

FOR IMMEDIATE RELEASE

The Center for Strategic and International Studies Launches New Report on the Role of Rich-Interactive Applications in Indonesia

Jakarta, 25 April 2018 - Digitalization and disruptive technology are transforming society at an unprecedented scale and pace. The Rich-Interactive-Applications/RIA or also known as the Over-The-Top services/OTT are becoming increasingly popular, generating tremendous benefits for consumers, small and medium business owners, and content creators in Indonesia. Today, the Center for Strategic and International Studies (CSIS) join forces in launching a report on “Rich-Interactive-Application in Indonesia: Value to Society and the Importance of an Enabling Regulatory Framework”.

This study is commissioned by the Asia Internet Coalition, an industry association promoting the understanding and resolutions of Internet policy issues in the Asia-Pacific region.

With the fast-growing use of RIA services and increase in mobile internet penetration, different layers of society experience direct and indirect economic and social benefits. RIAs are becoming an essential commercial instrument for businesses, particularly SMEs and digital tourism. They also provide platforms to promote job in form of marketplace and applications that could connect employees with employers as well as creating jobs. On the other side, RIAs are also used to increase the accessibility of health and education services and as a platform for civic engagement aspiration process.

Yose Rizal Damuri, Head of Department of Economics, Center for Strategic and International Studies, said, “The popularity of internet based-services, such as RIAs, have benefited society through more efficient, innovative, and affordable means of communications. The challenge is that the industry is still in the early stages of development and we need to be cautious as we don't want to disrupt the growth engine that the e-commerce is on. Hence, the launch of this report. We are hopeful that the report will help stakeholders to better understand about the value that RIAs bring to Indonesia and the importance of an enabling regulatory framework that will not hinder the growth of the industry”.

The Rich-Interactive-Application in Indonesia: Value to Society and the Importance of an Enabling Regulatory Framework” report reveals that:

- In terms of economic impact, this report has identified three potential areas: commerce and SMEs, tourism, and jobs. Using regional and village level data, econometric estimations found that a 10% increase in network coverage is associated with a 0.92% increase in Gross Domestic Regional Product (GDRP) growth
- RIA is vital for Indonesian SMEs' commercial engagement. In 2016, SMEs contributed approximately 60% of Indonesia's GDP and 97% of total employment.

Furthermore, due to the increased mobile internet penetration and internet usage, online platform has become an essential commercial instrument for businesses. Social media (such as Facebook and Instagram) and RIAs can also facilitate SMEs to connect and communicate with customers, suppliers and other members of the business chain.

- In line with the government's focus on the tourism sector, RIAs play significant roles in achieving various government targets, such as reaching 20 million arrivals of international tourists and IDR 240 trillion of foreign exchange income in 2019. RIAs provide a platform for Indonesia's tourism industry, especially local businesses and SMEs, to tap into this opportunity.
- Several RIAs have begun to introduce and promote job marketplace to connect employees with employers and also to create additional jobs. In Indonesia, LinkedIn connects around 8 million users and lists Greater Jakarta as the fourth most connected city in the world. It also contributes to the emergence of the "online work" enabling people to earn money by performing a job remotely through the internet.
- Given the currently unequal access to health services, RIAs have an important role in improving accessibility of health services across Indonesia. In a field survey in Yogyakarta, we found that WhatsApp groups were used by health practitioners to deliver health services and capacity building activities, such as direct consultation with patients/community and discussions of various policies and standard operating procedures among colleagues.
- The development of RIAs and applications enable more educators and students to experience a more interactive learning process. The rise of digital technology has also created more opportunities for Indonesian start-ups and non-profit movements to provide innovative solutions for Indonesia's education problems, as demonstrated by examples of *Ruangguru*, *Quipper*, *Kelase* and *Akademi Berbagi*.
- RIAs provide an efficient tool for civic engagement and political aspiration processes. Constituents can now directly communicate with their representatives and express their political aspirations. Political elites are also more engaged with their constituents at a much lower cost. One prime example for this is the usefulness of social media platforms such as Facebook, Twitter, Instagram, or YouTube to support their political campaigns.
- From a regulatory perspective, at this early stage of development, we conclude that Indonesia needs to make more room for RIAs to grow and should avoid restrictive regulation which could potentially hinder society from enjoying the benefits, while also creating barriers to entry especially for SMEs and local innovators. We also find that elements of the proposed regulation have already been addressed in various other existing regulations, while others are either inconsistent or lacking clarity. Additionally, requirements such as commercial presence in the country could potentially violate Indonesia's commitment in international treaties. In lieu of local presence requirement, other countries have adopted a VAT digital tax system that conforms to OECD and EU guidelines to ensure sufficient clarity in enforcement and ease of administration for taxpayers. Lastly, the Bank of Indonesia (BI) regulation on National Payment Gateway (NPG) creates misunderstanding and imposes high cost restrictions, as consumers and

service providers should be able to use the most efficient and secure payment mechanisms.

“From what we've seen in the report findings, we believe that to move the debate on RIAs forward in Indonesia, we need to focus on improving digital literacy among users, improve telecommunication infrastructure that allow for quicker and more affordable internet connection, and promote an enabling regulatory environment to ensure that all members of society benefit from digital technology,” closes Damuri.

-End-

About the Center for Strategic and International Studies

Established in Washington, D.C., over 50 years ago, the Center for Strategic and International Studies (CSIS) is a bipartisan, nonprofit policy research organization dedicated to providing strategic insights and policy solutions to help decisionmakers chart a course toward a better world.

<https://www.csis.org/>

About the Asia Internet Coalition

The Asia Internet Coalition (AIC) is an industry association made up of leading internet and technology companies. The AIC seeks to promote the understanding and resolution of Internet policy issues in the Asia Pacific region.

<https://www.aicasia.org/>