

## Chapter 2

# Regulating Digital Platforms: A Case of Indonesia

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### **ABSTRACT**

*Digital platforms and services are increasingly prevalent. They have challenged the traditional assumptions of technological innovations and business competition in the market. We, by and large, communicate on digital platforms and services when we are online. Even though the benefit of such phenomena might be obvious, even seem ideal at times, the perils are also worryingly apparent. There is relatively little attention has been given on the regulatory and policy aspect of digital platforms and services, let alone in the context of emerging countries. This article discusses the governance of platforms and policies that might be relevant for developing context such as Indonesia. This chapter offers an analytical framework to analyze policy options regarding digital platforms and services. It is expected that the framework could become a practical instrument to help policymakers in identifying their options and the impact thereof concerning digital platforms and services.*

### **INTRODUCTION**

The problem with technology is technology. There is no need to look for further evidence that technology has had enormous impacts and transformed the industrial and economic sectors. In particular, digital technologies continue to dominate our professional and personal lives. Having quickly surpassed the point of ubiquity, however, the benefits of digital technologies are commonly more discussed than the (potential) risks they bring to organizations and individuals.

Convergence across technologies, platform channels, and business models is inevitable. The transformation that occurs is more than just digitization.<sup>1</sup> The impact is enormous growth seen in various sectors. People now have more flexible choices of communication applications and innovation products. This issue is barely goes down to the heart of public debate nowadays. It is also politically unpopular to criticize digital technology while, at the same time, the government is strongly advocating it.

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## **Regulating Digital Platforms**

In Indonesia, the government continues to encourage development in the field of information and communication technology with the aim of placing Indonesia as the largest digital economy in Southeast Asia in 2020. One concrete form of the realization of the mission is to establish an e-commerce road map for Indonesia and encourage the creation of 1,000 new technopreneur in 2020—an agenda that is quite challenging and not easy to realize.

However, the number of initiatives that have been taken seems to be starting to bear fruit. For example, according to a World Economic Forum report, Indonesia's global competition index in the field of information and communication technology (ICT) has risen consistently. In 2017-2018, Indonesia ranked 36th out of 137 countries, up from 41st in the previous period. At the same time, the government also continues to improve telecommunications and internet access networks, including completing the construction of the Palapa Ring.

In addition, startup companies in Indonesia are also growing very fast. Currently, even four Indonesian startups already hold the title of *unicorn*, namely those with valuations above US\$ 1 billion. The title was given to Bukalapak, Go-Jek, Tokopedia, and Traveloka. The government is even targeting the birth of one more *unicorn*, Ruangguru. To ensure and realize shared goals related to connectivity, sustainable growth, and development in various fields, is certainly necessary to have a separate regulation models—mainly related to the digital platform. On the other hand, however, it is important to also give a constant reminder about where we are going and what dangers are waiting ahead of us.

The purpose of this article is to assist the policymakers in establishing a comprehensive digital platform regulation with a particular focus on cross-sectoral and cross-stakeholder business processes. The approach is leaned towards *bottom-up* perspective to help formulate country-wide policy. More specifically, it is also expected that from this study, a digital platform classification or taxonomy can be defined that is relevant to the Indonesian context as well as to the other developing context. In addition, the impact of digital platforms from business and economic aspects is also to be identified, especially for the prosperity of the people.

## **BACKGROUND**

Let us begin with defining digital technology first. Conceptually, digital technology actually has digital artifacts that are open, easily changed, transferable, and tend to be ambivalent (Kallinikos et al., 2013; Yoo et al., 2010). These digital artifacts have basic characteristics in the form of the ability to *reprogrammability* and the *homogenization* of the data generated. Every digital technology can produce data—which, when extracted to the lowest layer possible, will produce universally binary code. Such uniformity can be used to reprogram the data to develop something else.

Combined together, these two peculiar characteristics allow the process of *convergence* and *generativity* (Yoo et al., 2010). We can combine two seemingly “distant” tools to generate something new. For example, we can combine shoes with electronic chips altogether that can produce “new” tools to record distance traveled, speed, heart rate, and other important medical information. Thus, the only possible option in the future is convergence. Every tool that we have will eventually be embedded with such digital capabilities, allowing us to push digital technology even further.

One of the remarkable impacts of digital technology is the development of digital technology-based platforms (Gawer, 2009; Gawer & Cusumano 2002; Tiwana et al., 2010). Digital platforms can be translated as a series of *building blocks* that provide the basic functions of a technology system and play a

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