



# **Asian Forum on Information and Communication Technology Policies and e-Strategies**

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Keynote Address

by



**H.E. Datuk Amar Leo Moggie**  
Minister of Energy, Communications and  
Multimedia Malaysia

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*Your Excellencies,  
Distinguished Delegates,  
Ladies and gentlemen*

Let me begin by extending a very warm welcome to Your Excellencies and all our distinguished foreign delegates to Malaysia. I would like to thank the UNDP for hosting this Forum here in Kuala Lumpur with the full support of the Ministry of Energy, Communications and Multimedia Malaysia.

I am told that this Forum is aimed at fostering collaboration and information sharing on ICT policies and e-strategies among countries in the Asian region with participation from the highest levels of national governments as well as the private sector, civil society and international organizations.

I am happy to note that the outcome of this Forum will be the "Kuala Lumpur Declaration on ICT Policies and e-strategies" which will serve as an input to the World Summit on Information Society scheduled for December 2003 in Geneva.

Your Excellencies, Distinguished Delegates,  
Ladies and Gentlemen.

Where ICT policy and strategies are concerned, it has been observed that countries generally adopt two broad national strategic frameworks. The first is ICT as a Production Sector and the second is ICT as an Enabler of Development. In pursuing ICT as a Production Sector the primary focus is on industry development for regional and global competitiveness.

In the context of ICT as an Enabler of Development the focus shifts towards socio-economic concerns. Here the concern is primarily to ensure wider application and usage of ICT. While the two categories are unique in terms of the policy and strategy approaches, they are also mutually dependent in terms of contributing to the overall development of the nation.

The rapid growth and development of the ICT industry will mean very little if vast numbers of people continue to be marginalized in terms of access to and use of ICT.

On the same note a high level of economic development cannot result in a knowledge and information based society if the ICT infra and info structure remains relatively underdeveloped. It is therefore important for ICT policy and strategic frameworks at the national level to reflect a balance between economic and social concerns.

In Malaysia our ICT policy and strategy framework has sought to find a balance between sectoral growth and the application of ICT for achieving socio-economic goals. Our ICT policy is guided by the Vision 2020, which aims to transform and propel Malaysia into a fully developed nation, with ICT being one of the key enablers. The ultimate goal of our ICT policy is to create a truly knowledge-based society in Malaysia. A key initiative for achieving this goal is the Multimedia Super Corridor.

I am sure that the MSC needs no introduction to most of you here. It is an initiative to encourage national and international investment in ICT to spur growth in the ICT sector with spill-over effects to the rest of the economy. This will be achieved through the provision of an attractive set of financial and non-financial incentives, and the creation of an enabling environment conducive for investment and growth.

The MSC is at the end of its planned First Phase this year and I am pleased to inform that it is well on track and on time. We now have more than 900 MSC Status companies, which is two times more than our initial target. Of these close to 60 are "World Class Multinationals" with familiar names such as DHL, Shell, HSBC, Fujitsu, Ericsson, all of which have sites located within the MSC region. The Fourth MSC Impact Survey concluded recently revealed that developments within the MSC have resulted in tangible economic benefits in the form of revenue, employment created and innovation.

Based on the information provided by more than 600 active MSC companies in the survey, the projected revenue for 2003 is RM 6 billion or US\$1.5 billion. Of this RM 1 billion or US\$ 250 million is export revenue. About 60% of these companies are expected to be profitable – this is quite an achievement considering the high failure rate among industries in this sector.

Besides revenue and profit, developments within the MSC have resulted in the creation of 21,000 jobs. Although we have allowed free movement for foreign knowledge workers, most of these jobs have been filled by Malaysians reflecting the availability of skilled ICT workforce in the country.

With the success of the First Phase, the MSC is now poised to enter its Second Phase next year, which will see a more wider nationwide rollout with the involvement of State Governments. Several State Governments have already initiated their own ICT Programs such as the establishment of incubators which can act as the nuclei for the rollout of the MSC and future ICT development in the States.

As part of the initiative to drive the MSC, seven innovative flagship applications were developed by a consortia of local and foreign companies working closely with government agencies. These Flagship Applications are e-government; multipurpose card; smart schools; telehealth; R&D clusters; technopreneur development; and e-Business clusters. These Flagship applications have significant implications for broadening the scope for ICT usage in various sectors of the economy.

Our ICT policy has also given due consideration to the socio-economic concerns of ICT development in the country in particular those concerning the digital divide. Here the key focus has been to provide connectivity to overcome the ICT infrastructure deficit, particularly in rural and underserved areas and secondly to promote ICT skills among the people through e-learning and digital literacy programs.

To ensure that all Malaysians can have access to basic communications facilities the Universal Services Program (USP) has been put in place. Under this program a USP Fund has been created into which all licensees except the content applications services providers will contribute a fixed amount on an annual basis. The regulation managing this fund allows any licensee to bid and construct new or additional infrastructure in underserved areas and get paid from this fund. The priority will be to provide access to basic telephone service and the Internet in all parts of the country; where there are resource constraints, community access will have priority over individual access.

To further complement the initiatives under the USP Fund, the Government has also allocated a total of US\$250 billion under the current five-year development plan for the provision of communications infrastructure to key facilities such as schools, clinics and community centres in rural and underserved areas.

Development of digital literacy is being accorded the highest priority by the Government in our efforts to move towards a knowledge-based society. In line with this the Government has adopted a high IT- focus education system with emphasis on English, IT, Mathematics, science and technology. The Smart-Schools Flagship developed under the MSC will enable the wider application of ICT not only in teaching but also in the management of schools. Plans are now underway to connect all schools with broadband connection under the SchoolNet Project.

Other initiatives to promote digital literacy include re-training of workers in ICT skills as well as basic computer skills development through the Rural Internet Centres.

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Ladies and Gentlemen.

I am aware that many countries represented here today are now in the process of restructuring their policy and regulatory frameworks to better facilitate the development of their ICT industry. I would like to take this opportunity to share with you Malaysia's own experiences in this matter and offer some thoughts on key concerns and issues.

As you are aware, in 1998 the Government of Malaysia passed the Communications and Multimedia Act, which put in place a new regulatory framework for a converged communications and multimedia sector. The new Act which is technology-neutral and service-neutral, did away with vertical markets, such as markets for television services, radio broadcast services, mobile network services, fixed network services, data services and so on.

We used to have dozens of these vertical markets, some with just two or three players. The new Act did away with all of them and organized the converged communications and networked multimedia sector into just four horizontal markets, i.e. a market for network facilities, a market for network services, a market for applications services, and a market for content applications services. In the absence of general competition law in Malaysia, the Act also contains provisions on competition in the communications and networked multimedia sector, empowering the regulator to act as the competent authority for the sector.

The new Act has also introduced the concept of self-regulation that allows key stakeholders such as industry players, consumers, and special-interest groups to form industry forums for the purpose of developing voluntary industry codes. Although compliance with a registered voluntary industry code is not mandatory, there is an incentive to do so because those complying with it may use it as a defence against any prosecution, action or proceeding of any nature, whether in a court or otherwise. Codes have been drafted or are being drafted in relation to consumer protection, content standards, access, and technical standards.

Our approach to the converging sector of communications and networked multimedia has contributed to clearer thinking on the introduction of new services. For example, when VoIP came along, there were no debates about its technological pedigree; it just fitted in under the applications services market. The introduction of 3G services does not require additional licensing; it only requires the allocation of 3G spectrum through competitive bidding.

Looking back over the last five years, I think our new regulatory framework has proven to be robust, flexible and effective. It has facilitated the introduction of new services and technologies. Instead of trying to figure out how a new service or a new technology fits in, the regulator only has to know what market or markets they serve and how they would impact those markets.

Our experience has also brought some important lessons. The first lesson is that fundamental changes in an industry regulatory framework are not just an industry event. In a sector as big as communications and networked multimedia, the changes and their implications must be clearly communicated to other stakeholders, for example, industry analysts, the financial institutions and the media. For instance, financial institutions knew how to deal with telcos and ISPs but have problems when application services providers or network services providers approach them.

The second lesson is that mindsets take time to change. making it difficult for some to adjust to the new regulatory framework. A lot of time is therefore spent on getting our language and orientations right so that we know we are talking about the same things and that we share the same mental pictures when we talk.

My third point is that developing countries in particular have to think very carefully about introducing vertically integrated facilities-based competition as they can impose unnecessary drain on limited resources. Creating horizontal markets would allow different degrees of regulatory oversight in the different markets, e.g. regulate more strictly in the upstream investment-intensive facilities market and be more open in the downstream retail market.

With the creation of horizontal markets, however, there could be facilities consolidation without affecting competition in retail. We have been pushing for facilities sharing, e.g. the sharing of towers, and there is now a company dedicated to facilities development and operation. Besides contributing to lower costs, facilities sharing minimises civil works and reduces visual pollution. Incidentally, our 3G rollout also focuses on upstream facilities sharing and downstream competition.

Finally, under the mantra of market liberalisation, competition and efficiency, we sometimes forget that purely market mechanisms do not address social equity. There is a need to balance efficiency with equity. With a national fixed line penetration of 20%, a mobile phone penetration of 40% and a PC penetration of 15%, Malaysia is still well behind the ICT penetration levels of developed economies. It is therefore very important to have a good universal service provision programme in place, which must be attractive enough to get licensees to play rather than just pay.

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Before I conclude my address, I would like to share one final thought with all of you. Perhaps the most important factor for a successful ICT policy and strategy framework is the need for political will and commitment at the very highest level. ICT development is a new phenomena which requires us to look at new ways of doing things. The choice to pursue ICT development involves a shift in strategy, which calls for national commitment to examine existing institutions policies and legislations to align them to the new direction. This is not always easy. Hence political commitment from the highest level is essential in ensuring that call for change is contagious at all levels of society.

With this, I would like to conclude with the hope that you will have a fruitful discussion at this Forum and an enjoyable stay here in Malaysia.