



April 3, 2023

Her Excellency Sri Mulyani Indrawati
 Minister
 Ministry of Finance
 Republic of Indonesia
 Jalan Dr. Wahidin Raya No. 1
 Jakarta, Indonesia, 10710

Dear Minister Sri Mulyani:

We hope this letter finds you well. The undersigned industry associations representing small, medium, and other enterprises active across the world, including in Indonesia, are writing to share our concerns regarding the Ministry of Finance Regulation No. 190/PMK.04/2022 (“PMK 190”) and the imposition of new customs obligations on imports of intangible goods, including digital tools, knowledge, and content that is transmitted electronically. The business community views customs formalities for electronic transactions as an unprecedented measure that impedes the development of Indonesia’s digital trade and economy, as it introduces uncertainties and potentially onerous costs. Investors in Indonesia’s digital economy are concerned about the negative impacts of the proposed provisions in PMK 190, especially as the Ministry did not provide a notice and comment period or clarity on the coverage of intangible goods, the timeline, and procedure of its implementation.

Internet-based trade and communication has provided immeasurable opportunities for growth, especially for Indonesian micro, small, and medium-sized enterprises (MSMEs) across manufacturing, services, hospitality, agriculture, fisheries, transportation, and other sectors. A

recent study by the Indonesian Services Dialogue (ISD)¹, found that digitalization increased monthly profits and revenue by 20%, expanded the consumer base by 31%, and created three new jobs per company, after they started using digital goods and services. More than 90% of MSMEs surveyed used digital products or services. Other studies such as the most recent annual e-Conomy Southeast Asia Report² also point to the importance of access to digital services and technologies in promoting the growth of MSMEs in Indonesia and other Southeast Asian economies. These findings underscore the practical value of digitally enabled services and goods to Indonesian business - and the benefits of a system that allows for easy access to such products, including those delivered internationally (or “imports” in the parlance of PMK 190).

Digitally-enabled trade has been a lifeline for businesses and consumers, and many of the economic trends established or enhanced during the pandemic—such as remote learning, work, and food delivery—will continue for years to come. It is the efficient and seamless nature of internet-based commerce that allowed for these activities to flourish, but PMK 190 would undermine these very advantages of electronic transactions, hurting Indonesian consumers, business and foreign suppliers alike.

The application of customs formalities to electronic transactions as mandated by PMK 190 is the opposite of trade facilitative and is out of step with global practices and norms, such as the current WTO moratorium on the imposition customs duties on electronic transmissions. The proposal includes numerous problems, including lack of basic definitions (e.g., the exact scope of “digital goods”), inconsistency with the multi-nodal nature of internet traffic (with even very simple “digital goods” often traversing multiple countries), the lack of clarity in determining “country of origin” or valuation, and requirements that pose inherent threats to privacy and bandwidth management practices. The codification of these formalities in law alone heightens uncertainties that impede the development of Indonesia’s digital economy, limits the access of Indonesians to global services, and creates a significant disincentive for investment in the country.

Imposing new customs documentation and reporting burdens on users of all kinds of services that can be digitally delivered will hit Indonesian MSMEs, startups, and consumers the hardest and will be compounded should Indonesia take further steps to charge customs duties. Other studies by the OECD³ and ECIPE⁴ on the impact of elimination of e-commerce moratorium including on Indonesia, point to the negative effect of import duties on intangibles, such as increased prices and social welfare costs, reduced GDP, and the risk of imposition of retaliatory duties by other countries, not only on digital transmissions, but also on other Indonesian goods or agriculture exports. With respect to digital products and services, Indonesia’s PMK 190 sets a precedent for its trading partners to follow by applying the same treatment to Indonesia's digital products—a sector which Indonesia is seeking to expand. This would hurt the same software developers that Indonesian policymakers are aiming to support.

Indonesia’s participation in the Indo-Pacific Economic Framework (IPEF) negotiations and the adoption of high-standard digital rules can foster greater interest and investment in Indonesia’s digital economy and the integration of Indonesian MSMEs into regional and global supply chains. Imposing customs administrative burdens and, ultimately, duties on electronic transmissions will jeopardize Indonesia’s ability to benefit from these negotiations. We respectfully encourage you to reconsider Indonesia’s position to move forward with imposing customs administrative requirements and

¹ <https://www.isd-indonesia.org/storage/download/doc/isd-digital-adoption-and-dependency-on-digital-goods-and-services-in-msme.pdf>

² https://economysea.withgoogle.com/intl/id_id/home/

³ <https://doi.org/10.1787/57b50a4b-en>

⁴ <https://ecipe.org/publications/moratorium/>

potential duties on electronic transmissions and would ask you to amend PMK 190 to remove its application to intangible goods, products or services.

We send you our good wishes for Ramadan and thank you for your time and attention.

Sincerely,

ACT | The App Association
American Chamber of Commerce in Indonesia (Amcham Indonesia)
Asia Cloud Computing Association
Asia Internet Coalition (AIC)
Australian Industry Group
Australian Information Industry Association
Australian Services Roundtable
Canadian Chamber of Commerce
Chamber of Digital Industry and Services of ANDI
Coalition of Services Industries (CSI)
Computer and Communications Industry Association (CCIA)
Computing Technology Industry Association (CompTIA)
Consumer Technology Association (CTA)
EU-ASEAN Business Council
European Business Chamber of Commerce in Indonesia (Eurocham Indonesia)
European Services Forum (ESF)
Global Data Alliance
Information Technology Industry Council (ITI)
Independent Film & Television Alliance (IFTA)
Japanese Business Federation
Motion Picture Association (MPA)
Semiconductors Industry Association (SIA)
Singapore Business Federation
Taiwan Coalition of Service Industries
TechUK
TheCityUK
US-ASEAN Business Council (USABC)
U.S. Chamber of Commerce
United States Council for International Business (USCIB)

cc: H.E. Airlangga Hartarto, Coordinating Minister for Economic Affairs of the Republic of Indonesia
H.E. Luhut Binsar Pandjaitan, Coordinating Minister of Maritime and Investment Affairs
H.E. Zulkifli Hasan, Minister of Trade of the Republic of Indonesia
H.E. Johnny G. Plate, Minister of Communications and Information Technology of the Republic of Indonesia
H.E. Rosan Roeslani, Ambassador of Indonesia to the United States
The Honorable Sung Y. Kim, Ambassador of the United States to Indonesia
H.E. Andri Hadi, Ambassador of Indonesia to the European Union
H.E. Vincent Piket, Ambassador of the European Union to Indonesia
H.E. Febrian A. Ruddyard, Ambassador of Indonesia to the WTO
H.E. Penny Williams, Ambassador of Australia to Indonesia