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Investment Climate in Leading Regional Markets

During the recent Tech Investments in Asia Forum, I had the pleasure to speak and learn from my co-panellists regarding the top investment trends in technology within Southeast Asia. One of the key takeaways which I learned during the Fireside Chat is that while the COVID-19 pandemic has provided physical restrictions when it comes to establishing businesses in general, it has not deterred investors to pursue investments in the technology industry.

For the Philippines as well as other Southeast Asian markets, the pandemic has even paved the way for an increased usage of technology applications. Specifically, the lockdowns and restrictions to go physically to banks and payment centres have increased the usage of mobile banking and e-wallets. Financial technology companies also expanded their services to include lending and insurance. Applications providing services such as food deliveries and logistics services also benefited from the pandemic. Usage of social media, online streaming and gaming platforms likewise increased. Overall, the increase in market usage of mobile and online applications resulted in a greater number of investors entering the Southeast Asian market to take advantage of the booming technology industry.

Investments in businesses dealing with cryptocurrencies, NFTs and blockchain are also a growing trend across Southeast Asian markets. One

of the challenges encountered for investments dealing with the said businesses is the lack of specific laws and guidelines specifically regulating the said businesses. In the Philippines, the rules dealing with Digital Assets Offering and Digital Assets Exchange are currently still being reviewed by the Securities and Exchange Commission. Nonetheless, the absence of specific rules regulating the novel technology products such as cryptocurrencies do not deter companies from already offering their products to the market.

Government incentives for players in the technology industry is also a factor in boosting further investments. With the passage of the Corporate Recovery and Tax Incentives for Enterprises Act in the Philippines, industries adopting advanced digital production technologies as well as those producing equipment, parts, and services that embed new technologies will enjoy income tax holiday and enhanced deductions. The resulting savings that could be derived by availing existing government incentives encourages technology players to consider investing in a specific country instead of in another one.

Finally, available infrastructures that are crucial in ensuring that technology-based products and applications will run when used by users is also one element that is being considered by investors when investing in a specific market. This includes the availability of the latest networks such as the 5G

network. While not yet fully available on a country-wide level, 5G networks are seen to be widely accessible in the capital regions of the Southeast Asian countries.

In summary, the acceleration of technology investments within Southeast Asia is seen to be anchored on the following factors, among others: increased market usage, ease of doing business, available government incentives, and enhanced technological infrastructure. As economies recover from the pandemic, it is expected that more investments will pour in for the technology industry.

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Atty. Richard Henrick I. Beltran, Jr. is a Partner with more than seven years of experience in corporate and commercial law. His practice areas include corporate law, mergers and acquisitions, foreign investments, banking and financial services, energy, mining and natural resources and data privacy.

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