

**THE MSC INVESTORS CONFERENCE IN CONJUNCTION WITH CEBIT  
HANNOVER, GERMANY, 20 MARCH 1998**

I am delighted to be here at CeBIT '98, which is one of the world's largest and most prestigious I.T. fairs, where companies from all over the world gather to showcase all the latest innovations and technologies. Being somewhat of a 'technology buff' myself, I am looking forward to visiting the pavilions, as well as meeting the leading players in the German I.T. and multimedia industry.

2. Three main elements have brought mankind to the threshold of the Information Age -- rapid advances in global communications, the Internet and convergence of technologies. The Internet has matured substantially, not only as a major communications tool and source of information, but as the medium for electronic commerce. Over the years, it has evolved in terms of size, global reach and accessibility. Researchers have estimated that in 1997, there were 54 million Internet users worldwide, while Internet services constituted a US\$35 billion market. Demand is expected to grow rapidly, with not only mass-market penetration of the Internet continuing, but the adoption of a diversity of services within the Internet also growing.

3. Advances in global communications, too, has led us to new frontiers in the borderless world. In the past, telecommunications services were linked to a specific infrastructure. Today, voice, data and video services can be transmitted at very high speeds, over any kind of network -- fixed, wireless, satellite or a combination of these. With the convergence of technologies, telecommunications, media and I.T. companies are now able to offer new services outside their traditional business sectors. The convergence of technologies is also driving the convergence of industries into a common 'electronic business system' with functionalities that facilitate borderless businesses.

4. Needless to say, Information Technology, which is the foundation of the new digital economy, is moving literally with the speed of light. The magnitude and impact of the growth has far-reaching implications, opening up endless opportunities and undreamed of options for businesses to explore. I'd like to share with you this morning some thoughts about the forces that will shape our common digital future -- the promise it holds and the strategic response we in Malaysia are making to take advantage of that promise.

5. In Malaysia, we have taken a pragmatic approach to enter the Information Age. We realised that an I.T. Agenda is the sine qua non to realise our goal of becoming a fully-developed nation by the year 2020. Studies have shown that in order to reach fully-developed nation status, our annual growth rate has to average seven percent a year until the year 2020. It is expected that the manufacturing sector's contribution to the GDP will peak at around 38 percent by the year 2005. We therefore need a second engine of growth for the economy. We believe that this will come from a thriving I.T. and multimedia industry which will, in turn, fuel productivity in other industry sectors.

6. Among others, our 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 Multimedia Super Corridor, or the MSC, which is our first major investment for the future. For us, this will be primarily the vehicle for our country' s entry into the Information Age.

7. The MSC is not just a physical location, or just another industrial or technology park -- and it is not a Far Eastern imitation of the Silicon Valley -- it represents a new paradigm in the creation of value for the Information Age. The MSC is envisioned to be a hi-tech test-bed that will allow companies to explore multimedia technologies without any limitations. It aspires to be a global centre for the applications and testing of leading- edge I.T. advances and discoveries.

8. To you, this may seem somewhat audacious on the part of a small developing country. We are the first to admit that we are only just taking our first steps into the complex and sophisticated world of multimedia -- but we can provide an ideal environment for technology to flourish. In fact, being a developing country helps. We offer a green field site, unencumbered by industrial practices and legacies or entrenched interests -- a site dedicated to the full application of I.T. in the new age electronic commerce.

9. We have before us the example of Britain and the United States of America, one fathered the Industrial Revolution, while the other brought it to its full development. America was then one huge green field site -- providing the optimum conditions for technology and business to flourish, to fulfill the promise of Industrialisation. We have taken this as a model. In a modest way, we too, hope to assume a catalytic role. Our task will be to create an ideal environment for I.T. and multimedia, one which will encompass the physical, economic, regulatory and policy framework that will unleash the creative dynamics for innovation and advances in this field.

10. For a country like Malaysia, which is far less developed in terms of the multimedia, this will demand one giant technological leap. We have a lot to learn. This is not something which we can embark on our own. For that reason we turn to you and others like you. We can only do it in mutually beneficial partnership with world- class companies from all around the globe. At the same time, we hope to help our own I.T. and multimedia companies become world-class over time. It is a smart relationship that will hopefully lead to the development of many, new and innovative multimedia products and services in the future. We invite you to bring your hi- tech operations, your R&D, your I.T. know-how to experiment and to try on your own or alongside Malaysian companies in the MSC. In order to create this multimedia haven, we need a cross section of telecommunications companies, content providers, and software developers.

11. The MSC will be a ' web' of collaborating companies in the I.T. field -- a multi-cultural web of mutually dependent international and Malaysian companies collaborating to deliver new products and new services across an economically vibrant Asia and beyond. And like a spider, it will weave ever more intricate webs

of relationships and create synergies amongst participating companies. Such a web could be the new model of development for the Information Age.

12. We have already promoted our vision of this multimedia haven in Hollywood, Silicon Valley, the United Kingdom, Japan and Canada, where it received a heartening response. We have special reasons to hope that more European companies will soon be represented in the MSC, along with our other distinguished pioneers.

13. Siemens, which has been in Malaysia for a long time and is now one of its leading corporate players, is already involved in the MSC. Its Chairman, Dr Heinrich von Pierer, sits on the MSC's International Advisory Panel set up to counsel Malaysia on the development of the MSC, together with other leading I.T. players from around the world. The Multimedia Development Corporation, which oversees the development of the MSC, is currently evaluating a few MSC status applications from German companies, and are talking to several more during this visit. Several site visits have also been planned.

14. We see a lot of strengths in the German I.T. industry which will facilitate its expansion and globalisation efforts. It is now as well-positioned as the largest market for information products and services in Europe. It also has many strengths in the telecommunications sector, having the largest digital network in the world, the latest technology in mobile communications, the largest telecommunications company in Europe and the second largest in the world after AT&T.

15. Yours is a country renowned for technological innovations, and we look to you for technological transfers. However, whilst continuing to rely on the transfer of technology, we are getting even more ambitious. We do not want to be just passive recipients, but active participants -- and with the help of people like yourselves, we have set ourselves the goal of developing new technologies indigenous to Malaysia, specifically, we are hoping to attract R&D operations. We want to be part of the industry's world wide endeavour to develop intelligent multimedia solutions to manage today's exploding range of information options. Hopefully when the world gets the next generation of hi-tech start ups, Malaysia would be there.

16. We look forward to expanding our business links with you. In particular, we commend to you the ample business opportunities presented by the MSC. What we are proposing is a smart partnership. It is presented not just as an exciting and innovative idea, but as a carefully conceived and sound business proposition.

17. In physical terms, the MSC is a relatively large area 15 km by 50 km. By concentrating I.T. and multimedia operations in one dedicated area, a very special environment can be created, facilitated and more efficiently managed. The Corridor begins at the Petronas twin towers, currently two of the world's tallest buildings. It runs south down to the new Kuala Lumpur International Airport, which when it opens in June this year, will be the most advanced in the

Asia Pacific region and will become a regional communications hub.

18. Two futuristic, intelligent cities -- Putrajaya and Cyberjaya -- will form the nuclei of the Corridor. Putrajaya is the country' s new administrative capital; the other is a cyber city -- a haven for I.T. companies providing operational quarters for multinationals to direct their worldwide manufacturing and marketing activities in multimedia, as well as their production and marketing of multimedia products and services.

19. It is not easy to describe in a few words the wide- ranging concept of the MSC. It will be purpose-built with the intent to provide a fertile base for business to focus their unique skills and resources to develop the new age communications industry. It will have to incorporate many technologies, as well as a technology-oriented and business-focused setting. We hope the closeness of the companies to one another will enable a strong collaborative environment to be created that will encourage linkages. But we are not just talking buildings, facilities and systems. The idea is to provide both the physical and the psychological space for creativity. We see the MSC as a place of enquiry and of intellectual curiosity. The concept is not new. The Cavendish Laboratory at Cambridge is just such an assembly of scientific intelligences. It has produced some of the world' s greatest physicists. The MSC, being more business oriented, will be developing the practical applications of the multimedia for commerce and to meet the business and personal needs of the 21st century knowledge worker. It will be a global test-bed where new technologies can be spawned and tried out.

20. Putrajaya, the new administrative centre will be a test-bed for Electronic Government -- providing companies with the opportunity to provide and validate a near- paperless bureaucracy under the conditions of a real Government environment. Social research will be included -- testing the implications for society of instant unlimited information.

21. Cyberjaya will provide the physical setting -- 7,000 hectares of lush green tropical forest, palm oil plantations and rolling countryside. Much of the green space will be preserved. The Malaysian Government will provide the incentives, groundbreaking cyberlaws, business- friendly policies and regulations. The private sector, it is hoped, will seize the entrepreneurial opportunity.

22. To test out this vision, we convened the first meeting of the International Advisory Panel for the MSC at Stanford University, California. Industry leaders of worldwide repute, subjected the proposal to the most stringent evaluation. We are talking of people like Jim Barksdale (Netscape), Bill Gates (Microsoft), Scott McNealy (Sun) and many others. They gave it an enthusiastic thumbs-up. This, I feel, is due mainly to the fact that in addition to its intrinsic merit, we were serious about removing the outdated obstacles that Industrial age policies, laws, practices and attitudes had posed for them. The panel met again last month for the second time at the MSC headquarters in Cyberjaya. Progress was evaluated and the next forward steps were recommended. Various cross-border issues, especially those pertaining to electronic commerce, were also discussed. The

members were impressed with the progress to date, and re-affirmed their support and confidence.

23. Work is already well underway at the MSC and is one year ahead of schedule. The 'hard' infrastructure is being put into place on a fast track basis. Response has been beyond our expectations and to date, we have given MSC status accreditation to 110 companies, out of which 84 are already in operation. We have, since April last year, received a total of 180 applications for MSC status, out of which 34 percent are from foreign companies, 43 percent from Malaysian companies, and 23 percent from joint ventures between Malaysian and foreign companies. 12 percent of the applications from foreign companies are European.

24. 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 statistics on the MSC-Status Companies show increased investment in high value-added activities, with revenue to investment ratio of approximately three to one. 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 five billion Ringgit. This is on the back of an investment of around four billion Ringgit. There are also signs showing the formation of new services-based industry clusters, specifically in software development, content creation, animation and broadcasting, and telecommunications.

25. Additionally, based on all the MSC applications received, knowledge worker requirement by the fifth year of operations stands 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 fulfil the companies' human resource needs.

26. However, we see the 'soft' infrastructure as the area where we probably need to innovate most. The Malaysian Government, always business-friendly and accustomed to dealing with foreign investors, promises to be even more friendly to the people of the MSC:-

- Knowledge workers who fall within the category of special guests will get in and out of the Corridor without hassle or delay, with multiple entry visas;

- We will allow 100 percent ownership of companies and unrestricted employment of knowledge workers from abroad;

- Incentives are generous with up to 10 years tax holiday;

- We will not censor the Internet -- but of course, if you download, and distribute certain undesirable illegal material, pornography for example, you will be subjected to the usual laws of the country;

- Companies will find a breath of fresh air coursing through the regulatory system. Bureaucratic procedures will be reduced to a minimum. Official

requirements will be few and approvals expedited for work permit applications;

- A one-stop agency system will streamline the entire process, handled by the Multimedia Development Corporation, to whom all your enquiries should be directed. This is where you obtain any official sanctions you may need;

- We have dispensed with the traditional and often cumbersome tenders in favour of 'concept proposals', again simplifying the whole procedure.

27. We recognised early on the importance of intellectual property rights and the need for a special category of Cyberlaws. The Multimedia Convergence Act 1997, already on the statute book, is designed to support companies engaged in electronic commerce and to resolve some of the issues due to the convergence of the communications, computing and broadcasting industries.

28. Cyberlaws already tabled in the House take the regulatory and legislative controls further than any tried before -- a brave attempt to deal with computer crimes, illegal access, commercial espionage and theft, methods of validating digital signatures and computer transactions, together with a host of other protections not covered by existing laws. We realise at the same time that Cyberlaws for new usages of multimedia as well as new technologies will pose fresh problems. But there is sufficient legal framework already in place to raise the comfort level of would-be investors and to make Malaysia a regional leader in intellectual property protection.

29. At the same time, we realise that a concern of the private sector is that Government does not always understand the reality of operating a business on the ground, in terms of operating conditions and constraints. In Malaysia, we have a highly developed process of consultation with private enterprise which was built into the development of the MSC from the outset. MSC-Status Companies have direct access to me, as the Chairman of the MSC Implementation Council and International Advisory Panel, and to the Deputy Prime Minister who heads the Founders Council.

30. All that remains is a forward look. Phase Two of the MSC project will see the Corridor linked to other cities in Malaysia and around the world. By then, we expect in excess of 250 companies within the MSC. By the year 2020, the entire country will be a Multimedia Super Corridor with a total of at least 12 intelligent cities linked to the global information super highway and thus becoming a link to all the other intelligent cities worldwide. MSC participants will have risen to 500 world class enterprises.

31. It will even have a Cyber Court of Justice. And in terms of social concern, we hope that in addition to it being a test-bed for new technologies it will help to develop and influence the new culture of global information, grappling as we must with the conflict between control and licence and offsetting the adverse social effects of a massive unremitting onslaught of instant, uncensored information.

32. What we are offering may not be new in technological terms but we believe

that this initiative is organised on a scale and is of a comprehensiveness hitherto unrivalled. When we invite you to participate, it is first as a matter of collective self-interest. Quite simply, we think it is a good deal for all, for you and for us.

33. We therefore invite you, Ladies and Gentlemen, to be with us as we seek to catch the dawn of the 21st Century.