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Return of the SEA Turtles

Why Southeast Asia's tech entrepreneurs
are ditching Silicon Valley



U.S.: US\$6 / Japan: ¥600 (including tax) / Euro: EUR6 / U.K.: £4 / Australia: A\$8 / Bangladesh: TK480 / Brunei: B\$9 / Cambodia: US\$6 / Canada: C\$9 / China: RMB50 / Hong Kong: HK\$50 / India: Rs200 / Indonesia: Rp72000 / Korea: W7500 / Macau: HK\$50 / Malaysia: RM20 / Mongolia: US\$6 / Myanmar: US\$6 / Nepal: NR470 / New Zealand: NZ\$9 / Pakistan: Rs600 / Philippines: P280 / Singapore: S\$9 / Sri Lanka: Rs800 / Switzerland: CHF10 / Taiwan: NTS200 / Thailand: B210 / Turkey: TL16 / UAE: AED27 / Vietnam: US\$6
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ON THE COVER



Jakarta-based fintech startup Modalku: CFO Iwan Kurniawan, right, CEO Reynold Wijaya, center, and Senior Marketing Manager Ariani Hadioetomo are all SEA turtles.



Dimas Ardian

ERWIDA MAULIA Nikkei staff writer

A NEW WAVE

For years, Silicon Valley has drawn Southeast Asia's brightest young minds. Now, they are back on home shores to hatch the next tech boom

ON THE COVER



Erwida Maulia

JAKARTA/SAN FRANCISCO Levana Sani left Jakarta nine years ago to study biochemistry at the University of Southern California, in Los Angeles. Graduating in 2014, Levi -- as she prefers to be called -- was torn between pursuing a career in science by working on a Ph.D., or studying for an MBA with the idea of eventually returning home to start a business. It was Asia's burgeoning tech startup scene that cemented her decision.

"In my mind, there's always this idealistic picture and the realistic picture," Levi says, sitting in a bustling coworking space she shares with other local startups in South Jakarta, a business district of high-rise office buildings. "The idealistic picture is, I'm gonna be in the U.S., I'm gonna be a great scientist ... but then there's also, I wanna give back to [my] country."

Over time, she adds, "It became less of a responsibility ... more of an opportunity," noting that while Indonesia is not a great place to be an aspiring scientist, for those who want to start a business, "Southeast Asia seems to be just the next big thing."

In April 2016, during a stint as a researcher at the Genome Institute of Singapore, Levi and three co-workers founded Nalagenetics, which develops genetic testing to reduce adverse drug reactions. The same year, she started an MBA at Harvard Business School, overseeing Nalagenetics part-time during her two years of study in Boston.

After graduating from Harvard, Levi went back to Indonesia to manage Nalagenetics full time. In

Levana Sani, co-founder of Nalagenetics, returned to Indonesia to manage the genetics testing startup.

By 2025 Southeast Asia's internet economy will exceed

\$240bn

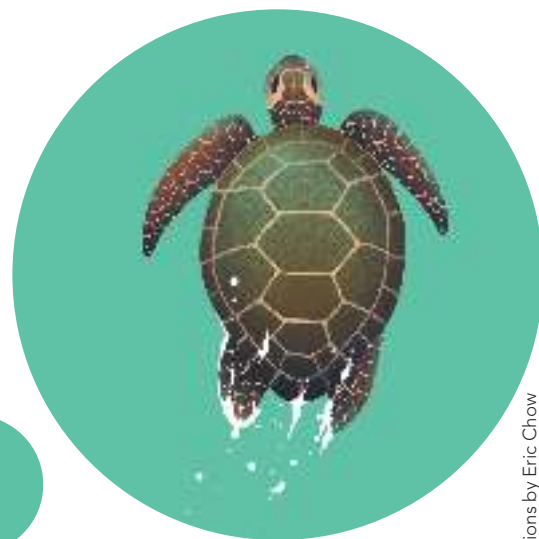


November the company, with offices in Singapore and Jakarta, raised \$1 million in a pre-seed round (early funding that usually does not involve institutional investors).

Levi is just one of a growing number of so-called SEA turtles -- Southeast Asians who are returning home after studying or working overseas -- pulled in by the region's growing tech startup scene and deterred by stricter U.S. immigration policies under President Donald Trump. The term is a play on the Chinese expression "sea turtles," which was coined in the early 2000s to describe a wave of foreign-educated returnees to the mainland.

But there's another aspect to the homecoming: Among Levi's investors is Intudo Ventures, one of a growing number of Southeast Asian tech and venture capital companies that are building a presence in Silicon Valley and U.S. cities with vibrant tech sectors, in an effort to lure home professionals such as Levi. Their aim is to fill the huge need for tech talent as the region's thriving startup scene soaks up skills. Some of these companies are also investing directly in U.S. startups developing advanced technologies not yet available at home.

SEA'S TECH BOOM Powered by a growing and energetic user base, Southeast Asia's internet economy hit an inflection point last year as gross merchandise value (a measure of online retailing)



Illustrations by Eric Chow

“ [Going back] became less of a responsibility, more of an opportunity. Southeast Asia seems to be just the next big thing

Levana Sani
26-year-old founder of Jakarta-based startup Nalagenetics



Akira Kodaka

hit an estimated \$72 billion, according to a joint study by search giant Google and Singaporean state-owned investment company Temasek.

That represented 2.8% of Southeast Asia’s gross domestic product, the report says, adding that the region’s internet economy is on track to exceed \$240 billion, or 8% of GDP, by 2025. By comparison, the internet economy accounted for 6.5% of U.S. GDP in 2016.

Surging growth in online travel, e-commerce and ride-hailing has helped Southeast Asia produce at least 14 unicorns (privately held companies valued at more than \$1 billion) over the past several years. Among them are rival ride-hailing companies Grab and Go-Jek, both of which were founded by returnees -- and both of which are considered decacorns, or companies valued at more than \$10 billion.

A report by KPMG Enterprise says Southeast Asia is “growing hot in the eyes of VC investors.”

Vietnam’s internet economy

TRIPLED



It declared 2016 “The year of startups,” aiming to create

1 million startups

by 2020

Source: Google/Temasek

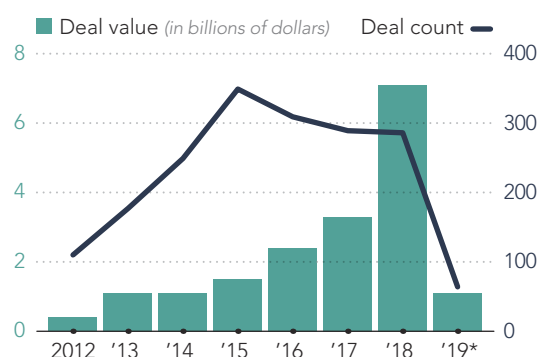
Grab and Go-Jek, Southeast Asia’s ride-hailing “decacorns,” were both founded by U.S.-educated returnees.

In the first quarter of this year, global venture-capital investment fell from the December quarter on the back of Brexit jitters and the U.S.-China trade war -- including in Asia. But Southeast Asia bucked the trend. The report also says that 2018 was a “significant year” for the region, with more than \$7.8 billion invested across 327 deals, noting that “the numbers highlight the growing appetite of VC investors for Southeast Asia.”

With the unicorns and the overall startup ecosystem expanding, so too is the need for skills; mainly tech talent, but also other professionals. The Google/Temasek report estimates that more than 100,000 skilled professionals were employed in Southeast Asia’s internet economy last year. That number is expected to double by 2025, as

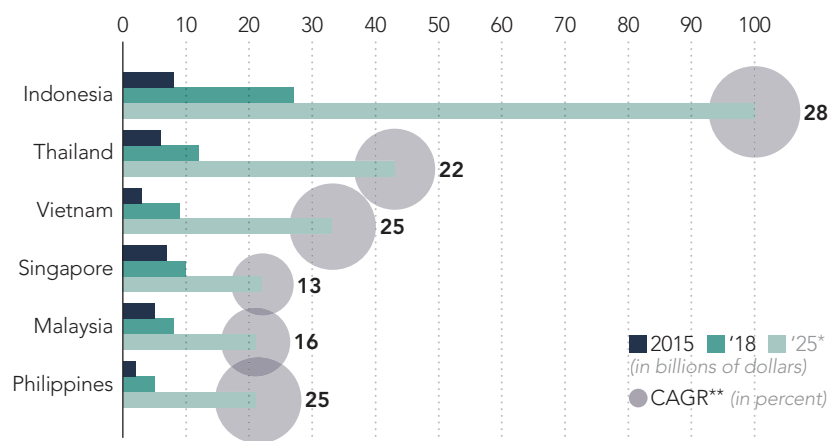
Deal flow into Southeast Asia’s tech sector

(venture capital investment, deal count vs. total value)



Southeast Asia region includes: Singapore, Indonesia, Malaysia, Thailand, Philippines *Through May 20
Source: PitchBook

Southeast Asia’s internet economies by market size



*Forecasts **Compound annual growth rate

Source: Google/Temasek

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employment in the sector is growing “significantly faster” than in the rest of the economy, it adds.

But hiring skilled workers remains a critical challenge. A survey involving more than 100 key players in the regional startup scene shows 90% of respondents believe the skills gap is a major issue. The study, by Monk’s Hill Ventures, a Singapore- and Jakarta-based venture capital fund, and Slush Singapore, a tech-startup event, shows that software engineers are the most difficult to find, followed by data-science and product-management staff.

The lack of workers is driving up salaries. Highly skilled professionals employed by internet companies in areas such as software engineering and digital marketing often command salaries three to five times higher than the median wages in Southeast Asian countries, according to the Google/Temasek report. “Talent needs are top of mind,” it says, adding, “This ... is an issue for all SEA ecosystem stakeholders.”

This certainly seems to be the case for Jakarta-based Go-Jek. The ride-hailing company, which launched its regional expansion last year, employs some 500 software engineers, but needs to hire 500 more by year-end, according to a Go-Jek employee familiar with the matter who declined to be named.

He says Go-Jek received more than 200,000

Tech incubator Block 71 in Singapore: The city-state generated three unicorns in 2018.

job applications last year, but hiring the right people is far from easy. The company and three other Indonesian unicorns -- e-commerce sites Tokopedia and Bukalapak, and travel-booking site Traveloka -- are competing fiercely to attract local talent from top engineering schools in the country, such as Bandung Institute of Technology and the University of Indonesia.

HUNTING FOR TURTLES But the local talent often lacks the latest software skills, so Go-Jek and other tech companies are also hunting outside the archipelago. Go-Jek looks to India, where it runs a

Unicorns and turtles of Southeast Asia

(estimated value, in billions of dollars)

	Regional	Singapore	Indonesia	Vietnam	Philippines
Over 10	Grab		Go-Jek		
Over 1	Lazada		Tokopedia	VNG	Revolution Precrafted
	Sea		Traveloka		
2018 entrants	PropertyGuru	Carousell	Bukalapak		
	Zilingo	Qoo10			
SEA turtle companies to watch		Trax			
		CXA Group	Modalku	Trustingsocial	
			Akulaku		

Source: Cento, media reports



“
Talent needs are top of mind.
This war is an issue for all [of the]
Southeast Asian [startup] ecosystem
”

Report by Monk’s Hill Ventures and Slush Singapore

technology center, as well as Singapore, where it has a data science office.

But perhaps the most valued recruit is a local with experience in the American high-tech scene. Go-Jek founder Nadiem Makarim is telling his crew to hire from Harvard Business School, his alma mater, as well as from other top schools in the U.S. “Go-Jek people from Harvard, MIT [Massachusetts Institute of Technology] or Stanford University were told to give speeches and address seminars [at those schools],” the Go-Jek employee says, as part of a campaign to persuade U.S.-educated talent to join the company.

Similarly, Bukalapak, Indonesia’s youngest unicorn, has launched a campaign called “Buka Jalan Pulang,” or, “Open the Way Home,” to coax Indonesians back. It held an event in Silicon Valley in November featuring Yoel Sumitro, its vice president for product design, who is a SEA turtle himself: He studied and worked in Seattle before moving to Germany and then Singapore, where he did stints with companies including Adidas and Uber.

Unicorns aren’t the only ones on the hunt; homegrown venture capital companies are also scouring the U.S. for SEA turtles, mostly hoping to find potential startup founders, and occasionally to help unicorns to recruit.

The need is so great that Eddy Chan, founding partner at Intudo, the Indonesia-focused fund that invested in Levi’s Nalagenetics, spends eight months a year in the U.S., jumping from one business school to another as he connects with Indonesian students. He methodically visits the likes of Harvard, Stanford University and the University of California, Berkeley, looking for talent willing to return to Southeast Asia’s largest economy.

“We can support their efforts if they think about

By 2024
Southeast Asia
is expected
to create at least
**10 more
unicorns**

Source: Bain & Co.

Most of
Southeast
Asia’s
unicorn
founders
are
returnees

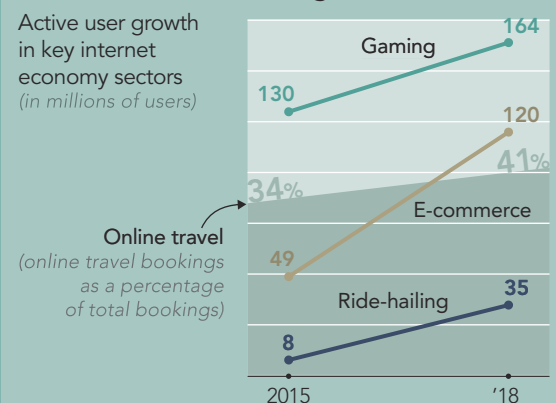
going back to Indonesia, whether that be for a late-stage business like a unicorn or consulting companies like Bain, BCG [Boston Consulting Group] and McKinsey, or even to join one of our startups ... or even to found businesses,” Chan told the Nikkei Asian Review at a social club in San Francisco run by Intudo to cultivate contacts. “I think, to some extent, we’re really acting like an HR firm,” he added. Intudo, which closed a \$50 million second fund in February, has 10 startups in its disclosed investment portfolio, most of which were co-founded by Indonesian returnees.

Binh Tran, general partner at San Francisco-based fund 500 Startups Vietnam, is doing the same, but with a focus on Vietnam. The country’s internet economy tripled between 2015 and 2018, supported by a government pledge to create 1 million startups by 2020. It was “akin to a dragon being unleashed,” the Google/Temasek report says.

There is no exact data, but Tran believes that the Vietnamese form the largest Southeast Asian diaspora in Silicon Valley, with many of them

Southeast Asia’s digital habits

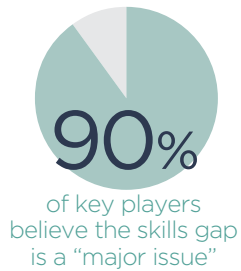
Active user growth
in key internet
economy sectors
(in millions of users)



Source: Google/Temasek

“
The [Internet] wave has finally hit ASEAN and ... is growing fast every single day

Sian Wee Tan
Co-founder of Singaporean finance start-up Finaxar



Source: Survey by Monk's Hill Ventures and Slush Singapore

working for tech giants such as Google and Facebook. In the past it has been challenging to persuade such talent to return home, but it's getting easier, he says.

"These days because of visa issues [and the political climate, it's harder for some folks to even stay," Tran says. "Folks are saying, 'There's something happening in Southeast Asia, there's access to capital, there's more talent in the region ... maybe the timing is right for me to make a move.'"

Monk's Hill regularly holds events in Silicon Valley featuring Southeast Asian startup founders, in an effort to appeal to Southeast Asian communities there. "Returnees have been exposed to different markets and are able to navigate complexities ... which we've seen as valuable in scaling a company in Southeast Asia," Peng Ong, co-founder and managing partner at Monk's Hill, says of the advantages of returnees over their local counterparts.

Reynold Wijaya, co-founder of Indonesian peer-to-peer lender Modalku, agrees. He says his time at Harvard Business School exposed him to bright minds, advanced knowledge and, more importantly, technology. "When we hang out with extraordinarily sharp minds, we can learn from them -- to me, that's the greatest advantage," Wijaya says.

Southeast Asia is expected to produce at least 10 new unicorns by 2024, according to Bain & Co. Suvir Varma, senior adviser at the management consultancy, says capital and the availability of talent are key factors driving growth. That talent can include SEA turtles, successful tech veterans from around the world who are choosing Southeast Asia for their next ventures, as well as millennials already in the



Ken Kobayashi

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Jakarta's city center: Indonesia is now home to four unicorns.

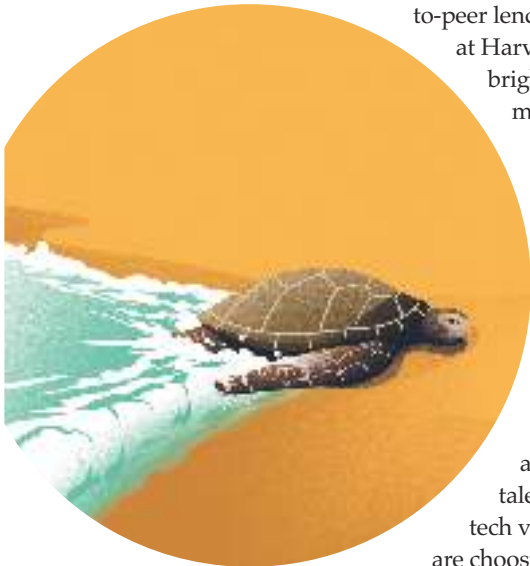
region who are moving into the startup scene with "passion and sense of purpose."

"It is likely that the success of the VC and tech ecosystem will attract even more talent back to the region," Varma says. Asked whether the reverse brain drain might hurt Silicon Valley, he suggests that at a rate of a few hundred turtles a year, the trend will have little impact.

Monk's Hill's Ong, who estimates there are hundreds of thousands of Southeast Asians in Silicon Valley, agrees. Moreover, he reckons SEA turtles will create stronger links between Southeast Asia and the global tech industry, with the exchange of perspectives, learning and networks, proving "positive" for the overall ecosystem.

Sian Wee Tan is a case in point. After 10 years in Silicon Valley, studying at Stanford and then working, he moved to Europe before deciding to return to Singapore for good in 2015. He co-founded Finaxar, which offers financing for small and midsize enterprises and last year partnered with Lazada, Southeast Asia's leading e-commerce site.

Tan says that in starting the company he has met challenges that are mostly legal and regulatory in nature, but he has no regrets about his homecoming. "The [internet] wave has finally hit ASEAN and the ecosystem is growing fast every single day," he says, adding, "In many ways, making business happen has never been easier. I'm quite happy to be back where my roots are." **N**



A TURNING TIDE

In a role reversal, Southeast Asia's venture capitalists target Silicon Valley

ERWIDA MAULIA Nikkei staff writer

JAKARTA / MOUNTAIN VIEW, U.S. Grab, Southeast Asia's leading ride-hailing app, is well-known for the vast amounts of money it has received from investors: about \$14 billion and counting. Soon, Grab may also be known for the investments it makes.

In 2017, Grab joined a funding round that invested \$15 million in drive.ai, a driverless-car startup developed by researchers from Stanford University. A year earlier it formed a partnership with nuTonomy, another autonomous-vehicle company, spun off from the Massachusetts Institute of Technology. Grab's international ambitions are also apparent in its decision to open an engineering center in Seattle, where it reportedly employs more than 100 people.

Following in the footsteps of their Asian big brothers -- Japan's SoftBank Vision Fund and China's Alibaba Group Holding -- a growing number of Southeast Asian venture capital companies and corporates are targeting Silicon Valley-based startups, mostly those focused on developing technologies not yet available in Southeast Asia.

This apparent trend reversal follows years in which big Silicon Valley companies, such as Sequoia Capital, 500 Startups and Plug and Play, dominated the Southeast Asian startup scene, helping to produce regional unicorns such as Grab and Go-Jek.

Grab is one of at least 14 unicorns to emerge in recent

years in Southeast Asia, which comprises 10 countries and 650 million people. This investment surge has led to the rise of a number of homegrown VC companies in its major digital economies, led by Singapore and Indonesia. And just as the tech ecosystem continues to expand at a "phenomenal pace," as one venture capitalist puts it, so, too, are regional VC players looking to grow.

Southeast Asia's big corporates are also in on the act. Singapore Telecommunications, the city-state's largest telecommunications company, is a leader through its Singtel Innov8 VC arm, which has invested in dozens of U.S. startups. Last year it led a \$20 million Series B funding round for Balbix, a San Jose-based developer of a system to predict cybersecurity breaches, and a \$20 million Series A funding for San Francisco-based Airspace, a maker of drone defense systems.

Singtel's Indonesian partner, Telekomunikasi Indonesia, or Telkom, invests in Silicon Valley through its MDI Ventures unit. MDI has invested in five Valley startups, which chief executive Nicko Widjaja says will support Telkom's "digital transformation" plans. They include LotusFlare, which aims to make mobile internet more affordable; space technology startup Loft Orbital; and NComputing, which makes software and hardware to create virtual desktops.

Widjaja says it has not been easy for Southeast Asian companies to enter Silicon Valley. Telkom is the largest mobile operator in Indonesia, but hardly anyone knows about it in the U.S. "At the beginning ... we were struggling to find good startups [willing to accept our investment]," Widjaja says. MDI tackled the problem by co-investing with U.S.-based VC companies such as GV and Sequoia.

Many U.S. startups now welcome Southeast Asian funds as they see the region as a promising market. "Southeast Asia ... especially a couple of its megacities, is a big market for transportation needs," drive.ai chief executive Bijit Halder says. "Self-driving [can] definitely play a big part."

Peng Ong of Monk's Hill Ventures, a Southeast Asiawide fund, says it has invested in several Silicon Valley startups that could have an impact in Southeast Asia -- including some founded by entrepreneurs with Southeast Asian roots eyeing their home markets.

Eddy Chan of Indonesia-focused Intudo Ventures, whose limited partners include members of 20 of Indonesia's family conglomerates, says his fund connects the conglomerates with U.S. startups that are relevant to their businesses.

As Widjaja says, "Silicon Valley is still the place to look for frontier technology. ... Like it or not, we have to look up to Silicon Valley, with its mature ecosystem." **N**

◀ Ride-hailing company Grab has tied up with U.S.-based driverless-car startups drive.ai and nuTonomy in recent years.

