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Multimedia power in the making

Yusman Ahmad

MALAYSIA, already building the region's biggest airport, the world's tallest office building, and a new capital, is betting its future on multimedia, with plans to invest more than US\$2 billion over the next 10 years to become the multimedia hub of Southeast Asia.

At the heart of the project is the Multimedia Super Corridor (MSC), a brainchild of Prime Minister Datuk Seri Dr Mahathir Mohammed which he called a 'pioneering world-first' and one he hopes would attract investment from the world's top information technology companies and carry his country of 20 million people into the next millennium to rank it among industrialised nations by year 2020.

The Prime Minister believes the time is now right to jump from labour-to knowledge-intensive industries and the MSC - an information-age industrial park for multimedia developers and related companies that stretches 15km wide and extends 55km south from Kuala Lumpur - will be the one responsible for driving that transformation.

The corridor will initially be driven by three mega projects that will be major consumers of multimedia products and services. One is the new national administrative capital at Putra Jaya, designed to be an 'intelligent city' with a paperless administration.

The others are the new Kuala Lumpur International Airport and the Kuala Lumpur City Centre, a massive office highrise project featuring the Petronas Twin Towers, the world's tallest buildings at 452 metres.

Within the zone, the government will also spend US\$2 billion building a new city called Cyber Jaya that will be large enough to support 100,000 residents and attractive enough, it hopes, to lure some of the world's leading IT specialists.

Essential to development will be state-of-the art global communications built on a 2.5 Gbit to 10-Gbit fiber optic backbone; a range of investment incentives including tax holidays of up to 10 years; and the world's first cyber laws designed to encourage electronic commerce, facilitate development of multimedia applications and ensure intellectual property security.

National telephone company, Telekom Malaysia Bhd, has been appointed the sole provider of the 13,000km of fiber-optic cable which, according to the company's chief executive Mohamed Said, will provide the highest data transmission speed of any economy in Southeast Asia with capacity reaching 10 gigabits per second.

Telekom Malaysia and the government hope this will encourage investment by R&D-oriented and capital-intensive firms. Government officials are promoting development of sector-specific services including information-service operators and software makers.

Earlier in January, Mahathir toured Hollywood and Silicon Valley companies and brought together 28 industry luminaries to serve on an MSC advisory council, among them Microsoft Corp chief executive Bill Gates and the chief executives of IBM, Apple Computer Inc, Sony Corp, Oracle Corp, Sun Microsystems Inc, Compaq, Motorola Inc, Netscape, Siemens AG, Nippon Telephone and Telegraph.

They were offered guarantees that other Asian nations will find tough to match, such as exemption from local ownership requirements, unrestricted employment of foreign knowledge workers, and assurances of no Internet censorship.

Raymond Lane, a senior executive of Oracle Corporation described Mahathir's proposition as 'the best I have seen on a worldwide basis (for locating research and development operations,' adding the attitude of host governments to information technology industries had become a key competitive advantage.

Analysts say Mahathir's gamble is necessary as he knows Malaysia cannot compete with neighbours that offer huge, low-cost manufacturing work forces. Success, the analysts add, will be measured by Hollywood's and Silicon Valley's willingness to move multimedia development offshore.

One company already attracted is Microsoft of the US, for whom, in the spirit of the corridor concept, the wheels of Malaysia's bureaucracy have spun with rapidity.

John Lauer, director of the US company's Malaysia office, said while the company has no plans to establish core research and development activities in the corridor, it is considering engaging in some peripheral research operations. Japanese business 'guru' Kenichi Ohmae, who is also advising the Malaysian government on the MSC plan, said the 'super corridor' would help the economy vault from its current medium technology base to a 'cruising altitude' of prosperity.

Malaysia is already a major high-tech centre. Electronics exports reached US\$34 billion last year, accounting for 57% of all exports and 12% of the gross national product (GNP).

But a fast-rising standard of living and labour shortages threaten to price Malaysia out of the competition for all but the highest level of value-added manufacturing. More than 16 plants shut down in 1996 as companies moved production to the Philippines, Indonesia, and China.

However, even with its sterling track record in facilitating technology investment, analysts say, Malaysia may find getting the creative juices of software and multimedia and developers flowing is more difficult than setting up a chip assembly line.

Malaysia currently faces a short-term infrastructure and public-relations problem following the embarrassing nationwide blackout of Aug 3 last year. The shutdown cost business an estimated US\$50 million. Moreover, a major power failure hit several parts of the southernmost state of Johor just eight days later.

Analysts say such blackouts have no place in the multimedia age. Should they recur, it will be disastrous for Malaysia, one analyst says. A number of analysts say the government should overcome power problems before embarking on massive projects such as the MSC.

Opposition Leader Lim Kit Siang said Malaysia's reputation has been tattered by the adverse international publicity from the power failure, 'reducing us to the position of nations like Sri Lanka and Zimbabwe where frequent power failures are the rule rather than the exception.'

Critics are also concerned that despite Dr. Mahathir's assurance there would be no censorship within the corridor, limits to the free flow of information may yet be imposed by a government which scrutinises foreign newspapers before distribution and is said to be sensitive to criticism.

Other observers worry Malaysia's chronic shortage of skilled labour, especially engineers, will pose problems for manufacturing enterprises which want to hire locally.

And if few Malaysians gain exposure to foreign expertise in the corridor, it could undermine the project's central purpose of nurturing Malaysia's own information technology companies.

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