

“The Economic, Political and Social Impacts of the Internet in the US and Indonesia”

An Open Forum in Jakarta with

Mike Orgill

*Country Lead, Public Policy and Government Affairs,
Google Southeast Asia*

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On October 24th, USINDO hosted an Open Forum in Jakarta on the impact of the internet in the US and Indonesia, with Mike Orgill of Google as speaker.

President Obama’s National Export Initiative seeks to double exports by 2015. Orgill maintains that to do this, the US should get everyone on-line. To give the audience some perspective of how quickly the internet has grown relative to other media, Orgill said:

it took the telephone 89 years to reach 150 million users, 38 years for television to reach the same number of people, 14 years for the cell-phone, 8 years for the internet, 5 years for Facebook and a mere 4 years for Twitter to reach 150 million users. 2002 was the first year when digital storage surpassed analog storage.

The internet has revolutionized the way we interact with our political leaders. In an interview with President Obama, citizens submitted questions through

text, email and video. The country then voted on-line for the best questions, and the President answered the top ten during the interview. This had the President responding directly to citizens. In the past, the media was usually the middle man.

In the U.S. Congress, 80% of our representatives use social media to engage with constituents. That has never been done before and is changing how politicians respond. We even see some votes in Congress made based on their Facebook feedback.

The McKinsey Global Institute just released a report on the internet and why it matters to economies¹. According to the report, the internet accounts for 3.8% of GDP in the US. Across the 13 countries studied, internet related consumption and expenditure is greater than better established sectors such as energy or agriculture.

U.S. business can be divided into two categories – traditional businesses that

exist outside the internet such as Coke, Nike, and Toyota, and businesses that are internet-based such as Amazon, eBay, Twitter, and Google.

Contrary to what most would believe, traditional businesses rather than internet-based businesses are benefitting the most from the growth of the internet:

- The internet allows brick-and-mortar businesses to use social media and online ads for advertising and building word-of-mouth publicity more efficiently.
- Online maps help clients find stores.
- Reviews help clients decide which businesses to frequent.
- Online clouds allow businesses to store data and documents that are accessible from anywhere in the world.

These are just a few examples of how traditional businesses have used the internet to grow their companies. Small and medium enterprises (SMEs) in particular show a 10% increase in productivity through gains made by using the internet.

The internet has also allowed society to connect across distances to work together. One example is the Khan Academy. A man in New York had cousins in New Orleans who needed help with their math homework. He could not be there with them so he created a series of YouTube videos to help them with their math. Others started to find and use these videos,

which soon became so popular that the man quit his job to begin making these videos full-time.

Schools are now adopting these in their classroom. Teachers assign students to watch the videos at home and then do the homework problems together in class. The internet, through YouTube, allowed this one man to change how we see education in schools across the country.

For a policy maker, what does this mean? An Indonesian student in Australia once asked how he could get in touch with a member from DPR. The member told him to use the Commission's email address – `komisi8@yahoo.com` – which it turns out did not exist.

This exemplifies the gap that has been created between politicians and citizens. Many politicians do not want to create a direct dialogue with their constituents. There are limited mechanisms for them to receive feedback so often, representatives are not aware of what constituents want.

The Indonesian Minister of Communications and IT, Tifatul Sembiring, is a prolific tweeter with over 270,000 followers. Orgill encouraged other ministers to do the same in order to open direct lines of communication with their citizens.

Since May, Google has been commissioning a number of studies to calculate what percentage of Indonesia's GDP is derived from the internet. In approximately one month, the Indonesian report will be released². The report will highlight what the country

stands to gain from using the internet more broadly. The internet is expected to expand at three times the rate of the regular economy - roughly 18%. Policy makers need to understand the impact of the internet on their economies and how it can be utilized to expand growth.

One of the important things for developing countries is that technology allows you to leapfrog – to jump ahead to the technology developed countries are using now without following the same path.

The Philippines is one country that is challenging history by using YouTube Worldview, which allows citizens to submit video and email questions directly to the President. Orgill predicted we will see more campaigns and government-citizen interaction online. President Yudhoyono could also do this.

Another tool that has improved accountability and transparency is websites that allow citizens to track government spending and actions. The United Kingdom launched their website www.data.gov.uk. This website allows individuals to see where their government is spending money, who ministers are meeting, and what government contracts are out for solicitation, among many things.

The program also gives raw data so that people can create applications to track these issues. It allows the government to operate more transparently, which makes it more easily accountable to its citizens.

CEOs and government leaders who do not pay attention to the internet will miss

opportunities to strengthen their balance sheets and economies.

There are four critical issues that must be addressed to maximize the internet's potential for growth.

- Most important, there needs to be a greater focus on science, technology, engineering and math education. The US is falling behind in this field. If Indonesia wants to focus somewhere, it should be here.
- Indonesia needs to nurture a stronger venture capital market so that companies can attract the necessary capital to build and expand more businesses.
- The government should invest not only in traditional forms of infrastructure, but should increase heavily its procurement of high-tech goods. In the US, the government is the largest buyer of technology goods. If you want a country to produce more high-tech goods, then you must increase demand. The government is the best actor to do this on a large scale and Indonesian ministries need to update their current systems.
- Indonesia should also create a more attractive business environment. Many countries seem to feel that government regulation must be a prerequisite to opening markets to business investment.

In Indonesia, Kuntoro Mangkusubroto, Head of the Presidential Work Unit on

Overseeing & Controlling Development (UKP4), has made strides in cutting red tape. Regulations should be in place to fix problems - they should not be written in anticipation of non-existent problems because they create inefficiencies. With the internet, some governments feel like they need to start writing laws to regulate it rather than simply responding to it, which is what it should do. The way forward is to have open platforms.

Questions and Answers

Q: How can we close the digital gap?

A: There is a lot of material on digital illiteracy on-line. In the U.S., there are camps to show teachers how to use technology in classroom. The U.S. government, private sector and teacher unions want to see more internet literacy. We see many interesting things like Google Chrome books. Some teachers are taking time out of the school year to participate in an internet course. The heads of schools or teacher unions need to make internet literacy for students and teachers a priority. Google is supportive of such programs, as are other companies.

Q: How does Google deal with censoring information?

A: In China, the government is requiring companies to censor search results. Each week, companies receive a list of sites to censor. Access to these sites is redirected through Hong Kong. While China still censors the internet, Google does not do it themselves. Google has a transparency report that lists each time each country asks it to censor something. Governments think that if you block something like

violence, it will not happen. Google holds the value of freedom of expression very high.

Q: My friends were thinking of developing a repository of government actions. During their research, they discovered the www.data.gov program, Freebase and others, and I am wondering how Google can help them to do that.

A: Google can help with this endeavor. Indonesia is part of the global governance initiative. (More information was available on this for those interested after the forum.)

Q: One of the burdens of technology is the high price of licensing. Does Google have any solutions?

A: For affordable software, Google has special programs for non-profits, Chrome books are free for the education sector, and there are free Google applications that are the equivalent of Microsoft Office but in a cloud platform.

Q: What should Indonesians do to support Pria. The case is still open. What can Indonesians do to be a real open society?

A: Defamation should be a civil not criminal offense – this sets a bad precedent and should be removed. We think of activists and the business community as separate, but businesses can support activists. For example, companies may be able to provide lawyers to assist activists. Politicians should be on social media and email so that they know how their constituents feel.

Q: *Are there data on how Indonesians use the internet?*

A: There may be some data in Google Trends. Through this program, you can see what people in different regions are searching for. Orgill believes most time spent on the internet in Indonesia is likely spent in social engagement and entertainment.

Q: *What kind of role would Google play in expanding or making the internet more accessible and getting Indonesians to use the internet for more productive purposes?*

A: In the Indonesian economy, Google's first major push will be for

SMEs. There are currently campaigns in Malaysia, Thailand and Australia which train businesses to get online and connect with future consumers.

Q: *The internet has opened a river of information, but perhaps too much. What tips do you have on how to maximize internet use while limiting it as well?*

A: You need to find tools to cull the information that is available to you such as Google Reader or RSS aggregates. As Google develops a personal relationship with the individual, it is able to customize information for you.

¹ McKinsey Global Institute. Internet Matters: The net's sweeping impact on growth, jobs and prosperity. May 2011.

² Deloitte for Google. The Connected Archipelago: The role of the internet in Indonesia's economic development. December 2011.