

MAJLIS PERASMIAN ASEAN TELEKOM 1998

MINES, KUALA LUMPUR, 3 NOVEMBER 1998

Terlebih dahulu, saya mengucapkan terima kasih kepada penganjur persidangan ini kerana menjemput saya untuk menyampaikan ucapan serta merasmikan pembukaan ASEAN Telekom 98 pada pagi ini.

2. The theme of this conference, 'ASEAN Telecommunications: Driving Forces And Strategic Responses' is, indeed, most appropriate and relevant. It provides an opportunity for telecommunications practitioners, members of the business communities, policy makers and regulators as well as potential investors to deliberate on the issues of the day and to identify workable strategies in the light of the prevailing economic situation faced by most ASEAN countries. Apart from the current economic turmoil, there are other challenges that the telecommunications industry has to face as well as to positively respond to in order to maintain the pace and spread of development of the telecommunications industry commensurate with the demands of developing economies. Let us examine some of them.

3. A very significant challenge is one that is posed by the rapid development in communications technology and the changing dynamics of world trade. Unlike some other industries, demand in the communications industry is heavily dependent on technology because of rapid improvements in the quality and range of services resulting from technological advancement. Continuously greater technological sophistication will continue to be the trend. It is already evident that the single most powerful technological breakthrough in communications in recent years is digital technology. This innovation has fueled the convergence of technologies in the telecommunications, broadcasting and computing industries. It has given rise to a new value chain and a new industry structure with digital technology as its basis. In short, a multimedia paradigm has now evolved.

4. This development has caused a profound impact on the industry structure of the traditionally segmented and fragmented telecommunications, broadcasting and computing industries. The convergence of technologies of these industries has already begun to revolutionise communications and multimedia developments globally. New players, alliances and technological solutions for transmission, network development and programme distribution have begun to emerge. This has inevitably led to new strategies for sector restructuring and cross-sector activities.

5. Technological changes have not only reduced the cost of information processing and transmission but also rendered advanced information and communications services largely indistinguishable. This has opened a new way of meeting a wider range of user communications needs, one that is more flexible, cheaper and independent from the existing communications enterprises. Consumers worldwide, from large corporations to small businesses and domestic users, can now enjoy a wider access, better quality and less expensive

communications and information services.

6. Currently, large multinational corporations form an important segment of the world communications market because they require advanced and sophisticated communications solutions and are willing to spend a disproportionate amount of revenue on communications needs. The world communications and information markets are presently estimated to be worth almost USD one trillion and these markets are dominated by services which account for eighty percent of the global revenue.

7. Therefore, to sustain and maintain their positions in the globalised information economy and to continue to be competitive, local enterprises in developing countries, which are still largely technology-based, must move swiftly to re-engineer their business, restructure their services, expand overseas, penetrate global markets and capture sales. Towards this end, and in view of the current financial setback, the industry players must compete hard for the direct foreign investments of transnational firms that dominate large segments of the communications and multimedia industries.

8. In recent years, in addition to technology, business practices related to communications have changed very quickly. A strong business demand for better quality and variety as well as lower costs of communications services reflects increased awareness of the economic importance of communications. New markets continue to evolve with totally new demands for services. Development at the software front, for instance, has enabled computers to talk and, at the same time, eliminate language barriers between machines and humans. Electronic communications will enable our memos or mail to be delivered in a language other than that in which they were sent. The voice recognition technique and automatic message translation, on the other hand, will make it possible for us to conduct telemeetings where everyone is able to speak in his or her own language. This has led to the development of new markets for more sophisticated application requirements and information services .

9. As the main platform for the information industry, the development of technology in the communications sector has caused a significant impact on the growth of this industry. The emergence of the information industry and economy brings into reality the internationalisation of services. This development is expected to have substantial influence on the role and market structure of the communications industry. In addition, the liberalisation of the service industry, which includes communications and other public services, has resulted in the extension of competitive contracting in business and government. Finally, with the breakdown of geographical boundaries and national regulatory autonomies together with significant growth in the value margins of content software and hardware in the electronics industry, the pressure of competition has grown tremendously. It has also expanded the communications market from national to global levels as well as unleashed aggressive enterprises seeking business opportunities abroad. In short, and from the macro economic perspective, the growing internationalisation of the communications industry has given rise to immense opportunities for expanding into new markets and attracting foreign

direct investments as well as broadening the range of service providers.

10. These opportunities will pose challenges to many developing countries, especially in terms of efficiency improvement of the communications industry. This is in view of the fact that efficiency improvements are vital, not only to capture opportunities that have been made available in the export markets, but also to enhance the overall competitive edge. In this regard, the government is prepared to set national priorities based on a global perspective through the establishment of a more liberal trade and investment regime to maximise the internationalisation of the communications industry. Hence, the move by the Government to allow foreign investors to increase their stakes in local communications companies, signals our intention to ensure that the communications sector will benefit from foreign direct investments besides enabling local companies to leverage for export opportunities.

11. I would like to remind everyone that although foreign companies may now play a prominent role in the telecommunication industry of developing countries, they must never forget or disregard the nationalism, the pride and the sensitivities of the locals. The locals appreciate their need for foreign participation particularly in the telecommunication field because of the enormous investments needed, the sophistication and the constantly changing technologies. Without foreign investments and technology it is possible for them to be disconnected from the worldwide international system. But their willingness to sacrifice their national independence and identity cannot be unlimited. Even if their Governments are pragmatic and wish to open up as widely as possible for the sake of keeping up with the rest of the world, the people might not be so willing. The people will be especially unwilling if the price is to be paid by them, through losing their jobs for example. We are already seeing this in some countries where restructuring involves laying off workers. It should not be allowed to happen in the telecommunication industry when countries open up.

12. While privatisation has become the norm, the Government will continue to play a constructive, facilitative and proactive role in supporting the development of this industry to build up the basic infrastructure for the new information economy. The communications industry enjoys a high priority in the Government's micro-economic development programme. Several policy alignments and structural adjustments have been carried out to enable this industry to move forward to generate more significant growth in the years to come. Realising the need for a more flexible and dynamic policy, regulatory and legislative regimes, the Government has already taken the necessary steps to review and introduce changes to keep abreast of the rapid evolution in technology and to respond to emerging needs of the market.

13. Among others, the Communications and Multimedia Act 1998 was passed by Parliament in July this year, and is expected to be implemented early next year. This Act bears testimony to the Government's commitment and recognition of the important role played by this industry in supporting the economic and social developments of the country. The Act provides the necessary legal framework for a new policy and regulatory regime for the convergence of the

telecommunications, broadcasting and computing industries. It is also a manifestation of the Government' s intention of defining a more open and market-driven approach in dealing with the industry.

14. In line with the need to promote a more dynamic and informed market environment, the Government has reviewed the policy and regulatory institutions to guide this industry. Towards this end, the Communications and Multimedia Act 1998 provides for a single Ministry to be responsible for the policy and strategic framework for the development of the communications and multimedia industries. In addition, the Commission for Communications and Multimedia Act 1998 provides for a single and more independent regulatory body to ensure healthy and competitive operations within this industry.

15. The Ministry of Energy, Telecommunications And Posts which has been renamed as the Ministry of Energy, Communications And Multimedia under Yang Berhormat Datuk Leo Moggie will be responsible for the implementation of both these Acts, effective from 1st November 1998. The establishment of the Commission for Communications and Multimedia is also effective from the same date under its Chairman, Dr. Syed Hussein Mohamed. I believe that Dr. Syed Hussein is well known among the telecommunications fraternity, having served as Executive Director of Telekom Malaysia as well as a Board member for several years.

16. Dengan kata-kata ini, saya dengan sukacitanya merasmikan persidangan ini serta Expo dan ForumY2K Solution.