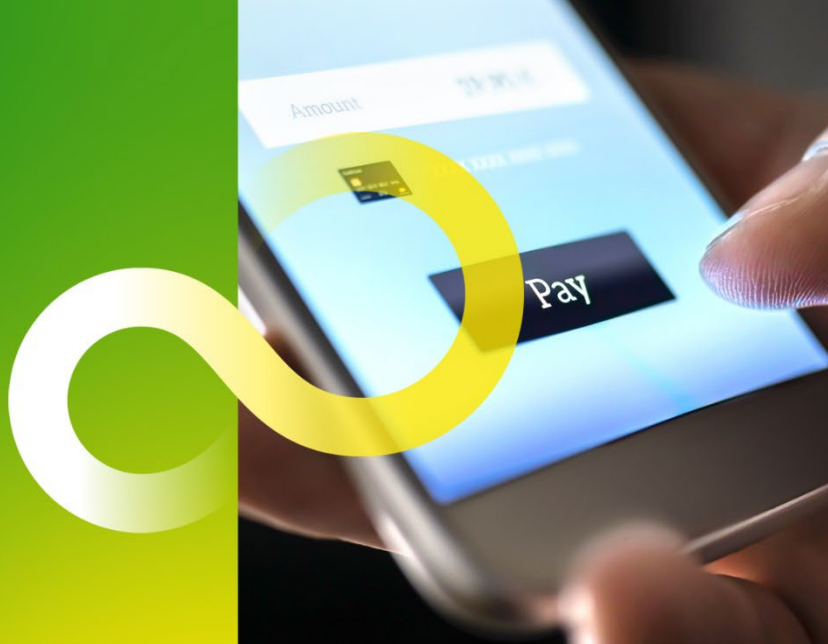


How Asia is destined to play a key role in building a more sustainable world

Series 3

Emerging Asian internet firms innovate to address local needs



In October 2021, Fujitsu unveiled a new global business brand called "Fujitsu Uvance." The new brand aims to leverage Fujitsu's technological capabilities and problem-solving expertise to offer greater value to customers, and to enable the company to achieve its ultimate purpose, which is to make the world more sustainable by building trust in society through innovation.

The word "Uvance" embodies a concept of making all (Universal) things move forward (Advance) in a sustainable direction. It demonstrates Fujitsu's determination of "building new possibilities by connecting people, technology and ideas, creating a more sustainable world where anyone can advance their dreams. "

Across Asia, dynamic new digitally focused companies are on the rise. Because no single company can build a sustainable world, we need to work closely with such companies to build digital ecosystems that support future growth and address regional social issues. This article from The Economist Newspaper, a leading source of global political and economic news, explores the emergence of new local heroes, and examines the challenges they face.

The Economist

Local heroes

For vibrant, competitive internet businesses, look to emerging markets

There is still a place for variety in the global tech industry

A decade ago the relentless expansion of American internet giants promised world domination. With their vast home market affording them economies of scale, the likes of Amazon, PayPal and Uber looked destined to monopolise the screens of everyone from Californian charmers to Kalahari farmers.

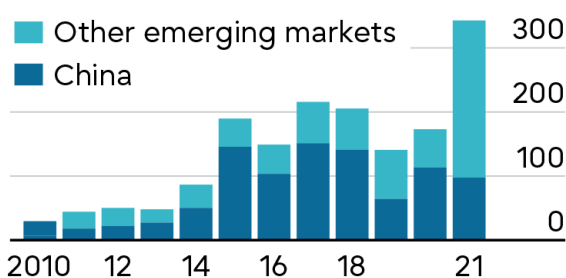
Today America still rules the global tech industry, broadly defined, accounting for 71% of the market value of listed firms. Nonetheless a different pattern has emerged in the part of the technology

industry that focuses on providing internet services to consumers. Here, activity is more dispersed and less American. The trend has been highlighted this year by a rush of flotations of emerging-market internet firms.

Instead of a few monoliths, three different categories of business have formed. Using a taxonomy first drawn up by Asia Partners, an investment company, you can define the first group as the global platforms. These still dominate in services where minimal physical presence is required, in particular search, social media and cloud computing. Giants like Alphabet and Facebook (now Meta) generate just over half their sales outside America and are among tech's most international businesses.

Tech mergers and acquisitions

To Nov 30th 2021, \$bn



A second category has become important in some places: the protected national champion. China's tech giants are keen to expand abroad, but their profitable home markets are largely sealed against international competition and they are subject to increasingly heavy-handed guidance from their own government. This protected model of tech is becoming popular in other authoritarian countries. Russia has favoured home-grown outfits in e-commerce and fintech, and in the past year has cracked down on the activity of Silicon Valley firms.

The third digital type—local heroes—is prevalent across much of the rest of the world. In Asia and Latin America local and regional companies often

rule in e-commerce, gaming, digital payments, ride-hailing, food delivery and other app-based services. Examples from South-East Asia include Sea, Grab and GoTo; South Korea has Kakao and Coupang; and Argentina has MercadoLibre. In India giants including Reliance and Tata aim to promote super-apps that provide a range of services, even as specialists, such as Zomato, a delivery firm, are scaling up.

Typically, these firms operate in markets where it is useful to be on the ground, or where local tastes are what count. In South-East Asia supply chains are highly decentralised, rewarding such knowledge. In fintech regulatory differences make it harder for international groups to thrive. Activity is booming. India's Unified Payments Interface, a system which connects banks and non-banks to make cheap and immediate payments, recorded about \$100bn of transactions in October, more than four times the amount in the same month two years ago. Mynt, a startup that provides mobile payments and loans, has just become the Philippines' first-ever unicorn, meaning that it is valued at over \$1bn.

These businesses have been helped by a surge in the availability of capital, especially as global investors search for alternatives to China, where President Xi Jinping's tech crackdown will mean lower profits. Of the \$342bn spent on takeovers of emerging-market tech firms so far this year, 71% came from economies outside China, the highest share in 11 years. Emerging-market tech companies outside China issued \$53bn in equity markets so far in 2021, more than twice the previous record. Venture-capital outfits that once focused on America, and maybe China, are scouring the planet looking for startups.

The success of the third type of internet firm is cheering. They boost competition and innovate to solve local problems, such as mapping cities without registered property. In contrast to American and Chinese firms, they come with little to no geopolitical baggage and are creating clusters of software developers and seasoned

investors around the world who may go on to create another generation of startups. Local pension funds no longer have to put money to work on Wall Street in order to get exposure to the digital economy.

Inevitably, there are risks. Some countries may be tempted to shelter their local heroes from competition, or limit how much outsiders can disrupt vested interests at home. Local expertise may not travel well. Capital markets can be unforgiving—share prices in India's Paytm, a payments firm, have tumbled after a botched listing

last month—and rising interest rates will make capital more expensive. When the supply of capital dries up, groups still struggling to make money could be in trouble.

Even so, the odds have receded of a global army of smartphone users all tapping an identical set of apps on their screen. Variety should flourish instead, and that is to be welcomed.

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