Promoting growth and greater efficiency of Indonesia Services Sector

APEC Meeting: Cross-Border E-Commerce in Services

Papua New Guinea, August 12 2018. The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 to leverage the growing interdependence of the Asia-Pacific. APEC’s 21 member economies gathered to promote balanced, inclusive, sustainable, innovative and secure growth and by accelerating regional economic integration. Indonesia Services Dialogue was invited to APEC 3rd Senior Officials Meeting in Port Moresby, Papua New Guinea. Executive Director of ISD, Devi Ariyani was appointed to be one of the speakers in this fora, the particular session is the Public Private Dialogue (PPD) on Cross-Border E-Commerce in Services. This dialogue is joint collaboration between Committee Trade and Investment (CTI) and Group on Services (GOS) of APEC. This PPD is aimed to (1) share perspectives on implementing the 2016 APEC Services Competitiveness Roadmap (ASCR) against the background of the structural transformation to digitization underway in the global economy and (2) contribute under Pillar II of the 2017 APEC Cross-Border E-Commerce Facilitation Framework, which specifically calls for capacity building through PPD on how MSMEs can increase their access to cross-border E-Commerce opportunities. The objectives of the PPD on Services are to enhance understanding of the new cross-border services business opportunities available, especially for SMEs and MSMEs, to identify challenges and share experiences of dealing with the related structural disruptions in services sectors, and to discuss successful government policies and regulatory approaches that might enable the private sector to achieve its growth potential for all.

Highlighted Issue

Impact of Data Localization

According to European Centre for International Political Economy (ECIPE) Study (2014) The economic costs related to measures on data localization requirements show that the impact of data restrictions on GDP was significant. In Indonesia, it is estimated that the impact of data restrictions would reduce GDP by 0.5%. Furthermore, it is estimated that if the data localization measures in Indonesia to be applied across all sectors, it would reduce GDP by 0.7%. Data restrictions in Indonesia are estimated to affect overall domestic investment with negative 2.3%, and would decrease exports by 1.7% due to direct loss of competitiveness. Indonesia’s consumers and industries rely heavily on the free flow of data, especially seeing that 99% of the economy is built up upon Small and Medium Enterprises (SMEs), which tends to depend on the free flow of data. Data localization measures are harmful to Indonesia’s industries and consumers because they inhibit market opportunities in Indonesia and constrain Indonesian users seeking access to markets and to useful services. Data residency requirements particularly limit the deployment of cloud services in Indonesia and further holdback enterprises especially SMEs to take the benefits of cloud computing, as cross-border data flows enable market access through greater trade and can provide enhanced data security. Restriction measures on cross-border data flow would only create trade barriers and affect business models negatively. Data localization requirements can slowdown or prevent business transactions and international trade. This would increase costs and prevent the delivery of products to the market. Economies that put in place restrictions to the free flow of data would make it harder and more costly for their businesses to benefit from the ideas, research, technologies, and best practices that go along data flows including the innovative new goods and services that rely on data. At the same time, data flow restrictions also mean that there would be delays and higher costs in the development of new and innovative goods and services.
Event

Ministry of Trade and ISD conduct FGD on Indonesia Retailing Services

Tangerang, September 12 2018. According to the ASEAN Services Integration Report 2015, the services sector plays a key role in economic growth and job creation in ASEAN countries. However, Indonesia’s trade in services performance is still having tremendous deficit. Indonesia should be able to utilize the scheme of trade liberalization in ASEAN as market access to expand and increase Indonesia’s services exports to the ASEAN market. According to Bank Indonesia’s data, Indonesia has its excess supply in distribution services, including retail services. Hence, retail services can be very potential to boost up Indonesia’s services export to reduce the deficit trade balance. Ministry of Trade in collaboration with ISD held a FGD on Indonesia retailing services for the ASEAN market. The purpose of this FGD is mainly to analyze the level of investment openness on foreign retail services in each market in ASEAN countries. This FGD was also becoming a forum in having success stories sharing by successful Indonesian businesses which have commercial presence in ASEAN countries. This FGD is chaired by Tony Prasentiantono, a senior researcher from IPB. Our Executive Director of Indonesia Services Dialogue (ISD) Council, Devi Ariyani as one of the speakers described the opportunities and challenges on retail services in ASEAN market. Moreover, she was also leveraging Indonesia’s comparative advantage in retail services compared to ASEAN countries.

A Glimpse of Hope in Reducing Services Trade Deficit by Identifying Indonesia’s Services Sector Priorities to be Exported

Tangerang, September 24 2018. Indonesia Services Dialogue and Directorate General of National Export development held a discussion, called “Services Sector Development Strategy in order to Increase Non-Oil and Gas Export”. This discussion is aimed to identify Indonesia’s services sector which are ready to be exported and its challenges. This discussion is led by Marolop Nainggolan. The Discussants came from private sectors, namely: Ay Tjing Phan from PwC Indonesia, Even Alex Chandra from Bukalapak and Weihand Liew from Mainspring Technology. Furthermore, Devi Ariyani, our ISD Executive Director were also giving presentation about our services sector priorities to be identified deeply and the services export experiences from other countries in ASEAN. She also mentioned that in Indonesia, we experience the lack of tax incentives scheme in fiscal and non fiscal to boost companies in developing their businesses to enter world market export and incentives in attracting global player to have its regional hub in Indonesia. This discussion is very fruitful and valuable in developing recommendations to the Minister of Trade as a reference for his trade missions next year by providing comprehensive information about potential services sectors and business in services which are ready to penetrate to the world market export.
Event

Editors Gathering: Services Sector Update

Jakarta, September 13 2018. Devi Ariyani, ISD Executive Director and Bapak Edi Prio Pambudi, Assistant to Deputy Minister on Monetary and Balance of Payment, Coordinating Ministry for Economic Affairs Republic of Indonesia were having a collaborative editors gathering on services sector update. They shared their views about the importance of services sector in Indonesia. It is visible that services and service-related sectors have a higher growth trend compared to the agriculture, mining and manufacturing industries. In the period of 2010-2017, the agriculture, mining and manufacturing industries experienced annual growth rates of 3.93%, 1.08%, and 4.88% respectively. Whereas services sectors and service-related sectors grew between 3.22% to 12.12% per year. These data indicate that services sector and service-related sectors are the sectors that drive national economic growth. Transportation and communication services, financial services and business services, and construction services are the services sectors with the highest growth.

ISD Gallery: Stakeholders’ Consultations

1. Jakarta, September 5 2018. Devi Ariyani, ISD Executive Director, had a short discussion with William Tanuwijaya (CEO of Tokopedia) and Director for e-Commerce Trade Supervision in goods and services of Ministry of Trade, Ojak Simon Manurung.
2. Jakarta, August 27 2018. ISD had discussion on telecommunication-related services with Antonius Ardian Bermana, Chief Strategy and Experience of Indosat Ooredoo.
3. Jakarta, August 24 2018. ISD had discussion with Marwan O. Baasir, Group Head Regulatory and Government Relation of XL Axiata on apps-based services.
4. Jakarta, September 4 2018. ISD discussed labour in services issues with ILO and APINDO.
5. Jakarta, October 5 2018. World Bank shared research result on critical occupation list in services sector with ISD, attended by PHRI and Asperindo.
6. Jakarta, October 4 2018. Dini Ariyani, CEO of Tanamera, and Devi Ariyani, ISD Executive Director, in a discussion on services export potential for culinary sector.
IA-CEPA opens up opportunities for cooperation, investment and technology exchange between Australia and Indonesia. She also added “The service sector experienced a very rapid development over the past two decades. The contribution of the services sector to the national gross domestic product (GDP) increased from 45 percent (2000) to 54 percent (2017), the existence of the IA-CEPA can further encourage this development”. “With this agreement, Indonesia service sector received two big advantages. First, it will strengthen service export, and the second one is to have a new investment.” "Over the past few years the service sector has always experienced a trade balance deficit, reaching USD 7 billion in 2017, where the largest deficit was contributed by transportation services".

Devi Ariyani said, “Sectoral analysis conducted by ISD shows that most service sectors are experiencing excess demand, which indicates that the capacity of domestic service providers is still insufficient”. “The service sector still needs new investment to meet the needs of domestic demand. IA-CEPA collaboration is expected to strengthen the investment climate in the service sector in Indonesia”.

ISD Gallery: Policy Advocacy to Government

1. Jakarta, September 5 2018. ISD Executive Director, Devi Ariyani, had a short discussion on Blockchain and Cryptocurrency with Enggartiasto Lukita, Minister of Trade Republic of Indonesia.
2. Jakarta, September 26 2018. ISD had a meeting with Kasan Muhri as Head of BP3, Ministry of Trade on statistics in services.
4. Jakarta, September 27 2018. ISD presented financial services and services sector issues to M. Cholifiani, Director of Financial Services and SOE at Bappenas.
5. Jakarta, September 26 2018. ISD had meeting with Directorate of Supply Goods and Services Control, Ministry of Trade on the monitoring and supervision issue in services sector.