

THE ECONOMIST ROUNDTABLE ON ELECTRONIC COMMUNITIES IN ASIA
THE PALACE OF GOLDEN HORSES HOTEL, KUALA LUMPUR, 13
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First of all, I would like to thank the Economist Conferences for inviting me to speak at this roundtable on electronic communities in Asia. This discussion could not be more timely with the rapid advance of the `digital economy', where electronic commerce (E-Commerce) will most certainly play an ever increasing role. I am pleased that some of the members of the International Advisory Panel for the Multimedia Super Corridor (MSC) -- representing some of the best minds on the topic -- are able to take time off to contribute to this discussion.

2. The convergence of technologies is forcing the convergence of industries through a common `electronic business system' which promotes and facilitates borderless businesses. Although still in its infancy, E-commerce represents the new frontier that will revolutionise the way business is transacted globally. The Internet has matured substantially as the medium for E-Commerce, evolving in size, global reach and accessibility.

3. Already, the Internet has become an effective conduit for commercial transactions, with total annual sales of US\$1.2 billion in 1996. Although small in relative terms, this figure is expected to grow as issues involving security, business laws and practices, taxation, common technical standards and accessibility to the Internet continue to be resolved. Analysts have predicted that total annual sales over the Internet will grow to more than US\$7.3 billion by the year 2000, and in excess of US\$186 billion by the year 2005. The magnitude and impact of this growth will have far-reaching implications, not only in the commercial world, but also in governance.

4. Developments in E-Commerce, which is a manifestation of the `digital economy', bring to the surface many related issues which challenge common and established practices, laws and systems. In this new `digital economy', business activities will be possible with minimal physical movement of people, money and, in many cases, products. Contracts and the transfer of value and accumulation of assets will be conducted by electronic means. Information technology, which is the foundation of this new economy, will continue to develop at a rapid pace and will continue to influence the volume and the direction of economic activities. As such, many of the existing rules which apply in today's economy can no longer be applied in the `digital economy'. Whether we like it or not, statistics show that E-Commerce will become part of our lives -- very soon in the future. We should all prepare ourselves to embrace it, or we will be left behind and loose out as increasing portions of the economy and world business will be electronically transacted.

5. Here in Malaysia, we have taken the pragmatic approach. We prefer to experiment and try out in near real life situations rather than be swept along by transient technologies and fads. Where possible, we have also chosen not to merely ride the waves, but to master them. That is why we have kept abreast with global trends, conducted trials to study their implications to the nation,

cooperate in research and seek to develop the appropriate strategies.

6. It is in this context that we have developed an Information Technology (IT) Agenda to support our Vision to become a fully-developed nation by the year 2020. Among others, the I.T. Agenda outlines various strategies which will help us achieve a knowledge society through the development of people, infrastructure and applications. We have started building the foundation to support this knowledge society, and this is in the form of the huge Multimedia Super Corridor, or the MSC, which is our first major investment in the future.

7. Some critics have labelled the MSC as an 'ambitious, grandiose mega project'. I will admit that it is an ambitious project but it is not for us Malaysians to implement alone. We will participate actively of course but the MSC is for the whole world. We conceived it as a giant test-bed for everyone to use, everyone from everywhere. We will invest mainly in the infrastructure, both hard and soft. The policies and laws that we have formulated and put in place cost us nothing, nor are the practices we have designed for the MSC. The hard infrastructure such as fibre-optics and other communication facilities will be put in by private companies as part of their investment, in which they naturally expect to make a return. Even the land will be parcelled out and sold to investors wishing to set up their facilities and make use of the soft and hard infrastructures we have provided.

8. Admittedly we have to spend some money, quite a large amount in fact, but well within our capacity. The devaluation has eroded some of our capacity but we can still carry on. So the MSC will go on. And it must go on simply because the demand for the facilities we offer is very great and very real. It is a great project not because it is our vision alone, but it is everybody's vision and it is they who will make it great. If I may say so, nowhere is there a project to make full use of Information Technology that has benefited from inputs by the best I.T. brains currently available in the whole world. This project is truly benefiting from the International Advisory Panel set up to tap the ideas to make this giant test-bed truly capable of testing out new ideas and technologies which need a real-life environment to prove the concepts work.

9. I am pleased to inform you that the MSC is progressing well ahead of schedule. Response has been beyond our expectations and to date, we have given MSC status accreditation to 110 companies, out of which 78 is already in operation. We have, since April last year, received 178 applications for MSC status, out of which 39 percent are from foreign companies, 35 percent from Malaysian companies, and 26 percent from joint ventures between Malaysians and foreign companies.

10. Barely a year since we first launched the MSC, we are already beginning to see the value created from the Information Age business. Multimedia Development Corporation (MDC) statistics on the MSC-Status Companies show increased investment in high value-added activities, with revenue to investment ratio of approximately 3 to 1.

11. There are also signs showing the formation of new service-based industry clusters, specifically in software development, content creation, animation and broadcasting, and telecommunications. For all the companies which have applied for MSC status, the combined revenue projected by the fifth year of operations is around 13 billion Ringgit, while projected profit for the same period is close to 5 billion Ringgit. This is on the back of an investment of around 4 billion Ringgit.

12. Additionally, based on all the MSC applications received, knowledge worker requirement by the fifth year of operations stand in excess of 23,000. Recognising this need, we have recently extended MSC status accreditation to institutions of higher learning as one of the measures to help fulfill the companies' human resource needs.

13. As many of you would be aware, in order to spearhead the development of the MSC, seven Flagship Applications have been identified, one of which is to create the necessary framework and infrastructure to support E-Commerce initiatives under the Borderless Marketing Flagship Application. Although the growth of E-Commerce is essentially private-sector driven, there is a need to monitor and regulate its development in order to create the right environment for E-Commerce to flourish.

14. Many issues need to be examined and traditional barriers have to be overcome. One crucial element, however, is absolutely necessary to support the growth of E-Commerce -- the right telecommunications infrastructure. This is where the MSC will be especially well equipped. With a high-bandwidth communications infrastructure to support the most demanding of E-Commerce applications, the MSC is an ideal base for companies wanting to develop cutting-edge technologies and innovative business models to unleash the full potential of E-Commerce. The possibilities are endless. While technology developers can develop tools to facilitate E-Commerce, such as security software and payment systems, content developers can harness Malaysia' s multiple cultures to develop localised content for the region and for the world.

15. Apart from bringing many exciting opportunities, E-Commerce also presents many challenges, not only to countries like Malaysia, but all countries wanting to take the right steps into the 21st century. The right approach to governance is therefore necessary in order to ensure that laws and policies are sensitive and responsive to technological developments.

16. The fundamental requirement for the successful take-off of E-Commerce is trust, and the guarantee that transactions can take place safely and securely. This is especially true when intangible information goods and services become economic resources and products which are transmitted and transacted across borders. It is therefore imperative to develop a proper system of governance to manage this movement of information - and knowledge-based resources with the growth of electronic commerce globally.

17. Among the prevalent issues associated with E-Commerce are finance-

related issues such as Customs and Taxation, Electronic Payment Systems, Internet Banking and Internet Stockbroking. These need to be reviewed within the context of each country' s existing financial, regulatory and legal system.

18. Others include legal issues such as having a uniform commercial code and international harmonisation of legal frameworks to address different business practices and commercial codes existing in different countries. Cyberlaws, for instance, need to address issues relating to the assignment of liability of those involved in E-Commerce transactions -- including consumers, network service providers, solution providers, and various intermediaries. The issue of consumer protection and privacy in cross-border transactions also needs to be addressed.

19. An effective legal framework in copyright, patent and trademark protection is required to prevent misuse and abuse of intellectual property and to protect content providers and content service providers. Intellectual Property Protection laws should also address the issue of trademarks used in cyberspace, the relationship between domain names and trade marks, jurisdictional limits of registered trade marks or copyright in data bases.

20. Another important issue is that of international co-operation in technical standards and platforms, which will pave the way for a common platform for smart cards, common standards for inter-connection and inter-operability, as well as cross-certification of public key infrastructures.

21. Countries with established infrastructure to support E-Commerce in terms of human resource and quantity of service suppliers, as well as a bigger market share and better access to the market, will no doubt have an edge over the others. However, the opportunity to develop E-Commerce also presents itself to other countries in the ASEAN region which are in a good position to leapfrog into the Information Age.

22. As such, a regional initiative may be necessary to address the prevalent issues brought about by the `digital economy' and E-Commerce, some of which I have highlighted earlier. An ASEAN Framework on E-Commerce, for instance, may provide the platform for a collective vision of the emerging digital market place and outline the key issues as we enter the new electronic age of commerce. This framework will also provide the basis for discussions to facilitate the development of an ASEAN position to catalyse the growth of E-Commerce.

23. On that note, I' d like to reiterate the Malaysian Government' s commitment to support the growth of E-Commerce. Through the MSC, we are dedicated to the development of multimedia technologies that will remove the barriers for doing business and promote borderless marketing. We' d like to invite our ASEAN neighbours as well as everyone interested in ironing out possible wrinkles in the progress towards the electronic world to join us in this endeavour.