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THE DIGITAL PATH TO SUSTAINABLE ECONOMIC PROSPERITY

The Next Phase in Indonesia's Growth

As the son of a furniture maker, I grew up watching my father pursue his passion, nurture the craftsmanship of his employees, and build a close relationship with his customers. I also witnessed first-hand the challenges he faced as a small business owner where small and medium enterprises (SMEs) like my father's support families and provide more than 60 percent of global employment. Yet, given the challenges for these businesses to produce even the simplest of products, it is a wonder they survive in today's competitive environment.

While the period of rapid globalization during the past 30 years has lifted one billion people out of extreme poverty, we still have a long road ahead of us in the journey to develop greater inclusiveness in the global value chains for our SMEs that is key to achieving greater prosperity at every level within our global community.

During this period, Indonesia succeeded in becoming the world's third largest democracy and the eighth-largest economy by purchasing power. Through diligent work and the application of sound policy changes, Indonesia

has made significant strides across the priorities it has set for itself. This has positively impacted most economic indicators, and has resulted in Indonesia being ranked among the top four countries in the world in attracting foreign direct investment. Furthermore, Indonesia is now the largest economy in Southeast Asia, and as of 2018, is the world's 16th largest economy by nominal GDP.

Indonesia's SMEs and growing population with its rising disposable income provides a sound foundation for its continued economic prosperity, especially through the use of e-Commerce that is critical for achieving optimal efficiency in the 21st century digital era. Indonesia is now experiencing an increase in international investment into the e-Commerce marketplace, as most global internet giants are starting to compete for position in the world's fourth most populous country.

The key for Indonesia's future growth lies with SMEs, where 90% of the population in Indonesia work for SMEs employing fewer than 20 people. By supporting them with the tools that they need to more efficiently conduct business domestically and internationally, we will create the foundation of a young middle class with rising disposable income that is capable of buying the products and services that will improve their standard of living.

But this is not only about building the disposable income of SMEs. More importantly, it is about de-risking doing business with them by building their proficiency to deliver products and services at the highest levels of

His Excellency Joko Widodo
President of Indonesia



efficiency. This includes raising their capabilities to new standards of reliability, transparency, and compliance that will open up business opportunities between them and high-income countries.

In a pioneering step, Indonesia was among the world's first nations to participate in the G20 Nations Case Study – a rigorous, first of its kind, diagnostic assessment of trade practices performed by the real economy participants at the ground level. This assessment was conducted by international experts across 19 B2B industry clusters based on what technology makes possible today. The findings revealed that by digitizing its global value chains, Indonesia can reduce annual domestic and international trade costs by USD 104 billion and increase trade by USD 159 billion in 2030, further strengthening Indonesia's leadership as one of the largest exporters of non-oil goods and services among Islamic Nations.

Following Indonesia's leadership, the G20 countries conducted their own trade efficiency assessments. This case study yielded that the use of new digital tools within the B2B marketplace can reduce the G20 nations' excess domestic and international trade costs annually by USD 2.9 trillion and grow trade by USD 4.6 trillion while creating 151 million jobs. In addition, 94.5% of the G20 B2B participants have signified they want new digital tools to reduce excess trade and operational costs, gain greater access to finance, and better connect with international markets to grow trade.

Therefore, the G20 nations must unite and act upon what their businesses need, thereby delivering sustainable economic growth for the benefit of all nations. Given the urgency to

deliver what the B2B participants demand, out-of-the-box thinking is required to kick-start the digital global economy. This requires an International Digital Economy Campaign that includes: a true Public-Private Partnership that is global in scope, founded on cooperation and not competition; digital tools that are deployed rapidly across the globe at no cost to the end users; and the secure exchange of sensitive trade data – thus, bringing innovation and transformational practices to fuel sustainable growth and prosperity. This is the foundation of limitless possibilities towards the true Digital Economy era.

*WE MUST IMAGINE A
NEW WAY OF VALUE
CREATION TO DIVERSIFY
OUR ECONOMIES*

Indonesia has started its transformation with policy reforms that benefit SMEs, including simplifying their licensing, creating SME associations, and fostering more opportunities for funding. However, for SMEs to truly flourish and carry Indonesia's next phase of growth, they need a paradigm shift in how they do business in the global B2B marketplace.

Through its participation in the G20 Nations Case Study, Indonesia identified that SMEs lacked the required integration with their trade partners across the B2B global value chains. To achieve this, they need the proper e-Commerce, e-Finance, e-Insurance and e-Logistics tools

provided through a Digital Economy Platform to conduct more efficient trade with their international counterparts. The use of new Digital Apps, delivered free of cost through a sustainable business model by the world's leading technology firms, will allow SMEs to improve their efficiency and transparency. This will de-risk and grow trade, and deliver to SMEs the full potential of economic prosperity.

A Digital Economy Platform will allow SMEs to efficiently integrate within the global value chains across multiple countries. Effectively, SMEs can become international players, unbound by the limits of their geography, and serve global markets. By embracing a Digital Economy Platform, SMEs can grow locally as well as internationally beyond the limitations of their national borders.

Our efforts to address Indonesia's challenges have been successful in limiting inflation, reducing poverty, encouraging urbanization, and promoting growth. Now, by harnessing the power of today's technology through a Digital Economy Platform within the B2B marketplace, the G20 Nations can trigger more financing and direct investments that will boost the buying power of its SMEs. This formula will grow the global economy as a whole, and create millions of jobs. This is what our citizens deserve.

In doing so, we must not fall into the trap of competing in traditional industries. We must imagine a new way of value creation to diversify our economies and adopt new sustainable digital technologies as a solution to the challenges we all face today. The most obvious step is creating digital tools to empower those on the ground, diversifying our economies, and leading to the birth of a new Digital Economy industry.

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The Digital Path to Sustainable Economic Prosperity

SMEs ARE THE CORNERSTONE OF OUR REAL GLOBAL ECONOMY

The world is at a tipping point where technology is on the verge of delivering to the B2B marketplace what it achieved for the entertainment, communications, and B2C e-Commerce industries. Where B2C transactions consist of a finite and manageable number of transactions and interactions, the B2B marketplace has significantly more complex connection points that span multiple parties across 19 different industry clusters throughout separate countries and in multiple languages. The complexities extend to cover different local laws, logistics platforms, security concerns, and trade regulations. For technology to capture and use the information transmitted across the B2B global value chains, it needs to address all these concerns, using high-quality data validated from multiple parties – all in real-time.

The reason why the B2B marketplace has not yet benefitted from the promise of today's technology is because of the fragmented condition of the global value chains. These conditions result in a major lost revenue opportunity for leading technology, commerce, finance, and insurance firms. However, this is also a major opportunity for them to come together under a unifying platform that guarantees data security and privacy, while addressing monopolistic and national security concerns to provide a holistic digital solution for global B2B participants. A global solution is required that goes beyond financial engineering and that addresses the needs of the real economy participants across the agriculture, manufacturing, and service industries.

In the absence of such a solution, financial and insurance institutions will continue to miss out on global opportunities from the untapped markets of SMEs. According to the OECD, SMEs constitute 95% of firms and 60 to 70% of global employment. This backbone of our global economy continues to suffer from the lack of financial and insurance services they need to prosper. Specifically, SMEs in mid and low-income countries trying to navigate the complexities of a fragmented global value

chain are unable to grow their business with high-income countries simply because they do not have the tools required to work efficiently, transparently, and reliably. According to the G20 Nations Case Study, the world's first diagnostic assessment of current trade efficiency that included the participation by more than 90 ministries, IGO/NGOs, academia and private sector experts: 90.4% of B2B participants do not have an integrated system. In addition, the finance and insurance industries are among the least integrated into the global value chains.

In order to tackle these issues, SMEs need the same tools that are currently being used by large corporations in highly developed markets. However, these high-cost tools are currently out of the reach of their limited financial capabilities. Consequently, the SMEs are unable to provide the required validated data to the finance and insurance firms to secure the necessary services to expand their businesses. Accordingly, the resulting high underwriting and compliance costs contribute to the ongoing huge finance and insurance gaps for SMEs, effectively restricting their growth, and preventing banks and insurance companies from supporting them. So, where can we find this validated data and how can we maximize on its use for our SMEs?

Global experts agree that trade in the real economy is the main foundation to achieve sustained economic growth; and that trade depends upon four interdependent industries: Commerce, Finance, Insurance, and Logistics. The weakest of these is logistics, which is highly fragmented. However, logistics is the linchpin that connects trade between our nations, and it represents the goldmine of data to boost the performance of the other industries. That is, the logistics industry holds the big data related to the commercial transactions between buyers and sellers as well as the required information to finance it and to insure it.

Issues facing logistics prevent the other three industries from performing at optimal levels.

Enhancing the efficiency of the logistics sector will enable peak logistics performance, and at the same time, will generate the necessary, dynamic, and high-quality validated data for the commerce, finance, and insurance industries, thus enabling them to reach their full potential. This will de-risk working with SMEs and will allow for an optimum value proposition that benefits them, while creating the inclusive model that will allow them to operate transparently and efficiently in the global value stream. This is the main foundation of the Digital Economy.

Therefore, what is needed is a quantum leap in the capabilities of the global logistics industry, because it is the only industry that can deliver new levels of efficiency and transparency to every participant in the shipment flow, while generating the accurate, validated, and real-time data that will make the B2B marketplace information-technology enabled.

As mentioned by President Widodo, Indonesia was one of the first countries to participate in the G20 Nations Case Study where the voice of the G20 citizens has now been heard. The case study revealed that 94.5% of the G20 B2B participants have commonly defined and demand the tools provided by the Digital Economy Platform to be more competitive in the global marketplace. This bridges the consensus of the policy makers with the needs of the private sector through its largest constituent and across the income-divide of nations. This is clearly the inclusive path that the Digital Economy needs to deliver upon.

The Digital Economy environment is an ecosystem that permits global integration of product and service offerings with the intelligent proficiency to match sellers to targeted buyers. This environment is based upon dynamic, validated real-time information accumulated and continuously updated through the normal course of B2B activities around the world.

Fundamentally, this environment will transform the four pillars of trade to a

completely new digitally integrated e-Commerce, e-Finance, e-Insurance, and e-Logistics matrix able to support trade growth across the globe.

- e-COMMERCE enables the smart matrix at the moment that a buyer evaluates any seller's products or services globally, thus maximizing conversion ratios from seeing a desired product and service through to acquisition. This is the starting point of real economic integration.
- e-FINANCE expedites trade finance, promoting trade increases, and enabling new global market expansion equally for large enterprises, as well as for the SMEs who constitute the bulk of the real economy and the workforce of the world.
- e-INSURANCE minimizes underwriter risk, expedites insurance coverage, enables maximized global door-to-door coverage, enables seamless integration between parties into the global market, and facilitates expedited claims processing by providing firms with all the data needed to process claims quickly and accurately.
- e-LOGISTICS minimizes standardization requirements, creates a point-to-world integration environment, enables real-time performance monitoring, creates an optimal and validated e-Documentation environment and provides the required tools to plan and manage global trade lanes from shelf to shelf.

Captain Samuel Salloum

Co-Chairman, Global Coalition
for Efficient Logistics

Since trade and its data are of national security interest, the delivery of a Digital Economy Platform cannot be deployed by one organization, one country, or one region. Hence, it must involve all forms of organizations from the public, non-profit, and private sectors working in concert together, capitalizing on each organization's capabilities and jurisdiction. Through an independent global monitoring mechanism offsetting geopolitical and monopolistic concerns, rapid global deployment can be effected, providing benefits to all participants at no cost to end users. To date, the world's top 26 technology firms have signed strategic agreements as a

first step to be selected as a qualified trusted network to deliver what the B2B participants at the ground level demand.

If the objectives of our custodians of the world economy are to deliver a tangible solution, the Digital Economy must be their top priority. With global consensus, the collaboration of the world's leading technology companies, and deep insights into what it will take to engage the end-users at the ground level, all the elements needed to create sustainable growth for the benefit of all are finally in place. The time to act is now.

94.5% OF THE G20 PARTICIPANTS HAVE COMMONLY
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THE DIGITAL ECONOMY PLATFORM

