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Fitting the bill

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IT SAYS something about Bill Gates' clout when his absence is felt as much as his presence. When the Microsoft Corporation chairman missed the Multimedia Super Corridor's International Advisory Panel (IAP) annual meeting last month, there was talk - not for the first time - that the software giant was less than wholly supportive of the MSC.

It was no small matter, given that the MSC is facing intense regional competition to be the next Silicon Valley. In a fight like this, having Microsoft in your corner is certainly a major plus.

Stoking the speculation was the appearance of Gates in Kuala Lumpur the following week for his third visit to Malaysia. For some, that was a snub. But Gates said he had missed the MSC event due to a more mundane reason - time constraint. 'I'm proud to be a member of the IAP. But I'm sorry that my schedule couldn't allow attendance of the meeting,' he told journalists after opening the new office of Microsoft Knowledge Capital Centre Sdn Bhd (MKCC), Microsoft's MSC-status company.

His series of engagements while in Malaysia seemed to prove that Microsoft is still interested in the MSC. The MKCC opening was his maiden visit to Cyberjaya. He hosted an Internet venture capital forum, bringing some 40 of the region's top venture capital companies to Cyberjaya. He also called on Prime Minister Datuk Seri Dr Mahathir Mohamad; undoubtedly, their conversation would have covered the MSC.

But the local dailies reserved the most space for the things Gate had said about the ambitious information technology project. The MSC, he said, was 'something quite awesome' and 'more impressive in terms of its size and quality of work that is being done here than I would have expected'. He added that the MSC is ahead of the IT initiatives of some larger and more developed countries.

Nevertheless, the naysayers are not quite convinced that the MSC is progressing as well as it should. They dismiss Gates' comments as plain politeness. Anyway, they argue, the valid measure of the MSC's success is its impact on IT development in the country. After all, one of its principal objectives is to 'accelerate Malaysia's entry into the Information Age'.

The critics get plenty of ammunition here. They point out that with an Internet penetration of under 10 per cent, Malaysia lags behind close competitors such as Singapore, Hong Kong and South Korea. The Information Society Index, a scorecard compiled by survey firm International Data Corporation and The World Times to reflect IT adoption and readiness among 55 countries, says the same thing. The same statistics rate Malaysia ahead of India, but it is still the latter that is more highly-regarded in the IT arena, mainly because of its large pool of technology workers and its successful export of IT-related services. Even China, with its huge market and rapid embrace of the Internet, is getting more attention lately.

However, the detractors do not have a monopoly on numbers. The authorities too have figures to brandish that the MSC is doing fine. The plan is to have 500 MSC-status companies, including 50 world-class ones, by 2003. Four years after the MSC was launched, there are already 362 MSC-status companies, of which 37 were set up by global players. According to Multimedia Development Corporation (MDC) executive chairman Tan Sri Dr Othman Yeop Abdullah, companies in the MSC are expected to invest about RM20 billion and create some 35,000 jobs over the next five years.

Yet, some observers say the MSC is not exactly a hive of business activity if you discount the construction perpetually going on in Cyberjaya. The feeling is that several of the MSC-status companies were established largely to jump on the bandwagon. They came on board for the tax breaks, plum supply contracts or just not to be left out. What is lacking, the argument goes, is genuine entrepreneurial and technological innovation. 'We've spoken to a number of local MSC-status companies. Most of them don't have concrete plans on what they'll do. That's scary,' says one long-time IT journalist.

MDC, which oversees the MSC's development, is aware that it has to weed out the stragglers. Othman recently warned that the corporation would revoke the MSC status of 22 companies if they remained dormant. The same threat applies to 47 companies that have yet to move into MSC-designated areas. Such steps demonstrate that the MDC means business and that the MSC status does not come with a free ride.

But these are not enough to guarantee the quality and extent of investment in the MSC. The main criticism is that the foreign IT companies have not come in in a big way. In the beginning, there was much anticipation that the multinational titans would shift part of their operations to Malaysia and help make the country the region's technology hub. What raised expectations further was the composition of the IAP, whose principal function is to advise Dr Mahathir on the MSC's direction and strategies.

The 44-member panel is practically a who's who of IT and telecommunications. Apart from Gates, those who agreed to be on it include Larry Ellison (Oracle Corporation), Scott McNealy (Sun Microsystems), Craig Barrett (Intel Corporation), Nobuyuki Idei (Sony Corporation), Masayoshi Son (Softbank Corporation) and Lou Gerstner (IBM).

It was felt that such a glittering line-up was an endorsement of the MSC by the bigwigs. And this ought to lead to major investments by the top names. Indeed, this seemed to be the case prior to the Asian financial crisis, with some of the international companies pledging to embark on sizeable and novel projects for the MSC. But it is apparent that many of these plans have either been cancelled or put on hold.

Microsoft, for example, announced in 1996 that its Southeast Asia headquarters would be in the MSC. But MKCC, Microsoft's main presence in the MSC, is something different. A press release describes MKCC as 'a resource centre providing end-to-end services for software developers, independent software vendors and Malaysian businesses'. Intel's MSC-status company, Intel Application Development Centre (MSC) Sdn Bhd, has come up with WebStore by Intel, which basically provides public access to the Internet.

It is said foreigners have scaled down their investments in the MSC following the economic and political fallout of the crisis. The capital controls and the once uneasy political climate have frequently been cited as deterrent factors. But nowadays, these reasons are rather weak. The foreigners' doubts about the MSC are more to do with operational and practical aspects.

In fact, the latter were the central issues during the recent IAP meeting. The members - 12 attended, while another 17, including Gates, sent representatives - agreed that the MSC was on track but pointed out some potential trouble spots. These include the lack of venture capital and talent. The government says efforts are underway to address these shortcomings. Dr Mahathir, who has always been considered the prime force behind the MSC, said Malaysia would have been very backward without the MSC. An indication that the powers that be are satisfied with the project's progress was the recent renewal of Othman's contract as MDC

head.

In truth, there may be no strong basis for believing that a neighbouring country's high-tech ambitions will be fatal to the MSC. Some experts expect the technology boom to be so pervasive and broad that there is little chance of a few countries dominating it all. Said Gates, 'It's not a zero-sum game, where only one or two will be successful.

That has yet to be seen. But one thing remains certain. Government support alone will not make MSC a success. Entrepreneurial and technological drive will continue to play a huge role. As long as industry chieftains such as Gates continue to show interest in the MSC, there is reason to be optimistic.