

How do you see the impact of the moratorium in terms of business opportunities and global competitiveness?

ISD Talking Points :

Indonesia domestic regulation defines intangible digital goods as Operating Support System software, Application software, Multi media Audio Visual, Supporting driver data of machinery system and Other Digital softwares.

We conducted a study to identify sectors that use digital goods as production inputs - Series of FGD workshops across various industries were conducted to get the empirical and evidence-based cases on how digital goods play role in various sectors.

We found a range of positive effects that intangible digital goods bring . as illustrated in following cases :

- 1. Role of Digital Goods in Manufacturing sector : Increased Labor Productivity and Export Diversifications.**
 - a. Digital goods play key role to labor productivity, either thru operating system used in the manufacturing machineries or thru office software application.
 - b. It also opened up opportunities for manufacturers to diversify exports beyond goods. The moratorium benefited manufacturers operating in the country to participate in Global Value Chain and become services hub of a global operation , either as Financial services centre, R&D centre, or IT services centre, creating new jobs and employments.

- 2. Role of Digital Goods in Agriculture sector : Increased Production and Wider Market Access**
 - a. An application software has been used to help local farmers to increase and better manage their production outputs.
 - b. The use of an application platform has also benefited our farmers in providing them a wider and direct market opportunities to trade and cut down the intermediaries, generating a higher profit margin for local farmers.

- 3. Role of Digital Goods in MSME : Formalize the Informal sectors and Access to International trade**
 - a. Digital platforms are formalizing the informal sectors and micro enterprises. Currently there are 36 mio of Indonesia MSME or 64% of MSME in Indonesia are digitally connected either thru the use of basic digital services or advance digital technology.

- b. The use of digital goods brought opportunities for MSME to trade beyond their geographical boundaries. It enabled them to compete internationally and equally on the same pedestal as other players. Indonesians working in creative economy sector ie: local animators, game developers, app developers, graphic designers and news aggregators are able to export with competitive price and expand their commercial presence internationally.
- c. Digital goods are also used by MSME to improve business efficiency with significant cost efficiency in communication, marketing and shipment costs.

4. Role of Digital Goods for Start-ups : Enabler of creativity and innovation

Digital goods used as production input also induces creativity and promotes innovation of local tech start-ups. These local start-ups built platforms of platform or took part in the existing platform ecosystem. Currently there are almost 1000 digital start-ups in Indonesia, with some becoming unicorns.

Mc Kinsey studies estimated there are about 25 million jobs in Indonesia currently supported online.

Based on our study and research findings, the benefits of moratorium are apparent to businesses and following conclusions can be drawn :

- Digital goods are enabler of productivity, creativity and innovation.
- The moratorium has benefited local manufacturers, entrepreneurs in creative economy sectors, MSME, and local Start-ups to participate in international trade on a level playing field with competitive price.
- Imposition of tariff would reduce price competitiveness of local businesses to export and participate in international trade. It would also raise barrier for MSME to further adopt technology.
- The current pandemic situation have brought an immense effect to businesses. Tariff on digital goods would be detrimental for businesses to trade and operate.
- As digital goods are enablers, tariff on digital goods need to be carefully considered, given the benefits and the wider economic gains that include export competitiveness , and participation in global value chain.