

Geopolitical divides present opportunities for localisation: panellists

How localised a service needs to be depends largely on what kind of service it is

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WITH geopolitical divides here to stay, the trend is likely to throw up opportunities for entrepreneurs to develop products and solutions that are more localised, said panellists at a virtual event on Wednesday.

The “regionalisation of economic activities” has led to the increasing localisation of capital markets, technology, services and brands”, said Foo Jixun, managing partner of venture capital firm GGV Capital. This is in contrast to the older model where typically “US invests, China produces and consumption is back in the US”, Mr Foo said.

As a result, more entrepreneurs are thinking of ways to “decouple” their international businesses and address local regulatory concerns and consumer appetites.

“If Tik Tok (a Chinese-made app facing pushback from the Trump administration over national security concerns) had been able to decouple themselves earlier before all of these things happened, it might have been a different story,” said Mr Foo during the Changemakers Conversations event organised by Singapore Management University’s Institute of Innovation and Entrepreneurship.

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Foo Jixun,
managing partner, GGV Capital

The series of panel discussions brings together internationally-renowned scholars and business leaders to discuss and debate issues of interest to startups.

DBS chief Piyush Gupta noted the importance of understanding local nuances, pointing out that it is a “fallacy” to believe that all Big Tech has been able to easily expand globally.

US Big Tech has minimal presence in China and Chinese Big Tech has found it hard to scale outside of its homeground. Chinese tech giant Alibaba, for instance, has made several investments in South-east Asia but has not been uniformly successful, Mr Gupta said.

In fintech, it is even less straight-

forward. “Look at the case of Libra, and the attempt by Facebook to create a global digital currency. They got pushback from regulators in almost every country including their own. It’s partly... to do with the fact that countries don’t want to give up control over their own monetary policy and their own money supply,” Mr Gupta said.

That said, how localised a service needs to be depends largely on what kind of service it is, Mr Foo noted.

Ride-sharing and food delivery require very localised operations. “Where it involves regulation and more tightness on the ground, that’s where the local players can win,” he said. But for asset-light products that are cloud-based and community-driven, global players potentially have an edge over their local peers, he added.

Businesses globally have seen their operations affected by the escalating US-China tensions under the Trump administration. With this, all eyes are on the upcoming US Presidential elections, with observers wondering whether it will change the course of geopolitics.

Oliver Tornby, chairman at McKinsey & Co, believes it is not likely to do so. “(The Democrats and the Republicans) agree on the need for a tougher stance on China. This is not going to change any time soon,” he said.