the State Bank of Vietnam to enable green financing instruments. Over the next few years, there was an increase in green credit outstanding from \$2.9 billion in 2015 to ~\$21.3 billion in 2022. As of 2022, the outstanding credit for green projects accounted for 4.2% of the total outstanding loans. Some of the sectors that these projects include uses in such fields as renewable and clean energy (47%) and green agriculture (~30%).

Regulatory arrangements were supplemented by policy reforms. The national green growth strategy for 2021 – 2030 calls for the mobilisation of resources for green growth. It also includes financial incentives for green credit and carbon markets. In addition, the development strategy for the banking sector in 2025 calls for accelerating the development of green credit and green banks to transform the economy.

The government and regulatory agencies have encouraged banks to expand their lending activities in sectors, such as renewable energy and clean energy. All these factors put together enabled access to credit for climate-conscious organisations.

Banks have also taken significant steps to attract green investments. BIDV, a state-owned bank, has partnered with the Carbon Trust, a decarbonising consultant from the UK, to create a sustainable loan framework. This boosts BIDV's preference for financing green projects and, at the same time, helps strengthen global cooperation for sustainable development.

BIDV is among the largest players in the green financing space, with over 1,386 customers and green credit outstanding of \$2.68 billion as of December 31, 2022. The framework will enable BIDV to provide sustainable financial products comparable to international standards.

Similarly, a consortium of Japanese banks will offer \$300 million to finance renewable energy projects in Vietnam in association with local commercial bank Vietcombank.

## WHERE'S THE FUTURE HEADED?

A McKinsey report estimated that renewable-energy financing in Vietnam has grown to ~\$21 billion in 2021 from \$10 billion in 2018. Offshore wind is the largest segment driving the demand. There is a \$1.7 billion opportunity by 2025 awaiting Vietnamese banks in the environmental, social, and corporate governance (ESG) space.

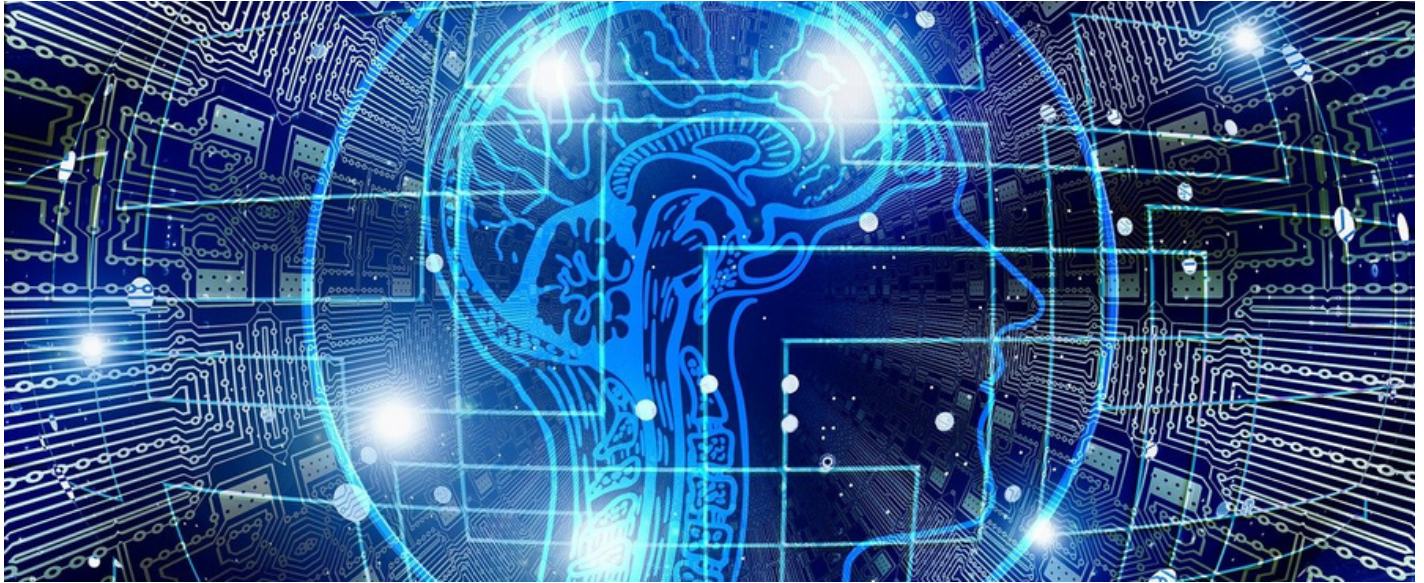
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But challenges exist. Experts seek a fast-track route for green energy projects to get quick bank loans. There is also a need for detailed clarification on what constitutes “green” projects to avail of green credit. Instead of following a reactive approach towards building a green economy, financial institutions can issue “greener” products, such as green loans and green bonds that can then be reviewed by regulators.

Vietnam’s green ambitions call for a concerted effort from all stakeholders, businesses, financial institutions, and investors, to enable and strengthen sustainable projects. The demand is only expected to grow from hereon.

# PHILIPPINES' BPOs ARE GETTING AI/ML READY

The use of advanced technologies will help automate tasks, cut costs, and improve efficiencies



Concentrix, one of the largest IT-BPO employers in the Philippines, has started reskilling its staff. The US-headquartered back-office firm wants its people to gear up for the future where artificial intelligence (AI) and machine learning (ML) will play a prominent role. And this is especially relevant at a time when AI/ML have made their way into the BPO industry.

AI, in particular, is being used to automate routine and repetitive tasks. This means that the productive time of the workers can instead be used for operational activity. ML, on the other hand, is used to automate document processing, including customer claims and invoices. In addition, AI/ML can also detect security breaches on time and aid customer queries speedily and cost-effectively.

BPO providers are embracing AI/ML to improve customer service and customer experience. With the Philippines being considered the call centre capital of the world, with over \$32 billion in annual revenues, the inclusion of technology into BPO service offerings is inevitable.

## THE AI/ML SWITCH TO EFFICIENCY

The Philippines is the preferred BPO destination for global brands such as Amazon, Google, and Zoom due to the affordable costs and English proficiency among workers. In fact, despite the global slowdown, the Philippine call centres beat revenue and hiring targets last year and expect similar growth in 2023.

The BPO industry revenues increased 10.3% year-on-year to \$32.5 billion and the employee figures rose by 8.4% to 1.57 million in 2022, according to the IT and Business Process Association of the Philippines (IBPAP).

At the same time, there is a growing call to improve operational efficiency through automation. Evolving workforce skills alongside the deployment of AI/ML is seen as an alternative. To complement the existing staff, call centres are adding AI support via chatbots. This facilitates 24/7 customer support to users across the globe. In addition, it can also offer insights about the customer in advance. For example, when a customer calls, AI/ML can skim through the database and ascertain the individual's purchase history and service requests. This information can be put to use by the call centre staff to be prepared for handling complaints and service requests with ease.

Making use of AI/ML can also improve customer satisfaction by resolving complaints during the first call itself. Ralf Ellspermann, CEO of outsourcing provider PITON-Global, explained that AI can identify the roadblocks in query resolution and provide solutions to quicken the process. For instance, if customers drop off due to long hold times, AI can initiate an automatic call-back service.

The average duration of a customer call is six minutes. Eventually, AI/ML can lower the time taken to resolve each complaint over a call, which, in turn, will enable workers to attend to more requests.

It is imperative to complement call centre services with AI/ML, given the labour force shortages in the Philippines. Estimates suggest that the country has a shortage of between 15,000 and 25,000 call centre workers. This is where AI can act as the bridge by building a self-operating service model for customer queries.

#### **USE OF AI/ML IN PHILIPPINES' BPOs**

- The Philippines' BPO industry earned \$32.5 billion worth of revenues and employed 1.57 million people in 2022.
- BPOs want to improve productivity, plug staff shortages, and cut costs by using advanced technologies.
- AI can automate tasks and offer cost-effective services so that staff can work on complex grievances.
- AI/ML will be utilised to detect fraud and reduce turnaround time to resolve customer queries.
- Empathetic robots can mimic real people and sensitively resolve grievances.
- AI/ML can mine vast volumes of data to throw real-time insights about customer behaviour.

#### **ARE JOBS AT RISK?**

The rise of AI/ML has increased fears of jobs being replaced by technology. A report by Gartner predicts that one in 10 (or 10%) agent interactions will be automated by 2026. At present, AI/ML automates only 1.6% of such interactions.

To prevent mass job losses, AI must be used solely to enhance BPOs and not as an instrument to replace workers. Government officials such as Senator Risa Hontiveros have urged the Department of Trade and Industry (DTI) to protect BPO workers from AI-led retrenchment.

Having said that, AI is a necessary tool to improve the service quality of BPOs. The IBPAP's Roadmap 2028 aims to transform Filipino BPOs into a \$59 billion industry employing 2.5 million workers. Responsible use of AI will strengthen these efforts.

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# INDONESIA'S NEW CAPITAL, NUSANTARA, IS OPEN FOR INVESTMENTS

From infrastructure and transport to renewable energy, investment opportunities in the new capital city project are aplenty



Indonesia's new capital city project, Nusantara, is on a fast track. The country's parliamentary budget committee has approved \$1 billion in additional funds to accelerate the pace of construction in Nusantara. This is a top-up to the \$1.4 billion budget for Nusantara that was previously approved.

It is anticipated that Nusantara will be ready by mid-2024, so the President and other key government officials will shift to the new location from Jakarta. The project worth \$34 billion is offering tax incentives and development schemes to external investors.

Jakarta, Indonesia's present capital, is facing an ecological crisis. The move has been necessitated by environmental projections indicating that Jakarta might sink by 2050. The new capital, Nusantara, is situated deep within Borneo's Kalimantan jungle and is envisioned as a sustainable smart city.

## THE BIG SWITCH

Nusantara is being built on 632,850 acres of land in the northeast of Kalimantan, Indonesia. The project will be undertaken in phases, with the first stage targeting a transfer of government offices to the new capital in 2024.



THE FIVE STAGES OF NUSANTARA'S DEVELOPMENT	
Year	Task
2022-2024	Initiate transfer of government offices to Nusantara in order to ensure that it is a fully functional city ecosystem by 2024.
2025-2029	Strengthen Nusantara's core areas via the expansion of housing, offices, and commercial zones.
2030-2034	Develop education, health, and high-tech industry.
2035-2039	Build the infrastructure and three-city ecosystem to speed up Kalimantan's development.
2040-2045	Establish a reputation as "The World City for All"

Source: Mondaq

Following this shift, the development of infrastructure facilities, education, housing, and healthcare services will follow. By 2045, between 1.7 million and 1.9 million people will reside in Nusantara. Green energy, real estate, agriculture, transport, communications, FMCG, and retail will benefit from this.

It will be a massive project because it will essentially transform inland forests into a smart city with efficient infrastructure and transport. The new administrative centre promises to provide efficient and equitable access to government services. Achmad Jaka Santos Adiwijaya, the secretary of Nusantara National Capital Authority, has said that they are on target and have completed 26% of the project.

Currently, over 30 development projects are underway at Nusantara. These include presidential and vice-presidential palaces, ministry offices, dams, roads, and workers' quarters. About 20% of the funds will come from the state budget and the rest from investments.

Nusantara is designed to have zero emissions, use renewable energy, and provide environmentally friendly transportation. Around 65% of the area constitutes protected forests, so the remaining 35% land will be categorised as urban areas. The plan states that transferring the state civil apparatus will begin in 2024 and Indonesia's 79th Independence Day will be held in the new capital, Nusantara.

## THE INVESTMENT OPPORTUNITIES GROW

President Joko Widodo has made a strong investment pitch for Nusantara. International investors, including a few from Singapore, visited the site of the new capital to explore business opportunities.

So far, a few MoUs and intent letters have been signed. For instance, Indonesia and Japan have signed five MoUs and 24 letters of intent to build Nusantara. The Japan International Cooperation Agency (JICA) also wants to invest in infrastructure facilities such as the upgradation of the Balikpapan Airport and the building of power lines.

That is not all. State Power Investment Corporation, one of China's largest electricity generation companies, and Joe Green, a construction company from Singapore, are among the other companies interested in investing in Nusantara.

Indonesia is offering up to 100% tax cuts for a minimum investment of ~\$650,745 in the new capital. These tax holidays will last for a duration of 10-30 years, depending on the sector. Firms that invest in Nusantara's local infrastructure and public services will get these tax breaks till 2035. International companies willing to relocate their corporate offices to Nusantara will also get tax incentives.

Investment opportunities will bloom with the development of public infrastructure and people moving into Nusantara. Sectors like housing, commercial real estate, retail, automobiles, and healthcare offer investing options. Investors from South Korea, Japan, Germany, and the UAE are conducting due diligence to ascertain funding possibilities in Nusantara.

## IS THERE A FLIPSIDE?

Environmentalists are concerned that a shift to Nusantara may impact the endangered flora and fauna in the region. However, government officials have clarified that the environment and the indigenous people will be protected against aggressive construction.

Apart from the climate concerns, there are financial challenges too. While the government is actively working to source funds, it hasn't received external capital yet. The Indonesian General Election scheduled for 2024 and the possible change in the political regime has added to the uncertainty.

The ambitious Nusantara is heading towards its first milestone in 2024. The right financial commitments can ensure a successful and seamless transition.

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# ASEAN MOVES TO REDUCE RELIANCE ON US DOLLAR

The ASEAN alliance wants to promote its native currencies for cross-border transactions.



Southeast Asia is keen to reduce its dependence on the US dollar. The region is exploring ways to increase the usage of local currencies for cross-border transactions instead of the US dollar. To turn into an actionable plan, ASEAN, along with China, Japan, and South Korea, have signed a pact to use local currency settlements.

Under the agreement between ASEAN and the other three countries, a task force will be set up to identify ways to transition to local currencies from the US dollar. The idea is to strengthen the local economy and protect the region from global shocks.

The move to de-dollarise has become stronger, with even the BRICS nations planning to launch their own currency to counter the US dollar. It is a sign that emerging economies want to increase their interdependence and decrease their overdependence on the West.

## **BUILDING SELF-RELIANCE**

The US dollar holds disproportionate control over international trade primarily because all transactions are settled in the currency. So, US economic instability affects currency and global trade.

In 2017, Indonesia, Thailand, and Malaysia formed a local currency framework to strengthen regional trade and finances. The Philippines joined this alliance in 2019. But what was missing was a comprehensive policy to slash the dominance of the US dollar.

Southeast Asia nations took cognisance of this development and adopted a policy change during the 42nd ASEAN Summit in May 2023. The joint statement by the leaders recognised the potential benefits of local currency usage in strengthening financial resilience. The nations also expressed the need to deepen regional financial integration by improving intra-ASEAN trade via local currencies. Eventually, the plan is to enable payment linkages across countries in the region.

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By moving away from the US dollar, ASEAN will increase global settlement in native currencies. In addition, international trade will be settled within the existing bloc of 10 countries and not with other nations out of the ASEAN alliance.

If this momentum continues, emerging economies in ASEAN can come together and build shock-proof trade settlement systems. Stronger local currencies can lower import prices and manage inflationary pressures.

### **ASEAN'S TRANSITION TO LOCAL CURRENCIES**

- ASEAN has vowed to promote local currencies for cross-border settlements instead of the US dollar.
- Utilising local currencies is expected to strengthen financial resilience in the region.
- The usage of ASEAN-native currencies will help deepen financial integration among member countries.
- China, Japan, and South Korea have joined ASEAN's efforts to de-dollarise the region.
- Local alternatives will replace the US Dollar so that risks from geopolitical situations can be mitigated.

### **WHAT ARE THE IMPLICATIONS?**

The weaponisation of the US dollar has been a cause of concern in ASEAN. During geopolitical situations, sanctions by the US government affect global trade. ASEAN is keen to break free from these restrictions by developing an internal support mechanism.

In the short term, self-reliance through local currencies might be adopted in a phased manner. Take Indonesia, for example. The country has implemented the local currency system, wherein it is trading in its local currency with Thailand, Malaysia, China, and Japan. This will be expanded to other countries soon.

Alternatives such as the Chinese yuan have also been explored. Thailand, for instance, is planning to use Yuan-Baht currency swap settlements for trade. This will reduce the influence of the US Dollar on the country's imports and exports.

However, there is a caveat. Since local currency replacements have not yet achieved international prominence, abrupt detachment from the US dollar may be counterproductive. A step-by-step transition to local currencies with bilateral cooperation will be beneficial. The US dollar cannot be completely phased out from international transactions. However, a combination of cross-border treaties and the proliferation of non-USD currencies will enable a seamless transition. A diversified economic framework with an emphasis on multiple currencies will be beneficial for the world economy.

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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.



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