

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: THE OFFICIAL OPENING OF ERICSSON MOBILE PHONE PLANT

VENUE: BUKIT JELUTUNG, SHAH ALAM, SELANGOR

DATE: 21 FEB 2000

TIME:

Firstly, let me thank Ericsson for inviting me to officiate at this auspicious function. Today, we witness the launch of yet another large investment in Malaysia by a major multinational company. This event is another vote of investor confidence in the Government's economic policies. What is more meaningful is that it is symbolic of the continued faith shown by Ericsson in Malaysia.

2. This morning's event is also significant because Ericsson is one of the largest technology companies in the world. We are thus justifiably proud to be associated with Ericsson and to host their first mobile phone manufacturing facility in the World. When started in 1997, its capacity was one million units per annum. This new factory has a capacity of five million units per annum, and represents an opportunity to generate several billion Ringgit of export business per year. I wish to thank Ericsson for choosing Malaysia as 'the preferred location' for this state-of-the-art plant.

3. Obviously Ericsson is in the right industry at the right time. Overall world market for Telecoms equipment and services forecast for 2000 is US\$1.16 trillion. The International Telecommunications Union forecast for 2000 is 500 million mobile phone lines growing to 750 million in 2002. The mobile phone growth rate of some 10 per cent per annum is twice the fixed line growth rate. But Ericsson's growth is also due to its innovations and focus on knowledge.

4. With convergence of technologies, the opportunities are going to increase even further. However Malaysians will only reap maximum benefits from the presence of companies like Ericsson if we are willing to acquire and use knowledge. We must quickly adopt the processes and knowledge, which drive such companies and keep them on the cutting edge of technology. It is no longer enough to just provide the

labour for foreign investors. Our managers and scientists must master the key enablers and management techniques, which determine international competitiveness. In this context the Multimedia Super Corridor project is designed to both create new sources of wealth and improve national productivity and technological competitiveness. This launch today is also symbolic of the fact that we must continue to modernise and increase productivity in our traditional areas of strength such as manufacturing. It also indicates that we must enhance our networking to develop the next engine of growth led by knowledge.

5. It is significant that Ericsson is in the forefront of the knowledge-based companies who are driving the new global economy. Importantly, 22,000 of Ericsson's employees are in research and development. 15-20 per cent of sales revenue is re-invested in R & D. Ericsson's willingness to share its knowledge with us through the MSC initiative will help Malaysia's journey into the Knowledge Economy. In fact they were amongst the first web shapers to obtain MSC Status. The establishment of this new plant will complement the high-end R&D activities of Ericsson's four sister companies with MSC Status. Ericsson has in the process established an IT hub in Malaysia, one of three worldwide, representing an investment of RM100million in Malaysia. This augurs well for our efforts to create high technology jobs and fortifies our national efforts in becoming a leading IT and multimedia regional hub.

6. To spur further such investment, the Government needs to develop the necessary infrastructure and provide other enabling environment. Indeed through the MSC initiative, we have completed both the basic hard and soft infrastructure such as the necessary broadband infrastructure and Cyberlaws to facilitate Knowledge-based investments. Our strategy and offering is being continually improved and reviewed. With the advice of the MSC International Advisory Panel we hope to be able to innovate continuously. Despite such innovation and quick response to investors needs, we have seen of late some media articles critical of our Government's investments in such high tech projects and of our ability to succeed.

7. We must respond quickly and effectively to such reports since effective communications with our stakeholders is a critical success factor for the MSC initiative.

8. No information rich country is poor, and no information poor country is rich. Pursuant to this, Malaysia has no choice but to pursue the path it has taken. We have put in place a strategy and plan which together with our proven ability to implement, leaves no doubt in my mind that Malaysians can achieve what is

their next priority national objective - the MSC as the vehicle to transform our society into one which can compete internationally based on knowledge. There are many reasons behind this optimism.

9. For one, the MSC does not attempt to duplicate Palo Alto in Dengkil. But the MSC does take those aspects of Silicon Valley, which are positive, such as the idea of a community dedicated to e-business and other e-technologies as guidelines. We have built on our strengths and adopted a master plan to support the new ways of working and living made possible by the new technologies. Cyberjaya will be devoid of the less desirable elements of rapid expansion like traffic congestion and pollution common in other technology hubs which arise from the fact that they grew more or less by chance. Cyberjaya is a greenfield project planned to avoid the environmental and quality of life drawbacks in other "Silicon Valley" type developments.

10. Some of our detractors have also called Cyberjaya a ghost town. But we cannot build an entire city in a few months. In Cyberjaya, we have built large buildings in months but not the entire city. This takes years. In fact we have made considerable progress from the Greenfield site acquired just in 1997. The newly completed Multimedia University already houses over 3,000 students and teaching staff from around the world. By the end of the year, fast track completion of public amenities such as schools and parks will be largely completed to complement the basic infrastructure ready since July 1999. Importantly, all the office space under construction or completed is already fully tenanted. We expect more than 100 MSC status companies to move into Cyberjaya by September 2000. We already have some 87 companies located in Cyberjaya.

11. The strength of the MSC is also derived from the diversity and breadth of companies which have obtained MSC status. Whilst some target the global market, others are aiming to serve Asia and the region. Obviously the content market in the US is very competitive for Asian entrepreneurs but it is there. Leveraging on our multicultural background which gives us a unique advantage, many MSC status companies have carved a niche focussing on the Asian market. Building on this, they can cost-effectively scale up to perform development of software and technology for the World market. English, the language of the Internet is widely used in Malaysia, and should draw investors to the MSC. We are also developing just south of Cyberjaya, a new E-Village which will house all of the creative multimedia cluster. This development will complement Cyberjaya in such a way as to bring together in one synergistic whole, the Hollywood and Silicon Valley concepts thus giving the MSC another unique

competitive advantage.

12. Though in the formative stage, we have recognised and put in place the crucial ingredients that shall spur the development of small and medium-sized enterprises (SMEs). These include: venture capitalists, incubation centres, IT-savvy workforce, R&D grants, provision of necessary incentives, and access to markets. We also have some success stories. VMS, an MSC company, recently announced the launch of their product for managing the various communication facilities using a single platform - the first of its kind in Asia. The product, which won the Teleconnect Best 98 award in New York, has been developed using an MSC R&D grant they obtained in 1998. Admittedly there is a shortage of venture capital in Asia when compared with the US, and less expertise in applying it. But measures are being taken in Malaysia such as through MDC's Venture Corp. We will also take all necessary fiscal and other incentives to ensure that this critical aspect of SME development is given the right support and nurturing.

13. We are also establishing a culture in the MSC to support and nurture innovation. In the past, much of the innovative technology was invented by Asians working in developed countries. We want to provide the right environment and opportunities to bring these innovators back because they are so critical for our future growth. Laws to encourage a tolerance of business failure and taking risks are in the cards.

14. Malaysians have already proven their ability to successfully operationalise any project they undertake. The negative sentiments that have been expressed about the MSC have been heard earlier on the National Car Project, the new Kuala Lumpur International Airport; the Kuala Lumpur City Centre, and the currency control measures that have rescued Malaysia from the Asian Economic Crisis. All these have proven to be successful. Is there any reason to believe these naysayers now, when they have been wrong every time in the past?

15. Notwithstanding the many reasons I have given, my confidence that Malaysians have a secure future in the knowledge economy stems largely from the results achieved by the MSC to date. Through the MSC initiative we have set ourselves a comprehensive well conceived strategy. We have also set realistic targets and timelines. To date the MSC project has met all the major milestones set for it. We now have 300 MSC status companies including 34 web-shapers. These companies together had projected investments of some RM 3.4 billion in 1999 and employed over 14,000 knowledgeworkers.

16. Whilst we have achieved progress, much remains to be done. The various Government departments which have helped to create an unrivalled business friendly environment in the MSC must do more and replicate such service to serve other industries as well. In the MSC itself we must cooperate and innovate to stay ahead of the increasing competition. There is need to further enhance the private sector-public sector cooperation that has helped us to build Cyberjaya and launch the first wave of the flagships applications. We must build on the trust built up and develop the E-Village and E-Business catalysed by the Second Wave of flagships applications.

17. On this note of mutual cooperation and gain, it gives me great pleasure to officially declare open Ericsson's new mobile phone plant.