

OPENING REMARKS
YAB DATO' SERI ABDULLAH AHMAD BADAWI
AT THE 9TH M.S.C. INTERNATIONAL ADVISORY PANEL MEETING
AT THE EQUATORIAL HOTEL, PENANG
8 SEPTEMBER, 2005

DATO' SRI MOHD NAJIB TUN ABDUL RAZAK
DEPUTY PRIME MINISTER OF MALAYSIA

TUN DR. MAHATHIR MOHAMAD

TUN DR. LIM CHONG EU

HONOURABLE MINISTERS

MENTERI BESAR AND CHIEF MINISTERS

I.A.P. MEMBERS AND REPRESENTATIVES

LADIES AND GENTLEMEN

1. IT GIVES ME GREAT PLEASURE TO WELCOME YOU TO THIS 9TH M.S.C. INTERNATIONAL ADVISORY PANEL MEETING. I WOULD LIKE TO THANK ALL OF YOU, PARTICULARLY THE I.A.P. MEMBERS AND REPRESENTATIVES WHO ARE HERE WITH US TODAY, FOR MAKING THE EFFORT TO ONCE AGAIN COME TOGETHER TO DISCUSS RECENT DEVELOPMENTS IN THE GLOBAL I.C.T. INDUSTRY AND HOW MALAYSIA SHOULD RESPOND TO THOSE TRENDS AND DEVELOPMENTS.

2. IT IS ALSO WITH GREAT PLEASURE THAT I WELCOME TUN DR. MAHATHIR MOHAMAD AS EMERITUS I.A.P. MEMBER. THE M.S.C. WAS NOT ONLY HIS BRAINCHILD, HE WAS ALSO THE DRIVING FORCE BEHIND ITS SUCCESS. IT IS A GREAT PRIVILEGE FOR US TO CONTINUE TO BENEFIT FROM HIS THOUGHTS AS WE UNDERTAKE OUR DISCUSSIONS. I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO WELCOME THE NEW I.A.P. MEMBERS, MR. GREG LANG OF I.D.T., AND MR. THORSTEN HEINS OF SIEMENS. I HOPE THAT YOU WILL BE ABLE TO PROVIDE US WITH FRESH IDEAS AND NEW PERSPECTIVES, SO THAT WE MAY CONTINUE TO BUILD UPON THE SUCCESS OF THE M.S.C..

3. THIS IS THE FIRST TIME THAT THE I.A.P. MEETING IS BEING HELD OUTSIDE OF THE ORIGINAL M.S.C. AREA, IN THIS NEW M.S.C. CYBERCITY OF BAYAN LEPAS, PENANG. OVER THE PAST 30 YEARS, PENANG HAS UNDERGONE AN IMPRESSIVE INDUSTRIAL AND TECHNOLOGICAL TRANSFORMATION. THROUGH A FOCUSED STRATEGY OF INDUSTRIAL UPGRADING, PENANG HAS GONE FROM BEING A CENTRE FOR LABOUR-INTENSIVE, LOW TECHNOLOGY MANUFACTURING PROCESSES TO A CENTRE FOR HIGHLY-SKILLED, CAPITAL-INTENSIVE AND HIGH-TECHNOLOGY PRODUCTION PROCESSES. MANY COMPANIES IN THE I.C.T. AND ELECTRONICS INDUSTRY HAVE MADE PENANG THEIR ADMINISTRATIVE AND MANUFACTURING

HUB. INDEED, PENANG HAS GONE FROM BEING THE "PEARL OF THE ORIENT" TO THE "SILICON ISLAND OF THE EAST". WITH BAYAN LEPAS NOW MALAYSIA'S FIRST CYBERCITY, I AM CONFIDENT THAT PENANG WILL BE ABLE TO ATTRACT EVEN MORE INVESTORS – LOCAL AND FOREIGN – TO ITS SHORES.

4. THE THEME OF THIS YEAR'S MEETING IS "I.C.T. DRIVING THE INNOVATION SOCIETY". THIS THEME IS PARTICULARLY APPROPRIATE AS MALAYSIA PREPARES TO VENTURE INTO THE SECOND PHASE OF VISION 2020. AS A COUNTRY, WE REALISE THAT INNOVATION IS A VITAL COMPONENT OF ECONOMIC PROSPERITY. THE WEALTHIEST NATIONS OF THE WORLD ARE THE ONES THAT ARE ALSO THE MOST INNOVATIVE. THEREFORE, WE IN MALAYSIA LOOK FORWARD TO BUILDING A SOCIETY THAT IS INNOVATIVE, CREATIVE, RESOURCEFUL AND DRIVEN BY KNOWLEDGE. WE INTEND TO ADD TO OUR HUMAN CAPITAL BASE AND TO ADD VALUE TO THAT BASE FURTHER, TO DEVELOP AND ENRICH OUR PEOPLE TO BE ABLE TO COMPETE AGAINST THE BEST IN THE WORLD. I HOPE OUR DISCUSSIONS OVER THE NEXT TWO DAYS WILL BE ABLE TO GIVE US INSIGHTS INTO WAYS BY WHICH MALAYSIA CAN CONTINUE TO LEVERAGE ON I.C.T. TO INCREASE ITS INNOVATIVE CAPACITY AND TO SHARPEN ITS COMPETITIVE EDGE.

LADIES AND GENTLEMEN

5. SINCE ITS INCEPTION NINE YEARS AGO, THE M.S.C. HAS BEEN QUITE SUCCESSFUL AT CATALYSING THE GROWTH OF THE I.C.T. INDUSTRY IN MALAYSIA. MALAYSIA'S I.C.T. SECTOR GREW BY 8.3 PERCENT LAST YEAR, GREATER THAN THE COUNTRY'S OVERALL G.D.P. GROWTH OF 7.1 PERCENT IN 2004. M.S.C. COMPANIES ARE DOING WELL, ACHIEVING SALES EXCEEDING 1.6 BILLION U.S. DOLLARS IN 2004. A REPORT BY I.D.C., A WELL-KNOWN I.C.T. RESEARCH FIRM, FORECASTS THAT I.C.T. SPENDING IN MALAYSIA, WHICH AMOUNTED TO 2.5 BILLION U.S. DOLLARS IN 2003, WILL GROW BY 10 PER CENT BETWEEN 2003 TO 2008. THIS PUTS MALAYSIA ALONGSIDE THE FASTEST-GROWING I.C.T. MARKETS IN ASIA.

6. TOGETHER WITH STRONG PERFORMANCE IN THE I.C.T. INDUSTRY, I AM PLEASED TO SAY THAT THE MALAYSIAN PEOPLE HAVE ALSO STARTED TO EMBRACE THE DIGITAL LIFESTYLE. AS OF THE FIRST QUARTER OF 2005, MALAYSIA HAD AN ESTIMATED 10.3 MILLION INTERNET USERS, WITH A COUNTRY PENETRATION RATE OF ALMOST 40 PER CENT. INTERNET BROADBAND SUBSCRIBERS IN THE COUNTRY HAVE MORE THAN DOUBLED TO ALMOST 300,000, WITH THE NUMBER EXPECTED TO RISE TO 1.3 MILLION SUBSCRIBERS NEXT YEAR. BY 2008, FOLLOWING THE IMPLEMENTATION OF THE "NATIONAL BROADBAND PLAN", MALAYSIA SHOULD ACHIEVE A BROADBAND PENETRATION RATE OF 10 PER CENT. ACCORDING TO THE PLAN, BROADBAND WOULD BE MADE AVAILABLE EVEN IN SMALL TOWNS AND VILLAGES BY 2010.

7. WE WILL BE MORE AND MORE TARGETED AND FOCUSED IN OUR APPROACH TO MAKE THE M.S.C. AND MALAYSIA MORE ATTRACTIVE AS I.C.T. INVESTMENT DESTINATIONS. WE WILL CONTINUE TO DEVELOP KEY I.C.T. GROWTH AREAS WHERE WE ALREADY HAVE A COMPETITIVE ADVANTAGE, WHILE DEVELOPING NEW AREAS WHERE SYNERGIES MAY EXIST WITH OTHER STRATEGIC INDUSTRIES.

8. ONE AREA WHERE WE HAVE BUILT A STRONG NICHE IS IN SHARED SERVICES AND OUTSOURCING (S.S.O.) OPERATIONS. CURRENTLY, THE M.S.C. PLAYS HOST TO 48 WORLD-CLASS S.S.O. COMPANIES THAT HAVE CREATED SOME 11,200 JOBS. I AM SURE THESE COMPANIES WERE ATTRACTED BY THE MANY ADVANTAGES THAT WERE ON OFFER. FOR EXAMPLE, IN A STUDY CONDUCTED BY DELOITTE, KUALA LUMPUR WAS RANKED AS THE MOST ATTRACTIVE CITY IN ASIA IN TERMS OF COST AND QUALITY, AND A LEADER IN KEY ACTIVITIES SUCH AS SUPPLY CHAIN MANAGEMENT, CUSTOMER SERVICE AND BACK-OFFICE OPERATIONS. MEANWHILE, FROST AND SULLIVAN RANKED MALAYSIA AS A GLOBAL LEADER IN SECTORS SUCH AS ENERGY, FINANCE AND LOGISTICS SERVICES. IN ADDITION, WE CONTINUE TO BE RANKED AMONG THE TOP THREE IN A.T. KEARNEY'S OFFSHORE LOCATION ATTRACTIVENESS INDEX. GOING FORWARD, WE WILL CONTINUE TO DEVELOP AND DEEPEN THESE NICHE AREAS TO INCREASE THE ATTRACTIVENESS OF THE M.S.C. AS A PREMIER LOCATION FOR S.S.O. OPERATIONS.

9. ANOTHER AREA THAT WILL BE A PRIORITY FOR THE M.S.C. IS THE DEVELOPMENT OF THE CREATIVE CONTENT INDUSTRY. CURRENTLY, THERE ARE MORE THAN 100 CREATIVE MULTIMEDIA M.S.C.-STATUS COMPANIES THAT ARE ALREADY EXPORTING THEIR PRODUCTS AND SERVICES GLOBALLY. A LITTLE KNOWN FACT IS THAT MAJOR CONTENT COMPANIES SUCH AS DISNEY, SONY, NINTENDO, GAMEBOY, CHANNEL "V" AND SOME HOLLYWOOD STUDIOS ARE CURRENTLY OUTSOURCING PARTS OF THEIR WORK TO MALAYSIAN COMPANIES. WHILE WE WILL CONTINUE TO PROMOTE THE EXPORT OF OUR CONTENT CREATION SERVICES, WE WOULD ALSO LIKE TO INVITE THE MAJOR CONTENT COMPANIES TO SET UP THEIR OPERATIONS HERE IN MALAYSIA AND UTILISE OUR LOCAL TALENT AND FACILITIES. LIKewise, I BELIEVE IT IS HIGH-TIME THAT MALAYSIANS THEMSELVES BEGIN TO APPRECIATE AND FULLY UTILISE THE LOCAL CONTENT DEVELOPMENT SKILLS AND SERVICES ON OFFER. THIS WILL HELP SPUR THE INDUSTRY, AS WELL AS ENABLE THE CREATION OF LOCAL CONTENT WITH STRONG MALAYSIAN VALUES AND CULTURAL HERITAGE THAT CAN BE BROUGHT TO THE GLOBAL MARKET.

10. IN TERMS OF DEVELOPING NEW INDUSTRIES SUCH AS BIOTECHNOLOGY, A KEY STRATEGY, AS CONTAINED IN THE NATIONAL BIOTECHNOLOGY POLICY, IS THE CREATION OF A COMPETITIVE AND LEADING-EDGE BIOTECHNOLOGY INDUSTRY THROUGH BIO-INFORMATICS. MY GOVERNMENT HAS DRAWN UP A SET OF INCENTIVES TO ENCOURAGE COMPANIES TO VENTURE INTO THIS AREA, AND I WOULD PARTICULARLY ENCOURAGE I.A.P. MEMBERS TO LOOK INTO THE OPPORTUNITIES THAT ARE BEING SPAWNED IN BIOTECHNOLOGY-RELATED FIELDS. I WOULD ALSO WELCOME INPUT FROM YOU ON HOW MALAYSIA CAN BETTER PROMOTE AND CAPITALISE ON THIS NEW SOURCE OF GROWTH.

11. IN ORDER TO FURTHER ENHANCE THE COMPETITIVENESS AND ATTRACTIVENESS OF THE M.S.C., WE WILL CONTINUE TO STRENGTHEN THE SUPPORTING ENVIRONMENT FOR I.C.T.. FOR EXAMPLE, WE WILL SOON BE UPDATING THE M.S.C. BILL OF GUARANTEES AS WELL AS RE-EXAMINING THE PACKAGE OF INCENTIVES THAT WE OFFER IN ORDER TO MAKE THE M.S.C. A MORE COMPELLING CHOICE FOR INVESTORS. WE ARE ALSO TAKING STEPS TO PLUG ANY

GAPS IN THE SUPPLY OF LOCAL KNOWLEDGE WORKERS BY SETTING UP AN "M.S.C. I.C.T. TALENT DEVELOPMENT INSTITUTE". FURTHERMORE, WE ARE STRENGTHENING THE FUNDING LANDSCAPE BY ENSURING ADEQUATE AND AFFORDABLE FUNDING AT ALL LEVELS AND FOR ALL TYPES OF FIRMS, ALTHOUGH PARTICULAR EMPHASIS WILL BE GIVEN TO PRE-SEED FUNDING AND S.M.E.S, RESPECTIVELY.

LADIES AND GENTLEMEN

12. IN ORDER TO STRENGTHEN THE M.S.C.'S POSITION AS A GLOBAL I.C.T. HUB, WE ARE SEEKING TO PROMOTE MALAYSIA AS A GATEWAY TO REGIONAL GLOBAL MARKETS. IN THIS CONTEXT, MALAYSIA IS WORKING HARD TO CAPITALISE ON ITS STRONG REGIONAL AND INTERNATIONAL POLITICAL AND ECONOMIC RELATIONS TO BOOST TRADE AND BUSINESS FACILITATION, SUCH THAT COMPANIES OPERATING IN MALAYSIA HAVE MARKET ACCESS WELL BEYOND THE COUNTRY'S BORDERS. ASEAN, CHINA, INDIA AND THE MIDDLE-EAST ARE JUST SOME OF THE MARKETS THAT MALAYSIA HAS A STRONG AND GROWING Foothold IN, AND WE ARE LOOKING AT WAYS TO EXPAND OUR MARKET FOR I.C.T. PRODUCTS AND SERVICES TO THESE DESTINATIONS.

13. I AM PLEASED TO NOTE THAT FORWARD-LOOKING MALAYSIAN-BASED I.C.T. FIRMS HAVE ALREADY MADE INROADS INTO THE CHINA MARKET. SEVERAL MALAYSIAN COMPANIES HAVE BEEN OPERATING IN CHINA FOR MANY YEARS, WHILE A NUMBER OF FOREIGN MULTINATIONALS USE MALAYSIA AS A SPRINGBOARD INTO CHINA. MEANWHILE, IN THE MIDDLE-EAST, M.S.C. PRODUCTS HAVE BEEN WELL-RECEIVED IN A FEW O.I.C. COUNTRIES, INCLUDING SAUDI ARABIA AND BAHRAIN. IN OUR ENSUING DISCUSSIONS, I WOULD PARTICULARLY WELCOME YOUR IDEAS ON HOW MALAYSIA CAN MAXIMISE ITS POSITION IN THE I.C.T. INDUSTRY IN THE MIDDLE-EAST, ASEAN AND NEIGHBOURING COUNTRIES LIKE CHINA AND INDIA, SO THAT WE CAN CONTINUE TO DEVELOP THE M.S.C. AS A SIGNIFICANT I.C.T. HUB.

14. EVEN WHILE WE STRENGTHEN THE M.S.C.'S POSITION, IT IS ALSO IMPORTANT TO ENSURE THAT THE BENEFITS OF I.C.T. REACH ALL SEGMENTS OF THE COMMUNITY. WIDESPREAD I.C.T. ACCESS MAKES BUSINESS AND ECONOMIC SENSE. BUT MORE IMPORTANTLY, I BELIEVE THAT I.C.T. HAS THE POWER TO IMPROVE THE ECONOMIC CONDITION OF, AND QUALITY OF LIFE ENJOYED BY, THE PEOPLE. SOME OF THE INITIATIVES SHOWCASED AT THE LAUNCH OF THE "MALAYSIAN I.C.T. MONTH" YESTERDAY – LIKE THE "E-HOMESTAY" PROGRAM – REPRESENT SOME OF OUR ATTEMPTS TO MAKE I.C.T. WORK FOR THE COMMUNITY. THIS IS ALSO ONE WAY BY WHICH WE HOPE TO ADDRESS THE DIGITAL DIVIDE IN THE COUNTRY.

LADIES AND GENTLEMEN

15. FOR MALAYSIA TO CONTINUE TO GROW AND ULTIMATELY REACH VISION 2020, WE MUST BECOME BETTER AND BETTER AT INNOVATION. I LOOK FORWARD TO

OUR DISCUSSIONS AND EXCHANGE OF IDEAS TOWARDS ENHANCING THE M.S.C. AND TOWARDS MAKING MALAYSIA MORE DYNAMIC AND INNOVATIVE. AS ALWAYS, I WELCOME YOUR THOUGHTS AND YOUR IDEAS. PLEASE FEEL FREE TO SPEAK AND PULL NO PUNCHES WITH ME. I AM SURE THIS MEETING WILL CONTINUE TO BE WARM, FRIENDLY, OPEN, THOUGHT-PROVOKING AND PRODUCTIVE, AS HAS BEEN THE CASE IN ALL OUR PAST MEETINGS. ON THAT NOTE, I AM PLEASED TO DECLARE OPEN THE 9TH M.S.C.-INTERNATIONAL ADVISORY PANEL MEETING.

THANK YOU.