

DIGITAL ENTERTAINMENT IN THE NETWORKED WORLD

BEVERLY HILLS HOTEL, LOS ANGELES, 14 JANUARY 1997

1. I would like to thank Mayor Tom Levyn, the Beverly Hills Chamber of Commerce, and the Asia Society for inviting me to speak on digital entertainment in the 21st Century. I hesitate to do so knowing I am in the entertainment capital of the world. Still in a borderless globalised village I cannot help but think about this subject and I would like to share my musings on this, and then listen and learn from you about where I am right or wrong.

2. After all, many of you provide the energy that fuels Hollywood's global power, your limitless store of creativity. While I believe many of the entertainment related activities carried out here will change, I think this will always be the 'creativity capital' of the entertainment world. I believe one of the secrets of your success has been that you have been networked long before connectivity and networking became such big buzzwords. It is now decades since the studios had everything in-house; writers, actors, special effects people, set designers, film crews, editors, producers, and directors. Now, most of these activities are done by independent individuals and small, specialty companies that come together and collaborate on a project and then go their separate ways. Each can focus on what it does best, and together the whole can be greater than the sum of its parts.

3. This is truly pioneering work because you really showed the world how in a creative business, it is better to have webs of specialists that connect and collaborate. This business model was later used by high technology companies like Microsoft, Intel, Netscape, and Sun to so successfully compete against the old industry leaders that tried to do everything themselves with proprietary standards -- just like the old days of the major studios before actors, producers, and directors got smart and hired their own agents.

4. However, things have moved fast lately and the network needs to be more widespread. Today, all content creation is heavily concentrated within a 30 mile radius around this hotel. This is necessary when the network required physical relationships and people to work with. Physical contact is now no longer necessary. We are already seeing movies, games, and music that are largely or completely computer-generated. And computers can link up and work together without having to be near each other. Through computers the dead may act once more, making actual acting by actors quite unnecessary. On the other hand old actors may now hold new copy rights over their images which can now act and speak independently. But through it all creativity not only remains a need but will actually be a more valuable asset.

5. The creativity of making the story and characters come to life on the computer screen will become especially valuable. Three dimensional games may have software written by faceless programmers in numerous countries who never meet each other because it is the idea behind the game which really generates the value. And the idea, the story, the creative thinking is here in plenty. You have the edge and I believe you will continue to be the major player in the IT age

of computer generated entertainment and its new offspring, edutainment.

6. Maintaining your global dominance will probably require you to diversify some other elements of content creation to other cultural centres around the world. Today' s entertainment is almost entirely American in its cultural content. The characters are American, their problems are American, their dialogue is American. Most of rest of the world experiences this entertainment at a relatively superficial level. They really don' t understand a lot of the subtleties in the better stories. Today, that may be enough because of glitz, special effects, and high production values. I think this is why action movies are the most popular outside of America. But technology will soon make these advantages disappear because digital entertainment based on action ala Bruce Lee or Harisson Ford, special effects etc. can be developed anywhere, and digital action heroes will become more and more realistic.

7. As developing countries grow more affluent, they will want more local content for their entertainment. The clever themes developed may be universal: but Asians will increasingly prefer entertainment that is localised in its languages, myths, characters, music, allusions, and locations. We are already seeing this in music and television in Asia; sooner or later the same trend will be visible in movies and computer games. Why is this? Because people anywhere want to identify with what they get entertained with and link it with their own material aspirations. Later, as they become more secure through their success, they will be looking for deeper fulfilment. They know who they are and want to improve themselves by touching something deeper than materialism or escapism can reach. This is the realm of religion, culture and moral values. They are searching for meaning, and this requires a cultural context that goes well beyond America' s pop culture.

8. To stay globally dominant in the 21st century, digital entertainment leaders should be networked with multicultural content creation centres. The best results will come from combining the unique types of creativity found in such abundance in Hollywood and Beverly Hills with the stories, symbols, myths, and personalities of each of the major world cultures. In Asia, the major cultures are Confucianism, Islam, and Hinduism. Each has a rich history that can be a deep source of new ideas for content. The technology can allow new characters to be electronically created that embody these ideas and touch people deeply. In digital entertainment, there are many more ways of bringing things to life than simply putting words in the mouths of actors or having amazing special effects.

9. The one thing that won' t change is the value of raw creativity--in fact it will only become more precious as the technology creates more and more channels for this creativity to express itself. There is more of this creativity here than anywhere else, and for that reason I think your future is incredibly bright.

10. In Malaysia, we are working hard to create the best environment to fulfil the promise of the Digital Age. We call this the Multimedia Super-Corridor or 'MSC' for short. I wish to invite you to collaborate with us because the MSC could be the perfect place to experiment with creating the world' s first multicultural

content centre for digital entertainment. The MSC will have the necessary infrastructure, laws, and policies in what can be described as the cultural heart of Asia. We are a truly multicultural country where the Confucian, Islamic, and Hindu cultures corresponding to the Chinese, Malay and Indian races thrive, remain separate yet somehow interact with each other. There is no better place to connect the amazing creativity of Hollywood with the conditions necessary to localise digital entertainment relevant to much of Asia and the rest of the world.

11. The Multimedia Super Corridor -- is truly a world- first -- the careful creation of an area with the infrastructure, laws, policies, and practices that will enable companies to explore the Information Age without any of the usual constraints that frustrate them. The MSC is a 15km wide by 50 km long corridor that runs from the world' s tallest buildings in the Kuala Lumpur city Center, southward to what will be the region' s largest airport.

12. More than two years of careful study have gone into developing a package with four key elements that will make the environment within the MSC special:

- First, the MSC will have the best physical infrastructure that can be offered in the world. This includes the intelligent Kuala Lumpur City Centre buildings, a new airport, rapid rail links to Kuala Lumpur, a Smart dedicated Highway, and two new intelligent garden cities. Kuala Lumpur International Airport which will be ready before the Commonwealth Games in 1998 will initially have 80 gates with two parallel runways. The airport will also become an integrated logistic hub with the latest in IT to facilitate movements of people and goods. The first intelligent garden city, Putrajaya, will be our new administrative capital where most ministries will be relocating beginning with the Prime Minister' s office in 1998. Putrajaya is Malaysia' s new electronic Government administrative centre. It will provide a balance urban environment for 250,000 people served by state of the art communications and transportation systems. Next door will be Cyberjaya, a garden city designed to provide the physical and psychological spaces needed for productive contemplation and creativity in a relaxed atmosphere. It will be built around the new Multimedia University, the first phase of which will be open in 1999. Cyberjaya will provide top quality intelligent buildings, multimedia enterprise estates, residential housing, leisure and recreation facilities, and state of the art supporting infrastructure. It will support a working population of approximately 150,000 and a living population of over 100,000.

- Second, the MSC will have the world' s soft infrastructure of supporting laws, policies and practices. This includes a comprehensive framework of societal and commerce-enabling cyberlaws on intellectual property, digital signature, computer crime, distance learning, telemedicine, and electronic Government. For example, our new Digital Signature Act creates a regulatory framework for verification and certification by the authorities and severe penalties for cyber-fraud. We will be aggressively enforcing our intellectual property and anti-piracy laws. The set of cyberlaws will be enacted by Parliament over the next few months. In addition, we are developing a Multimedia Convergence Act that will merge and update our telecommunications, broadcasting, and information laws to reflect today' s rapid technological convergence. We hope to enact this new

law before the end of 1997. Finally, we know how critical skilled knowledge workers are and have a series of educational and training initiatives across the country. All schools will be connected to the Internet by 2000 and the Multimedia University is planned to operate in partnership with MSC companies to ensure its graduates meet their skill requirements.

- Third, the MSC will leapfrog available information infrastructures with 2.5-10 gigabit Open Multimedia Network that will use the latest ATM switches to provide fiber to the building. This network will have a five gigabit international gateway with direct links to the U.S., Japan, Europe, and other ASEAN countries. This will be operational by 1998. Value-added service providers will be able to compete freely on this network with no restrictions on foreign ownership and cost-based interconnect tariffs. Telekom Malaysia has committed to offer competitive tariffs that are comparable or better than other global carriers and will provide world class network performance standards.

- Fourth, a fully empowered one-stop shop called the Multimedia Development Corporation (MDC) has been created to manage and market the MSC. The mission of the MDC is to create the best environment in the world for private sector companies to pursue multimedia businesses. The MDC will be opening ten offices around the world over the next two years so it can be close to the companies who will be its clients. In addition, the MDC has been incorporated under the Companies Act so it will have the required responsiveness and not be constrained by bureaucratic practices. The MDC has a free hand to hire the best people in the world, and a business plan to serve the needs of companies relocating to the MSC both before and after they decide to establish operations in Malaysia. The Deputy Prime Minister and I will personally oversee the activities of the MDC and will resolve issues brought to our attention.

13. In short, Malaysia and its Government is taking a single-minded approach to developing the country using the new tools offered by the Digital Age. The MSC is a pilot project for harmonising our entire country with the global forces shaping the Information Age. Phase 1 involves making the MSC a success by learning from our partners and from the experience we gain; Phase 2 will link up with other islands of excellence within Malaysia; and Phase 3 involves making all of Malaysia a Multimedia Super-Corridor that is connected to other smart-regions around the world. I expect Malaysia to be in the final phase by 2020 as we become a developed nation.

14. To meet the needs of leading multimedia and entertainment companies, Malaysia is offering a ten point Multimedia Bill of Guarantees. The Government of Malaysia formally commits the following to all companies receiving MSC Status from the Multimedia Development Corporation:-

- a. Malaysia will provide a world-class physical and information infrastructure;
- b. Malaysia will allow unrestricted hiring and entry of foreign knowledge workers in the MSC with no employment restrictions;

- c. Malaysia will ensure freedom of ownership of IT companies located in the Corridor;
- d. Malaysia will allow freedom of sourcing capital globally for MSC infrastructure and freedom to borrow funds anywhere;
- e. Malaysia will provide competitive financial incentives including no income tax or an investment tax allowance for up to ten years, and no duties on the import of multimedia equipment;
- f. The MSC will become a regional leader in intellectual property protection and cyberlaws;
- g. Malaysia will ensure no censorship of the Internet;
- h. The MSC will have globally competitive telecoms tariffs;
- i. Malaysia will tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub; and
- j. Malaysia will provide a high powered implementation agency to act as an effective 'one-stop shop' to ensure the MSC meets company needs.

15. The Multimedia Development Corporation is registering interested companies and will be taking formal applications for companies seeking 'MSC Status' in March. This entitles the company to the financial incentives and the Multimedia Bill of Guarantees described above if the new operations of the company are located in a designated city such as Cyberjaya.

16. I hope you will consider becoming our partners in this exciting endeavor to build the world's best environment for multimedia and digital entertainment. Hollywood is the undisputed movie capital of the world. Working together, it may be possible to expand this into other realms such as games or interactive entertainment. Although technology and information will move more and more freely over the coming decades, the scarce resource will always be creativity. Since you have this in abundance, I hope we can connect and use some of it to define the frontier of multicultural content creation in the Digital Age.

17. Now that you have heard some of my thoughts, I look forward to listening to yours.