

**SPEECH BY
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AT THE OPENING OF THE MSC-IAP BUSINESS SUMMIT
AT THE PALACE OF THE GOLDEN HORSES
10 JULY 1999**

First and foremost, I would like to thank the organisers - ASLI, MDC and UNITAR - for inviting me to officially declare open this MSC-IAP business summit. I am pleased at being given the opportunity to address such a distinguished gathering of the world's movers and shakers in emerging technology. This summit is indeed timely in view of our economic recovery and the official opening of Cyberjaya which will be the nerve centre of the multimedia super corridor (MSC). With the recent successful completion of the third IAP meeting, it is also timely that we reflect on what we have achieved thus far and evaluate the challenges ahead in order to position ourselves for the way forward into the new millennium.

2. The new millennium present many challenges. Emerging technologies will change the way we work and live and how we acquire and utilise knowledge. This phenomenon has been accorded many different interpretations by the experts - the digital revolution, information age, the borderless world, the third wave, and some, as the knowledge revolution. However, what everyone agrees is that in the next millennium, information and multimedia technology as well as knowledge workers will drive world economies.

3. It was, therefore, natural for the Malaysian government to moot the MSC to ensure Malaysia has the competitive edge in this new global economy. We envisage that the MSC will propel us into the information age. As a fairly young nation which has just undergone an industrial revolution, we do not want, once again, to be laggards playing catch-up with the rest of the world. Through the MSC, we hope not only to keep abreast of the changing world but also contribute towards shaping a better world.

4. The industrial revolution of the past two decades has seen Malaysia grow at a phenomenal pace. The economic crisis of the last two years did make us take a break in our stride. But, as i mentioned earlier, with the recovery in place, we can once again pursue aggressively our goal to keep pace with changing times. We have to move on to the information age which will dominate world economies in the coming millennium.

5. Malaysia sees the MSC as the next engine of growth for the knowledge revolution. The MSC has the potential to increase our gdp by more than 10 times than that which we would achieve if we stay on with our industrial approach. Although we are only at the beginning of our journey, i believe we have come a long way since 1996 when we first embarked on this strategy.

6. The progress we have made is beyong our initial expectations. We have, to date, received 285 applications for MSC status. This status has been accorded to 228 companies that are now in various stages of implementing their business plans. Many are establishing their regional hubs in the MSC and are involved in the development or application of next- generation technologies, either on their own, or in collaboration with other companies and the multimedia university. This will provide

the seed for the growth of a networked community in the MSC. Further, we have already exceeded our target of attracting 32 world class web shapers by the year 2003.

7. We have also put into place the necessary infrastructure for the development of small and Medium- Scale Enterprises (SMES) in the MSC which are deemed to be critical in the success of the MSC. Venture capital and financing incubation centres; R&D support; incentives; human resource development & training; as well as market access are critical ingredients to the development of Malaysian Technopreneurs. In order to encourage research and development in multimedia products and services, an R&D grant scheme with an initial allocation of RM 100 million was launched in 1997. To date, there have been four recipients of the grant.

8. Just a fortnight ago, another initiative - the MSC venture corporation - was launched to support early stage, high growth smes which have developed a marketable product or service and are in the process of commercialising their innovation. Through their first fund, called the MSC venture one - innovative companies will have access to funds that would otherwise not be readily available for growth. The MSC venture corporation will also provide added value in terms of expertise, resources and networks to enable technopreneurs to reach global markets and build successful businesses. A few weeks from now, the MSC central incubator will be ready to serve as a spawning ground for technopreneurs and nurture their growth into world-class companies.

9. Three major companies of the MSC - Cyberjaya, multimedia university and the MSC-NTT R&D Centre - all of which will contribute significantly to the development of a strong, networked community in the MSC, are now operational. Cyberjaya will have all the necessary elements that will create a conducive environment for creativity and innovation while the multimedia university and the MSC-NTT R&D Centre will be the catalyst for networking and collaborative R&D among companies and institutions.

10. I would like to draw a parallel to the silicon valley although the MSC, because of its nature as a pioneering venture, is different from what we have in palo alto today. The silicon valley, as we are all aware, started by chance about 40 years ago when stanford university leased part of its land in palo alto to high-tech companies. Today, around 4,000 i.t.- related companies in the valley generate approximately usd 200 billion in I.T-related revenue annually. Until today, silicon valley is known for its unique mindset. Likewise, Cyberjaya will develop its own, which will be a unique blend of the east and west.

Ladies and gentlemen,

11. I have often been asked why would the multinationals want to come to the MSC. Some ask how the MSC will contribute to the larger good of ordinary Malaysians and the world? And others have asked where are we going to find the knowledge workers needed to make the MSC a success?

12. The first question has already been answered partially - you are already here. Why? Because the MSC, through visionary flagship projects and the conducive environment needed for this kind of industry, attracts multinationals that see the MSC as a test bed. The MSC is a bold attempt to "learn by doing". The MSC is a source of experience for both Malaysian companies and the rest of the world towards

"re-inventing" the processes of government and of economic development for the next century. It is the pioneering nature of the MSC and the incentives that come with it which excites multinationals and attracts them.

13. In the words of dr. Terry cuter, who is among us here, pioneering venture like the MSC are needed if any vision of a new and globally equitable "commonwealth of information" is to be realised. This new commonwealth of information - this opportunity for a global community within which the nature and distribution of wealth can be re-defined - will become a reality only if development is broadly based and networked across nations. Thus, says Dr. Cutler, the MSC is a project of international significance.

14. To answer the second and third questions, I would like to say that the government is providing incentives and putting vast resources into the MSC because it believes that the smart partnership between the multinationals and Malaysian companies will benefit everyone involved immensely. The multinationals bring the knowledge and the MSC provides them the platform for them to participate in flagship projects together with local companies.

15. Together, they will develop indigenous Intellectual Proprietary Rights (IPRS) or shared IPRS to market all over the world. As we build, we will attract world class knowledge workers and from them, the locals will acquire the discipline and knowledge to handle these projects. And eventually, we envisage, there will be a local software multimedia industry which will develop its own products and market them globally. With the immense market of internet users at their disposal, a successful product can bring unimaginable returns which can then be used for further development of the industry.

16. The transfer of knowledge and competence will benefit both parties. It is strategic intent that these joint venture companies will then market themselves globally, thus transforming Malaysia from an industrial economy to a knowledge economy.

17. Through the MSC, we are building a new economy; a knowledge economy. This new economy can only benefit everyone. Ladies and gentlemen,

18. This is not an elusive dream. Lest we forget, the pentium chip was developed in our own island of penang. And it was in penang in the early 1970s that mncs such as motorola and intel opened up production plants where Malaysians provided cheap labour. These multinationals spawned vendor schemes that saw many small and medium scale companies sprouting, providing employment and also essential parts for an export economy that spurred the growth of penang and the country. Today, these vendors are developing hardware and the initial investments by the mncs have grown many times over. Just a week ago, intel committed further investments of more than one billion ringgit. These, ladies and gentlemen, are the direct benefits to Malaysian industry and also to the investors who have seen their profits grow through this smart partnership.

19. We are striving for, and envisage the same success for the MSC in the long run.

20. The government encourages knowledge workers from abroad to come to the MSC and share with us their knowledge and experience. Nevertheless, our key objectives in the area of human resource development for the MSC are to increase the number of local graduates in the field of multimedia and other I.T- related fields

to meet knowledge worker requirements for MSC-status companies. We want to build a ready pool of knowledge workers that would put the country in a strong position to attract investments. We would also like to ensure that the population of knowledge workers represent at least 20 per cent of the total labour force by the year 2003 and we seek to increase the intake of students within the age of 18-22 from the present 18 per cent to 20 per cent by the year 2000.

21. To support these objectives, we have launched several initiatives which include the establishment of a knowledge worker exchange, the formation of the MSC education advisory panel, the extension of MSC status to institutions of higher learning, and the newly established multimedia university.

22. We are fully cognizant of the fact that the necessary legal framework has to be in place for the MSC to be able to deliver its promise of an environment that will unlock the full potential of multimedia. With this in mind, we have researched, developed and enforced a set of cyberlaws pertaining to digital signature, copyright, computer crimes, telemedicine and the convergence of the communications, information and broadcasting industries. Two other laws, covering data protection and electronic government, are in the process of being drafted. To facilitate e-commerce transactions, a digital certification authority has also been established in line with the digital signature act.

Ladies and gentlemen,

23. The growth potential for emerging technologies is infinite. If we allow history to be our teacher, we will note that it was 50 years after electricity was first harnessed before the first power station was built. It took another 50 years before electricity powered 80 per cent of factories and households across the united states. The digital revolution, however, is happening much more quickly. The internet's pace of adoption has eclipsed all other preceding technologies. Radio was in existence 38 years before 50 million people tuned in and television took 13 years to reach that benchmark. 16 years after the P.C. Was launched, 50 million people were using one. Once it was opened to the general public, the internet crossed that line in 4 years.

24. In 1996, fewer than 40 million people were connected to the internet but by the turn of the following year, more than 100 million were using it. Some experts believe that over one billion people will be connected to the internet by the year 2005.

25. Dublin-based online analysts and consultants, nua, estimates that the worldwide online population is 171.25 million as of may 1999. According to the same sources, by the year 2005, 57 per cent of internet users' mother tongues will be languages other than english. This is because although the number of english speaking internet users is expected to rise by 60 per cent over the next six years, the number of non-english speaking users is expected to increase by 150 per cent. Operating in a networked community that is supported by an advanced telecommunications network and other relevant infrastructure, MSC-status companies can tap into the full potential of this growth.

26. In the case of e-commerce, there are numerous statistics showing growth trends, but because internet users are growing rapidly, global statistics are hard to come by. Statistics from the U.S, however are showing exponential growth rates for on-line businesses, and this staggering growth trend is expected to be repeated worldwide in the next millennium.

27. We are all aware of the often quoted examples of Amazon dot com (amazon.com) and Cisco Systems which from meager revenues in their first year in 1996 saw astronomical increases in the next year. A study conducted by cisco systems shows u.s. Companies generated USD 301 billion in revenues last year from online-related goods and services, including usd 102 billion worth of e-commerce.

28. There is no doubt that such rapid growth poses as many challenges as they provide opportunities. Companies have to change the way they do business, as, over time, the sale and transmission of goods and services electronically is likely to be the largest and the most visible driver of the new digital economy or knowledge economy or by whichever name we choose to call it. According to industry analysts, other digital products and services have significant growth potential but their long-term success is tied to solutions for protecting copyrights and to improvements in the internet infrastructure.

Ladies and gentlemen,

29. The world is an imperfect market place and governments, therefore, have a key role to play. Governments will have to work closely with the private sector to ensure a predictable legal and financial environment globally for doing business on the internet. Institutions of higher learning will have to be re-invented to meet the changing needs of the workplace brought about by the emerging digital technology. Learning, too, will become ubiquitous, and will be a life-long experience. Countries that have an insufficient supply of skilled workers will see high-skilled, high paying jobs migrate to countries that can supply the needed talent. Those that have a surplus will find job opportunities opening for their workers in overseas organisation. If Malaysia does not concertedly develop students and workers to meet the emerging needs of the new economy, it could face a migration of high- skilled high-wage jobs to other countries.

30. From emerging trends, we can catch glimpses of what to expect in the new millennium as existing barriers are removed:

-While there are clear trends showing rapid growth of on- line consumer retail, internet commerce is growing fastest among businesses. As the internet's performance and reliability improve over time, and as predictable legal frameworks emerge, the growth of business or business electronic commerce will accelerate;

- Within the next five or ten years, a major proportion of Malaysian household- beginning in the MSC - will be able to interact with the internet from their TV sets, watch television on their pcs, and make telephone calls from both devices. These combined services will be brought to homes by satellites, wireless, microwave, telephone and television cables - all inter- connected in one overall system.

- As technology advances and search tools become easier to use, individuals can be expected to increasingly turn to the internet's content sites to do research, to learn about the day's news, and to be entertained.

31. As with any major societal transformation, the internet and the digital economy will foster change and some upheaval. The internet's inventors probably intended it to be used for the betterment of society and mankind. But we see disturbing trends such as the mushrooming of hate sites, the vilest of phonography and the

dissemination of lies that have the potential of creating discord. It may bring potential invasions of privacy, easier access by children to adult-only materials and hate speech, and new and far reaching, more sophisticated crimes along with a host of yet unknown problems. The private sector and government must work together to address these problems in ways that make the internet a safe environment, while not impeding its commercial development.

32. This business summit provides you with an excellent opportunity to discuss these issues and more. You are also privileged in that you have, among your speakers, some of the world's leading thinkers on this subject who are here in conjunction with the IAP meeting. I hope you will have a stimulating and interesting discussion. On that note, I declare this business summit open.

Thank you.