



INTERNATIONAL TECH HUBS

THIRD EDITION | JUNE 2021

INTRODUCTION

Welcome to the third edition of our International Tech Hubs ebook.

Our latest insights provide new and exciting insights into some of the world's fastest growing tech hubs. Featuring knowledge from BDO's expert partners from around the globe, we analyse each location to assess the benefits and advantages available to start-ups, scale-ups, inward investors, established businesses and investors, to help broaden their horizons and showcase unrealised opportunities for international growth and expansion.

- **Brazil:** a growing global influence with direct links to the USA
- **Japan:** a truly international country with a first-class talent pool
- **Portugal:** one of Europe's most progressive start-up ecosystems
- **Saudi Arabia:** the largest ICT market in the Middle East
- **Thailand:** a thriving digital ecosystem with a can-do business culture
- **Indonesia:** a rising investment destination for forward-thinking stakeholders.

Over the past year, as the COVID 19 pandemic continued to put limits on day-to-day business in many sectors, technology businesses have scaled and innovated strongly to help businesses to accelerate transformation to meet the growing demands of our digital lifestyle. All over the world, governments have redoubled their efforts to invest in and provide for tech start-ups, creative digital solutions and new intellectual properties, in mind of facilitating their own infrastructures to ride out the pandemic and realise a new and prosperous future on the other side.

TONY SPILLETT

Partner & National Head of Technology & Media
Editor in Chief



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*According to the IMD World Competitiveness Talent Rankings 2020 (Ranked most to least competitive in terms of access to talent, out of 63 economies)

BRAZIL



With expert input from Dario Lima, a Partner based in our São Paulo office who heads up the Department of Professional Practice and Risk Management and the Capital Markets Group for BDO Brazil. Dario has worked extensively in the technology, media and telecommunications industries with a focus on capital markets and industry growth in Latin America.



OVERVIEW

When it comes to opportunities for growth and global expansion, recent and upcoming developments in Brazil's technology landscape speak to the region's significant potential. In the wake of the pandemic, astute investors will be looking to ride Brazil's technological revolution as the region establishes its position as a growing global influence with direct links to the rest of Latin America (LatAm) and the USA.

THE TECH LANDSCAPE

Brazilians are among the biggest users of technology in the LatAm region, which offers great opportunities for foreign investment. Indeed, Brazil has the fifth biggest consumer landscape for mobile phone usage worldwide, with even those in lower-income groups often owning two cell phones. Brazilians are also big international travellers, exposing both consumers and investors to up and coming technologies from UK, Europe and the US that they cannot access back home.



“**INDEED, BRAZIL HAS THE FIFTH BIGGEST CONSUMER LANDSCAPE FOR MOBILE PHONE USAGE WORLDWIDE, WITH EVEN THOSE IN LOWER-INCOME GROUPS OFTEN OWNING TWO CELL PHONES.**”

The size of the country, spread along the south of the Americas, provides a wealth of opportunities for businesses to expand their tech offerings. This is especially so in the fintech space, which is already beginning to revolutionise payment and banking technology in response to a move by the Brazilian Central Bank (BCB) to open the payment processing market to include non-traditional players (“Pix”, a new instant payment technology by BCB, now enables people and businesses to transfer money and make or receive payments in less than 10 seconds, using only mobile apps). The uptake of technology services has of course been further accelerated by the coronavirus pandemic, with an increasing number of individuals and businesses now requiring access to remote technologies and data protection services. The implementation of the Brazilian General Data Protection Law in 2020 has already increased public consciousness about the need to protect personal data, with Brazil being a known centre of data theft. 2020 saw a record number of digital data theft attempts, no doubt because of the pandemic.

The impending implementation of 5G technology opens another range of possibilities for potential long-term investors. The initial rollout of 5G infrastructure, with the possibility of having a partnership with Chinese technology provider Huawei, is expected to be approved for the second half of 2021. This development will open up scope for wider data reach, increase the need for data protection, and deliver more market space for technology businesses looking to secure a place as a digital-first leader in this fast-developing region.



“**TODAY, TECH START-UPS HAVE NOT JUST BEEN ABLE TO ACHIEVE UNICORN STATUS (\$1 BILLION+ VALUATION IN THE PRIVATE MARKET), BUT A NUMBER OF MAJOR PLAYERS HAVE ALSO GONE ON TO SECURE AN IPO ON THE NEW YORK STOCK EXCHANGE.**”

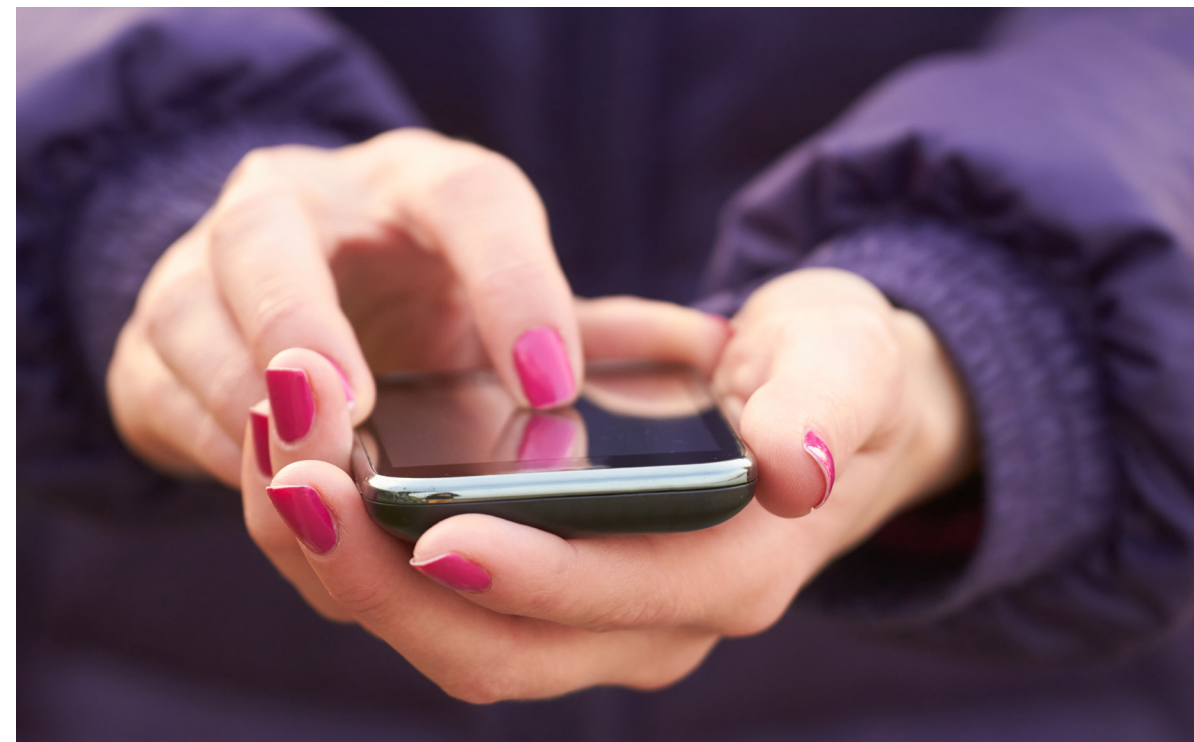
THE TECH ECO-SYSTEM

The venture capital community in Brazil has been growing for some time, with a number of serious stakeholders underpinning the significant potential of the country's burgeoning tech eco-system. David Velez, CEO of NuBank, offers one such example. Having started his digital neobank in São Paulo back in 2013, last year Velez raised

\$400million in Series G investment funding for Nubank, which is now the most significant fintech in Latin America and the largest digital bank in the world with more than 25million customers.

Local venture capital in Brazil, no longer relying on first-time managers, continues to mature. We are seeing an increasing amount of returning investors and downstream capital, including the likes of Tiger Global, GCI and SoftBank – all significant investors in the Latin American market.

Today, tech start-ups have not just been able to achieve unicorn status (\$1 billion+ valuation in the private market), but a number of major players have also gone on to secure an IPO on the New York Stock Exchange. Stone, PagSeguro, Nubank and Arco are just a few of the Brazilian businesses to have successfully achieved unicorn status and broken into the global capital market, either through an IPO or a private equity.



THE TALENT POOL

Brazil historically has produced highly-skilled technology experts, but in comparison with other locally available skills, there remains a significant lack of talent in the tech industry. As demand for these skills increases, businesses moving to the area should be prepared to pay comparably higher salaries than in the US or Europe in order to access the pool.

However, with home-working now much more widely accepted and adopted in the aftermath of the pandemic, new businesses in search of talent will be able hire from well beyond the city limits – looking to other regions of Brazil in the competition for skilled local workers.

GOVERNMENT SUPPORT

There are state-supported tax incentives for technology companies which can demonstrate a commitment to investing in research, development and technological innovation that will benefit the region.

The 'Law of Good', introduced by the Federal Government and delivered via the Ministry of Science, Technology and Innovation (MCTI), offers a range of benefits businesses with a proven commitment to research and development (R&D). These include a 50% reduction in Tax on Industrialised Products (IPI), up to 34% reduction in income tax for payments incurred with R&D, and accelerated depreciation on R&D equipment for tax purposes. These regulations are designed to encourage a safer, less bureaucratic environment to attract technology start-ups and investment companies.

In reporting terms, Brazil follows International Financial Reporting Standards (IFRS) as adopted by International Federation of Accountants (IFA), with a few minor exceptions. This facilitates market entry for foreign companies looking to consolidate Brazilian operations.

Professionals and businesses looking to live and work in Brazil should also look at **local labour laws and regulations** when moving to the region.



“THE LIKES OF **ERICSSON, SAMSUNG AND HUAWEI** ARE SOME OF THE **MAJOR PLAYERS WHO ARE DRIVING THE FRICTIONLESS INFRASTRUCTURE FOR BRAZIL'S TECHNOLOGY INDUSTRY.**”



THE INVESTOR ANGLE

A small but significant group of international companies are investing in fintech and hardware – the likes of Ericsson, Samsung and Huawei are some of the major players who are driving the frictionless infrastructure for Brazil's technology industry. But another significant source of investment are private equity (PE) funds and family offices investing in certain types of start-ups and small, growing businesses. In the fintech industry, for example, digital payment start-ups such as Stone and PagSeguro have achieved high IPOs in recent years on the back of PE funding.

The BCB, having made itself more accessible to non-traditional players, is now looking for businesses that can deliver high returns over a fixed period and provide more competitive consumer. Rather than focusing on seasoned businesses in traditionally stable, long-standing sectors such as manufacturing, the investment bankers' attention is turning now to tech companies and disruptive start-ups with the potential to deliver high returns because they can provide a new type of service or solution with the potential to be adopted at great scale.

In terms of international investment, the US and Europe have historically been the major players, and US and UK interest today tends to focus on fintechs and smaller businesses. But there is also growing interest from Asia, especially from Chinese companies looking to invest more from an infrastructure point of view, largely as a result of the need for greater data protection and the potential opportunities arising from the 5G technologies to come.



INDONESIA

Yudhi Prasetyo has been in the consulting industry for over 20 years. He now works as Senior Partner in Advisory Services in the BDO's Jakarta office, with a wide-ranging client base across the banking, financial, telecommunication, manufacturing industries, as well as government institutes. Yudhi also heads up the BDO Indonesia IT Advisory and is an active member of Information Systems Audit and Controls Association, with particular expertise in risk management, cybersecurity and technological integration.



OVERVIEW

Indonesia is a growing investment destination in the technology landscape. The fourth most populated country in the world, and the largest economy in Southern Asia, Indonesia has a strong history of growth and resilience even through times of recession.

Indonesia may be smaller in terms of market capitalisation than the BRICS countries (the major emerging economies of Brazil, Russia, India, China and South Africa), but its modest size, combined with its growing middle-class demographic and stable economic growth, make it an ideal landscape for forward-thinking stakeholders and ambitious technology start-ups looking to make long-term investments for the future.



THE TECH LANDSCAPE

In the development phase of its digitisation journey, the Indonesian business landscape is primed to connect multi-functional industries with local and international markets, particularly in the eCommerce space. With more than 17,500 islands, Indonesia is one of the world's diverse countries in terms of numbers of ethnic groups and languages spoken, with English its official second language. This generates unique opportunities for investors and businesses alike, creating an exciting landscape for global expansion and integration.

Indonesia is also advantageously positioned in demographic terms, with the population likely to be dominated in 2025-35 by people in the most productive age group. Not only is this a huge asset when it comes to accessing local talent, but it also plays a key role in the region's contemporary style of life, leisure, and its impressive purchasing power.



“**ECOMMERCE UNICORN TOKOPEDIA HAVE ALSO ANNOUNCED GOOGLE AND TEMASEK AS NEW SHAREHOLDERS, HAVING LAST YEAR REACHED 90MILLION MONTHLY ACTIVE USERS.**”



THE TECH ECO-SYSTEM

Culturally, Indonesian people are among the world's most active when it comes to digital technology, and the region has a vibrant start-up eco-system. The Indonesian start-up ecosystem is worth more than USD\$25billion, according to the [Global Startup Ecosystem Report 2020 \(GSER\)](#), with the capital Jakarta ranking #2 out of 100 cities worldwide on the list of 'emerging start-up ecosystems'.

Indonesia boasts the largest digital economy in Southeast Asia, according to the [e-Conomy SEA 2020 report](#) co-authored by Google. For 2020, Indonesia's digital economy was predicted to reach \$44billion.

There have been several recent notable successes in the capital investment space, with a number of high-growth tech start-ups achieving unicorn status (\$1billion+ valuation in the private market). Popular eCommerce marketplace Bukalapak is one such example. Currently valued at \$2.5 billion, Bukalapak has recently received new support from Microsoft to adopt Microsoft Azure as a corporate cloud service. According to sources reported by Bloomberg, the investment value of this contract reaches \$100 million.

eCommerce unicorn Tokopedia have also announced Google and Temasek as new shareholders, having last year reached 90million monthly active users. The growth of new sellers on Tokopedia recorded an 86% increase during the pandemic. Temasek-affiliated Anderson Investments now owns a 3.3% stake in Tokopedia, and Google now holds 1.6%.

Decacorn start-up Gojek received an injection of funds from Facebook and PayPal in June 2020. Based on the Techcrunch report, Gojek received a total funding of up to \$3 billion.



GOVERNMENT SUPPORT

New start-ups enjoy a good level of support from the Indonesian government, facilitated by the Online Single Submission (OSS) System, which makes it easy for foreign or domestic investors to obtain permits as long as they meet certain requirements. New state regulations have further opened up capital investment in the business sector, with a stipulation that all sectors should be open to capital investment activities, except in certain areas relating to job creation and activities that may only be carried out by the central government. The Ministry of Communication and Information also offers a safe harbour policy to protect IP.

 “THE SIZE OF THE **INDONESIAN WORKFORCE** REACHED AN **ALL-TIME HIGH** IN 2020, WITH **128.45MILLION PEOPLE WORKING ACROSS THE REGION**, ACCORDING TO **FIGURES FROM THE CENTRAL STATISTICS AGENCY (BPS)**.”

THE TALENT POOL

The size of the Indonesian workforce reached an all-time high in 2020, with 128.45million people working across the region, according to figures from the central statistics agency (BPS).

In general, average wages are comparatively low, with the average salary for entry-level candidates in Indonesia currently sitting below \$350 per month. As in tech sectors everywhere, salaries rise according to education and expertise, as well as location of work. But businesses should have little trouble hiring local tech talent, and from a comparatively modest starting salary base.

“
 **IN TERMS OF FOREIGN CONFIDENCE, INDONESIA HAS GAINED INVESTMENT GRADE STATUS FROM ALL THREE KEY INTERNATIONAL CREDIT RATING AGENCIES.**”

THE INVESTOR ANGLE

Along with the stock market, Indonesia's bond market has also grown steadily over the past few years, and now offers a more diversified array of debt instruments, which are important for attracting a broader investor base. In recent years, the central government of Indonesia has specifically increased its focus on Islamic finance (including Islamic bonds, or Sukuk). Given the region's large Muslim population and the underdeveloped nature of Islamic finance, this sector is tipped to have great potential.

In terms of foreign confidence, Indonesia has gained investment grade status from all three key international credit rating agencies. In late 2011, Fitch Ratings was the first of the big three agencies to reinstate Indonesia's investment grade status after a 14-year hiatus. In May 2017, Standards & Poor's upgraded Indonesia's status to investment grade. These upgrades have been crucial in securing investor confidence in the Indonesian economy and encouraging more capital inflows from global funds.

The next step to bolster Indonesia's rapid expansion is a deepening of the country's capital markets. Currently, capital markets in Indonesia are smaller and less liquid compared to other Southeast Asian nations and emerging markets. This is due to the low capital market utilization of finance investments and limited intermediation by non-bank financial institutions (modest hedging and insurance facilities). Securities and equity markets are relatively underdeveloped and market capitalization of Indonesia's listed companies is lower than that of its regional peers. The upside of this of course, is that Indonesia has ample room for growth to complement its rapid expansion as a global tech player.



JAPAN

With expert input from Soichiro 'Soi' Kitano, Board Member and International Liaison Partner at BDO Japan. Soi is an auditor by trade and spent his career between Japan and the US. He's been based in Tokyo for 12 years and liaises with companies wanting to start businesses in Japan.



“THERE ARE NO RESTRICTIONS IF YOU WANT TO SET UP A COMPANY IN JAPAN AND NO LIMITATIONS, REGULATIONS OR RESTRICTIONS WHEN IT COMES TO INVESTMENTS. THIS IS AN ADVANTAGE JAPAN HAS OVER MANY OTHER COUNTRIES.”



OVERVIEW

With the third largest GDP in the world, Japan is a very self-reliant country with a strong infrastructure and stable politics. Trade-wise, it has an enviable location and is one of the few truly 'international' countries in the world. Playing host to the upcoming Olympics, Japan was recently rated the 5th best country in the world according to global perceptions. It is known for first-class talent and enviable levels of education.

There are no restrictions if you want to set up a company in Japan and no limitations, regulations or restrictions when it comes to investments. This is an advantage Japan has over many other countries. It's easy to set up a business without a lot of capital, as you don't need to spend millions of dollars for listings, compared to the Europe, the UK and the US – or even neighbours Hong Kong and China.

THE TECH LANDSCAPE

Japan is one of the most technologically advanced countries in the world. There is no shortage of people wanting to work in Japan because of the tech expertise across business, education, IT, patents and more. Tech drives the majority of investors of all sizes into Japan. There is also strong interest in everything from fintech, to real estate and banking.

The majority of the international investors and bilingual service providers are based out of Tokyo, with little to no tech companies outside the capital.

THE TECH ECO-SYSTEM

Technology R&D in Japan is amazing and crosses all forms of the sector including semiconductors, software, content, robotics, AI technology, cybersecurity, fintech and cryptocurrency.

Many people want to study in Japan, particularly to major in engineering and computer science. A large number of Japanese universities and colleges have IT incubators that help fund students and startups with technology. They can also match-make student startups with investors.

“**TECH DRIVES THE MAJORITY OF INVESTORS OF ALL SIZES INTO JAPAN. THERE IS ALSO STRONG INTEREST IN EVERYTHING FROM FINTECH, TO REAL ESTATE AND BANKING.**”



TRUST AND LEGAL ADHERENCE

Japan's legal system adheres to Western legal systems and all agreements and contracts can be in English, Japanese or both. So – unlike other countries in the ASEAN region – anyone that wants to set up business in Japan can do it in English.

There is a lot of trust in the system as everything is done 'by the book' and this is one of Japan's key strengths. If you're bilingual in Japanese and English, you have an additional advantage.

There are no restrictions if you want to set up a company. You don't need a million dollars or even a hundred thousand dollars. You could come to Japan with \$1000 and establish your own company. All you need is a legal address and a director that's a Japanese resident.

THE TALENT POOL

Because of the declining population in Japan, it can be difficult to find good talent. Most graduates want to work for large, established companies, or travel to work in other parts of the world. The younger generation are open to working for start-up tech companies, but they ideally prefer the company to have a strong reputation, such as Amazon or IBM.

Once people come and work in Japan, they tend to want to stay. It's safe, it's stable, there's very little employee turnover; it's a very employee-friendly country with a lot of job security. In addition to this, there are plenty of jobs around, so it is not difficult to move here and find a job. In fact, [Japan was voted one of the top 10 talent hubs in the world in 2021.](#)



INVESTMENTS

As far as investments are concerned, it varies. Real estate companies, technology, financing, banking and securities have done well in Japan.

There are many foreign companies within the music and entertainment space located here in Japan including SoftBank, Alibaba, FlipChart, ByteDance, AKA, TikTok, DoorDash and NVIDIA.

There's a heavy habitat for a lot of the strong tech companies and there is likely to be a buying spree because a lot of small tech companies have gone public. Companies like SoftBank, Rakuten and Sony all have their foot in the door as they have already made small investments in startups. Line, which is the WeChat of Japan, is also doing really well. They went through a large merger with Yahoo Japan and they're going to be one of the bigger players within the media space.

A Korean-listed company that recently listed in the US called Coupang is considered one of the largest e-commerce companies. They have made large investments in a lot of these companies. Rakuten, who sponsor Barcelona FC, are very active in Europe and the US.

THE INVESTOR ANGLE

For foreign businesses looking for investments in Japan, BDO has contacts with trading companies – such as Mitsubishi Corporation, Sumitomo Trading and ITOCHU – who can talk to you about setting up business in Japan. BDO can also help out on the seller end by making introductions to the large banks.

In terms of other countries investing in Japan, Singapore and Hong Kong are pretty active, as well as the US and the UK. They tend to be earning a lot of money and creating a lot of funds.

GOVERNMENT SUPPORT

Because of the declining population in Japan, the Japanese government provides grants to help small and medium-sized companies, both domestic and international. They are looking for inbound investments and are keen to attract foreign investors, as well as workers that want to come to Japan.

The Japanese government is keen to incentivise new businesses to stay in the country for the long-term. They don't want somebody to just come in, make a buck and leave; that's not the Japanese mentality. If you want to work with Japanese customers, Japanese

 “THERE'S A HEAVY HABITAT FOR A LOT OF THE STRONG TECH COMPANIES AND THERE IS LIKELY TO BE A BUYING SPREE BECAUSE A LOT OF SMALL TECH COMPANIES HAVE GONE PUBLIC.”

banks, investor funds, different service providers, you need to be in it for the long haul. And that's why Japanese companies provide grants.

TAX AND ACCOUNTING PARTICULARITIES

The tax standards are very simple in Japan, unlike the US and other parts of the world. The Japanese tax rules are fairly strict, and tax tends to be higher than in nearby countries. However, the rules are very fair and only those companies who make profits pay tax. It's helpful to get advice and do your research in advance to make the process of setting up a tech business in Japan run smoothly. You don't need to spend a lot of money to engage a tax provider to help out with your tax.

THE COMMON MISCONCEPTIONS

Startup venture companies are very interested to learn that the IPO market in Japan is very active. You don't need billion-dollar listings like the US or other parts of the world. You could come in with funding for \$10 million all the way up to a billion dollars. And the Japanese market is very open to that; it's very wide.

You also have cyclic NASDAQ small listings, known as 'The Mother's Exchange', so there's a market for companies to engage themselves with if they want to list in Japan. The reason a lot of people don't know about it is because all the reporting is in Japanese. Only the large companies like Toshiba and Sony publish their financials in English. So speaking Japanese is a great advantage if you are looking to set up a tech business in Japan.

PORTUGAL



Junior Partner Cristina Sousa Dias has over 20 years' professional experience in financial consulting services, including coordination of M&A, transaction services, valuations, investment-raising finance and restructuring financial advisory.



OVERVIEW

Portugal is fast gaining a reputation as one of Europe's most thriving start-up ecosystems. With a population of just 10.28 million, the country offers unique opportunities for young professionals seeking new opportunities, while also offering an enviable standard of living, agreeable climate and contemporary lifestyles.

For businesses, meanwhile, the attractions of operating in Portugal are plentiful too, with access to a deep pool of talented specialists, an affordable salary base, government support and significant investor interest.



“WITH A POPULATION OF JUST 10.28 MILLION, THE COUNTRY OFFERS UNIQUE OPPORTUNITIES FOR YOUNG PROFESSIONALS SEEKING NEW OPPORTUNITIES...”



THE TECH LANDSCAPE

Portugal has demonstrated real resilience in the face of economic upheaval. In the wake of the 2008 financial crisis, the country actively sought to create new opportunities for business, establishing special vehicles such as venture capital funds dedicated to supporting technology-based start-ups. It has continued ever since to push technological development and innovation, and was highlighted by the [World Bank](#) as one of the world's top 40 best countries to do business in 2020.

Regionalised tech-hotspots centre on Portugal's high-ranking universities: Instituto Superior Técnico in Lisbon (ranked #11 among European engineering schools), the University of Aveiro, and the Universities of Porto and Minho near the Braga tech hub.

These institutions have spawned an ideal environment for tech innovation and business growth, with their incubator centres, innovation hubs and start-up facilities all successfully drawing both venture and seed capital into the country.

Since 2014, Lisbon based start-ups have raised more than USD\$230 million. As of 2018, 7,264 start-up companies were registered in Lisbon, with 743 of them in the high-tech sector.

In terms of digital infrastructure, Portugal is currently in the process of establishing a country-wide 5G network.

THE TECH ECO-SYSTEM

While Portugal's start-up ecosystem is not as mature as the likes of London, Paris or Berlin, this in itself can be seen as a notable asset for start-ups and foreign investors. As an EU member, boasting a number of highly ranked universities, competitive wages and a young skilled workforce, Portugal provides a dynamic launchpad for internationally-minded businesses to grow and break into the global market.



FARFETCH, A LUXURY FASHION RETAIL PLATFORM NOW PUBLICLY LISTED AND HEADQUARTERED IN LONDON, WAS THE FIRST EVER PORTUGUESE TECH UNICORN, SURPASSING A \$1BILLION VALUATION IN 2015.

Several Portuguese start-ups have gained international recognition over the last few years. Farfetch, a luxury fashion retail platform now publicly listed and headquartered in London, was the first ever Portuguese tech unicorn, surpassing a \$1billion valuation in 2015. Talkdesk (a call centre solutions company) and OutSystems (app software developers) have also joined Farfetch on the country's list of tech unicorns.

Unbabel, a human translator platform using artificial intelligence to allow for seamless translation into any language, is the latest Portuguese start-up to break into the international market. Established in Lisbon in 2013, Unbabel's headquarters have now relocated to San Francisco from where it services a global market.

THE TALENT POOL

Access to talent is a particular advantage for foreign investors in Portugal. With one of the top 15 engineering universities in Europe attracting students from all over the world, the region produces an excess of technical and engineering professionals, to the point where many are being exported to wider Europe.

The demographic of young professionals entering the industry today offers further advantages, with a new pool of digitally native, highly skilled tech specialists available for lower rates than you might see in more established tech centres across the continent.

Portugal ranks #38 among 189 economies in the [Human Development Index](#) (ranked by life expectancy, education and income per capita), and #23 in the [2020 IMD World Talent Survey](#).



GOVERNMENT SUPPORT

The Portuguese government runs a number of incentives to support young and tech businesses, including a seed programme created to help start-ups retain their talent and prevent layoffs as a result of COVID-19.

The [StartUp Visa](#) is available to foreign entrepreneurs looking to develop a tech-focused start-up in Portugal, as part of the government's drive to attract new and developing businesses to relocate here and bring new job opportunities to the region. If accepted, business owners additionally have the option to apply for Portuguese citizenship.

Other incentives supporting SMEs and start-ups include the [200M Co-investment Fund](#), a matching fund that aims to foster co-investment in high growth start-ups with national or international private co-investors. The [Social Innovation Fund](#) also provides co-investment opportunities for businesses that promote social, financial and digital inclusion.

Portugal operates in line with International Financial Reporting Standards (IFRS) as adopted by the EU.

“**THE AVAILABILITY OF MARKET CAPITAL IS ONE OF THE BIGGEST OPPORTUNITIES IN PORTUGAL RIGHT NOW, WITH GRANTS FROM THE EUROPEAN UNION EXPECTED TO EXCEED \$59BILLION IN THE COMING YEARS.**”

THE INVESTOR ANGLE

Foreign direct investment in the technology sector in Portugal is growing. Google is among the major new entrants to the region, opening a support centre in Lisbon with 500 tech jobs for skilled workers. Other international companies such as BMW, Mercedes, Volkswagen, BNP Paribas, Natixis, Bosch, Siemens have also created new support centres.

The availability of market capital is one of the biggest opportunities in Portugal right now, with grants from the European Union expected to exceed \$59 billion in the coming years. Around 20% grants from the European Commission will be put toward digital transformation in Portugal, with further money set aside for green transformation. Investment funds from family office and private equity firms are also increasingly looking for new opportunities within Portugal, with the TMT, health and education sectors in particular attracting significant interest from investors.

In terms of foreign interest, France, Germany, Luxembourg, UK and Spain are all keen investors in Portugal's technology sector.



SAUDI ARABIA



Gihad Al Amri is Managing Partner of BDO Saudi Arabia, and has headed up the region for over 20 years. With a degree in Accounting from King Abdulaziz University in Jeddah, and a Masters from American University, Washington DC, Gihad brings an international approach to his role, with personal expertise in financial accounting, auditing, assurance, consolidation, tax and managerial finance.



OVERVIEW

The last few years have seen significant acceleration in the adoption of new and emerging technology across Saudi Arabia (SA), instigating a huge amount of investment in the sector. Today, SA is the largest information and communication technology (ICT) market in the Middle. With ambitious plans for technological growth over the next decade, there is little doubt that SA offers huge potential for new and expanding tech businesses looking to reach an international market.

THE TECH LANDSCAPE

SA's [2030 Vision](#) positions technology as a top priority in the Kingdom's economic blueprint for the future. The Vision includes ambitions to increase non-oil government revenue from \$43.5 billion to \$267 billion by 2030, raising the share of non-oil exports in non-oil gross domestic product (GDP) from 16% to 50% by the same year. Other key goals include an increase in foreign direct investment (FDI) from 3.8% to 5.7% of GDP, along with a Top 10 ranking in the World

Economic Forum (WEF) by 2030 – the country currently ranks 25th. ICT is seen as a key enabler in facilitating all these goals.

The technology infrastructure in SA is already one of the best in the world, with 4G coverage reaching 88% of the population and delivering mobile broadband speeds of around 30 megabits per second. Meanwhile, 37% of households are linked up to fibre optics, achieving similar speeds. SA was one of the first countries to launch a first phase of the [5G standards](#) using a single 5G frequency band, with plans to launch additional frequency bands in 2021. The Kingdom is currently among the world's top five world leaders for 5G implementation (alongside Australia, Kuwait, Taiwan and South Korea), with download speeds of over 200mbps.



“**THE VISION INCLUDES AMBITIONS TO INCREASE NON-OIL GOVERNMENT REVENUE FROM \$43.5 BILLION TO \$267 BILLION BY 2030, RAISING THE SHARE OF NON-OIL EXPORTS IN NON-OIL GROSS DOMESTIC PRODUCT (GDP) FROM 16% TO 50% BY THE SAME YEAR.**”

THE TECH ECO-SYSTEM

The flourishing SA start-up ecosystem is the fastest-growing in the Gulf region. This is a direct result of reforms implemented under Vision 2030 as supported by government agencies and participating companies, including the Business Incubators and Accelerators Company (BIAC), a unit of Saudi Technology Development and Investment Company (TAQNIA), which in turn is fully owned by the Public Investment Fund (PIF).

The SA government has been investing heavily in the digital transformation efforts outlined in its Vision 2030 strategy to diversify its economy from oil, with venture capital money fuelling the development of IT resources and talent. Since its implementation, a series of government measures have been put in place to encourage start-ups and facilitate access to funding. The Saudi Venture Capital Company (SVC) is one such example – a government venture capital entity established in 2018, with the aim to minimise funding gaps for start-ups through an additional \$750m investment over the 12-year period.

One notable vote of confidence in the SA start-up ecosystem is the recent stellar success of STC Pay, which last year achieved a billion-dollar valuation, making it the first fintech unicorn in the Middle East.

The best known of SA's numerous tech hotspots is the Digital City complex in Riyadh. Here you'll find high-investment companies such as Cisco, providing an interesting example of how a multinational company has successfully partnered with the SA government to secure capital growth and fuel the future of digital transformation in the region. Today, SA is one of just 15 countries Cisco has chosen for its Country Digitisation Acceleration (CDA) programme – a global initiative to drive economic growth and create next-generation jobs through digital adoption.





IBM is another leading global technology provider with a firm base in SA since 1947 when it installed the first computer in the Middle East region. As an emerging cognitive solutions and cloud platform company, IBM is set to play a key role in making SA one of the leading knowledge-based economies in the Arab world.

 “SAUDI ARABIA’S START-UPS HAVE SEALED A RECORD NUMBER OF DEALS IN THE LAST FEW YEARS, WITH INVESTMENTS SURGING 92% BETWEEN 2018 AND 2019 - 71 TRANSACTIONS AT A TOTAL VALUE OF \$67 MILLION.”

THE TALENT POOL

Historically, businesses in SA have struggled to source local talent, with the country reporting a notable talent shortage of 107,000 highly skilled workers in 2020. However, further indicators suggest this crunch is not necessarily due to a lack of talent in the region, but rather a lack of resources such as HR and recruitment services dedicated to partnering with businesses in this area.

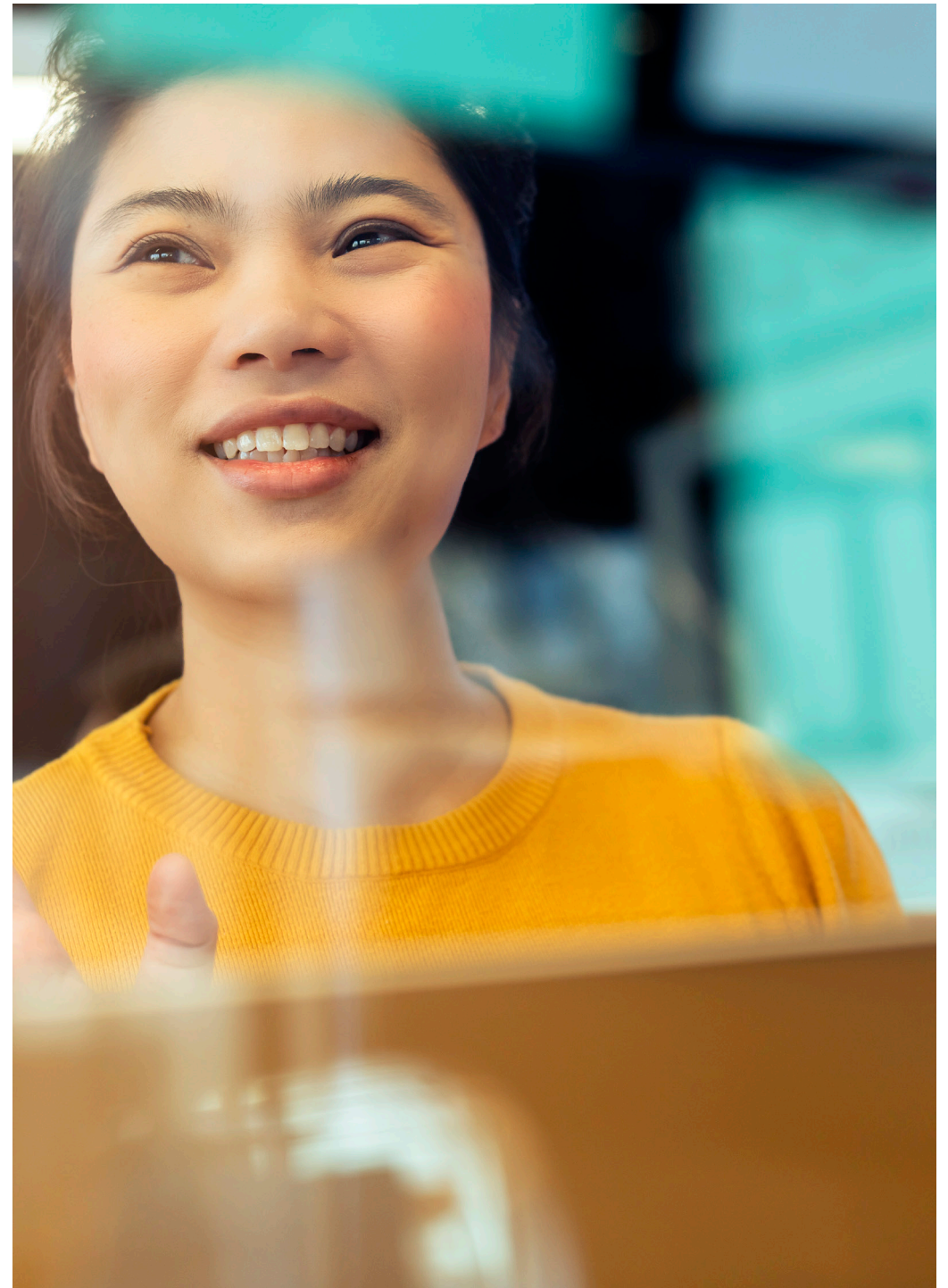
Another of the Kingdom's Vision 2030 aims is to bridge this gap between talent and employer, with plans in motion to support vocational work placements, university partnerships and intern schemes across the Kingdom. Some 86% of employers anticipate a significant reduction in reliance on expatriate talent by [2030](#).

THE INVESTOR ANGLE

Saudi Arabia's start-ups have sealed a record number of deals in the last few years, with investments surging 92% between 2018 and 2019 – 71 transactions at a total value of [\\$67 million](#).

eCommerce, delivery and transport were among the top industries to attract start-up investment in this time frame – eCommerce took 27% of all deals while the delivery and transport industry accounted for the highest amount of funding compared to other industries with 26% of all investments. Education, data analytics and business intelligence also saw an encouraging boost in investment interest.

Saudi Technology Ventures (STV), SA's \$500 million venture capital fund, forecasts rapid continued growth for VC investments in the Kingdom, with annual investment capital potentially expanding tenfold, from \$50 million in 2018 to \$500 million in 2025.



THAILAND

With expert input from Matthew Cutt, International Liaison Partner at BDO Thailand. A chartered accountant with over 17 years' experience in the UK, Australia, and Thailand, Matthew has worked extensively within the BDO family. Now based in Bangkok, he delivers audit and assurance, financial reporting advisory and transaction advisory services for clients both locally and Internationally.



OVERVIEW

As a growing Asian economy, Thailand is intensely focused on positioning itself in the global market as a serious tech player with rich digital capabilities and an attractive package of incentives for international businesses and investors. It offers an appealing combination of generous state support, a thriving digital ecosystem, excellent connectivity, a can-do business culture and a highly digitally savvy populace.

THE TECH LANDSCAPE

The digital landscape in Thailand is characterised by very high levels of internet usage among a very digitally literate population. Out of a population of 68million, over 48million use smartphones and 46million use social media. Rates of broadband penetration per household and of broadband subscribers are already very high, and continue to rise.



DIGITAL TECHNOLOGY IS ALREADY THE DRIVING FORCE BEHIND THAI ECONOMIC GROWTH, AND SINCE 2016 THE GOVERNMENT'S THAILAND 4.0 STRATEGY HAS FOCUSED ON STRENGTHENING THE MARKET...

South-east Asia is the world's fastest-growing internet region, and as a whole the digital economy of the ASEAN bloc (Association of Southeast Asian Nations, of which Thailand forms a part) is projected to be worth \$2trillion by 2025. Thailand has the second largest digital economy in that group, and - according to the Thailand Board of Investment - digital is on track to contribute 25% of the nation's GDP by 2027.

For several years, the country has been pursuing a series of aggressive initiatives and plans aimed to drive the country's digital transformation, increase its global competitiveness and attractiveness, and establish itself as a digital leader in the region. Digital technology is already the driving force behind Thai economic growth, and since 2016 the government's Thailand 4.0 strategy has focused on strengthening the market for digital services, fostering innovation and enhancing the competitiveness of the online



environment. In the last five years or so, the Thai Government has invested extensively in developing an easily accessible and future-proof digital infrastructure, with an emphasis on internet speeds and connectivity.

THE TECH ECO-SYSTEM

The Eastern Economic Corridor (EEC) runs along the Eastern seaboard of the country, and is a crucial region of economic development. A centre for Thailand's export-focused industries, it is a tech and manufacturing hub that forms a central component of the Thai 4.0 strategy. It is strategically located by the Gulf of Thailand and close to Bangkok and the country's principal airport.

Digital Park Thailand is one of a number of new economic clusters located within the EEC. Designed as a destination for digital global players and business innovators, it offers ultra-high broadband speeds and state-of-the-art infrastructure, a data centre and a package of incentives, some tax-related.

The country has particular areas of strength in robotics, AI and the Internet of Things (IoT). Thai producers are investing heavily in smart robotics and AI to keep up with growing export demand and remain globally competitive for food and beverages, automotive and petrochemicals, and manufacturing. Thailand's IoT industry is centred on the EEC and according to the Ministry of Commerce is already worth an estimated \$1bn, with applications for smart homes, smart traffic, telemedicine, manufacturing, agriculture, factory production and more.

The National e-Payment Master Plan, introduced in 2017, has accelerated the adoption of e-payments and the move to a cashless society, while laws on data privacy, cyber security and computer crime have been introduced to build trust and confidence in the use of digital technology. The coronavirus pandemic has further

accelerated the transformation away from cash, and Bitcoin and Blockchain are growing in use too. As a result, tech companies in the payment space are on the increase.

START-UP INCENTIVES

The country boasts a vibrant start-up ecosystem thanks to strong partnerships with tech entrepreneurs and creative companies. Venture investors, accelerators, incubators, government agencies and private firms all combine to support the growth of disruptive new entrants: in the period 2012-17, funding for start-ups increased from \$2.1million to \$27million, and the numbers continue to accelerate.

This climate of tech nurture has already seeded many notable success stories, among them the online payment gateway Omise; the fashion brand Pomelo, which began as an angel investment; and aCommerce, which since its founding in 2013 has now grown into one of the region's largest eCommerce end-to-end enablers.



CREATIVE INDUSTRIES

With the support of the Thai Government, the digital economy has embraced the creative industries too. Long known within southeast Asia as a hub for filmmaking, Thai cinema contributed c\$.78billion to the national economy in 2018, and continues to grow. A number of foreign production companies have invested in Thai film, notably South Korea's CJ Entertainment.

Thailand also enjoys a reputation for high-quality animation work from a marketplace that offers a deep talent pool but also relatively low overheads. The industry was worth an estimated \$132million in 2019. Thai studios are in high demand with the big international animation companies, and were behind the visual effects and animated imagery of global hits such as Frozen and Rango.

Thailand is also the fastest-growing video game market in Southeast Asia, with an industry worth an estimated \$75billion (2019) and a native market of over 18.3million self-declared gamers. Thai game developers such as MAD Virtual Reality Studio, LevelLoop and the Yggdrazi Group regularly feature in international gaming bestseller lists.



“**STARTING SALARIES FOR YOUNG TALENT TEND TO BE VERY COMPETITIVE, BUT AT MORE SENIOR LEVELS THEY BECOME MUCH MORE COMPARABLE WITH WESTERN RATES.**”

THE TALENT POOL

Thailand's skilled workforce is a strong factor in its development as a leading digital economy. As of 2018, there were c31,000 people working in ICT-related fields, the majority of them graduates of the country's 120+ universities that offer ICT programs. Thailand is fourth in the ASEAN Global Talent Competitiveness Index.

Students here tend to be very focused on finding a role directly from graduating, with lots of proactive support from the universities. Starting salaries for young talent tend to be very competitive, but at more senior levels they become much more comparable with Western rates. Businesses look to develop strong relationships with the universities in order to attract those potential stars early.

CULTURAL FACTORS

The Thai working culture is friendly and cooperative, and the high level of education among workers is an attraction to foreign companies. There are some intricacies to navigate – negotiating the banking system remains quite labour-intensive, for example, and the use of English is not quite on a par with countries like Malaysia.

SUPPORT AND INCENTIVES

The Thai Government has in recent years introduced various laws and initiatives aimed at growing the digital economy and make it easier for tech companies to do business. There is a raft of incentives to encourage businesses from overseas to expand or set up in Thailand, especially in the tech space. Most of these come under the auspices of the Board of Investment, which is the key authority that international businesses coming here will interact with.

One incentive relates to ownership. Where typically, foreigners don't have the right to own a business based in Thailand outright, in the tech space businesses can be owned 100% by foreigners. There are significant tax breaks too. Typically there's no tax to pay at all for the first five or six years of doing business, depending on the nature of your tech activity.

Another interesting factor is an imminent change to VAT on digital services, which will mean that companies have to pay VAT on customers in Thailand even if they are not based in the country. This is likely to incentivise more businesses to establish a presence in Thailand, in order to be able to claim back their VAT. This development can be seen as part of a wider Government push to encourage big international businesses and tech giants to consider setting up a regional HQ here, especially as rival regions like Singapore become more expensive.

THE INVESTOR ANGLE

The Thai Stock Exchange is part of ASEAN, which is a relatively liquid market for the raising of capital. But typically, new businesses are powered by foreign direct investment, sometimes with PE funding or funding from another jurisdiction to invest in infrastructure in Thailand.

Thailand enjoys long-standing investor relationships with the US, Japan and especially China, much of it in the automotive space, for example in the area of EVs and driverless vehicles. Thailand has also picked up some of the foreign investment that China has lost in the wake of COVID-19. It is also currently very focused on attracting greater investment from the EU.

With its infrastructure, connectivity, people and incentives, Thailand really is set up for tech businesses to succeed.



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