

ROAD MAP TO THE FUTURE

Malaysia lays an expressway to the information age

By Steven K.C. Poh / Kuala Lumpur

GROWING UP IN PENANG in 1970, Derrick Khoo remembers the dramatic effect of a nearby free trade zone on his sleepy village. As a 10-year-old, he watched young people from all over the country arrive to work in the factories. They were introduced to ideas like training and quality control circles -- concepts alien to a then mainly rural community. "Our quiet life was completely transformed," Khoo recalls.

Today, a much more radical concept is poised to change Malaysia: the Multimedia Super Corridor, or MSC. Prime Minister Mahathir Mohamad's pet project is viewed as a launching pad -- to propel the country into the frontline of the information age. It is sometimes described as a "multimedia catalyst center." To science adviser Omar Abdul Rahman, the MSC is "Malaysia's response to the global IT [information technology] revolution."

The project was conceived in 1994 as the final phase of the country's industrialization strategy. But details remain frustratingly vague. Perhaps because it is so fuzzy, the project has fired imaginations in the country and across Southeast Asia. "It will change Malaysian lives forever if it succeeds," says Khoo, now the CEO of a multimedia company. "It will change the way we see so many things."

Physically, the MSC is a 15-by-50-km belt stretching south from Kuala Lumpur to a new international airport nearing completion at Sepang. In the center lies Putrajaya, an administrative city being built as Malaysia's new "intelligent capital." In spite of the Town Planning Department's intricate map that appears on this page, much of the land is still rubber plantations and palm oil estates. But it is already the country's largest real-estate play.

New infrastructure will feature three main elements. First, a high-capacity fiber-optic cable which will form the telecommunications backbone of the corridor. Then there is the "soft" infrastructure: new policies and "cyber laws" to guide the development of electronic commerce and protect intellectual property rights. Third is an eco-friendly living environment that will be attractive to the skilled personnel the plan needs. Also promised: uncensored Internet access, duty-free import of key equipment and exemptions on local ownership requirements. Companies qualifying for MSC status are offered a package of incentives such as tax holidays and unrestricted repatriation of profits.

The goal is to attract cutting-edge corporations involved in areas ranging from custom-chip manufacturing to multimedia publishing. "We want to be not just a user of IT applications, but also involved in the development of IT and multimedia in a big way," says Omar. "We need those with the necessary know-how and technology to come and make us the base for their development. We hope the spillover will catalyze our own IT development." Areas targeted for homegrown initiatives include telemedicine, electronic government and research and development centers.

The ambitious plan does not come cheap. Cost estimates run from \$20 billion to \$40 billion, says Tengku Azzman Shariffadeen, CEO of the Malaysian Institute of Microelectronics Systems and a key mover in the MSC. Still, it is an investment to ensure the country's long-term competitiveness. Perhaps even its survival. Says Salleh Ismail, head of Technology Park Malaysia: "If the MSC does not come into the economic picture, we may have a recession."

That may be overstating the case. But manufacturing cannot be Malaysia's main engine for growth in the next century. Labor costs are already cheaper in most neighboring countries. And competition will only get stiffer as trade barriers come down. Besides, Malaysia's oil and gas reserves will only last another 15 to 20 years. Analysts see the MSC as a strategic concept to move the country into an information-based economy.

To many minds, success lies in achieving a critical mass of people with the right expertise -- a category Malaysia is short of now. Planners know it. That is why companies will be allowed to freely import "knowledge workers." Says Khoo: "Smart men and women from all over the world will come." As in Silicon Valley, he says, it is the talent that will create the excitement and attract the venture capitalists. The government is creating new colleges to train more IT personnel. But some wonder if it is happening quickly enough.

Questions remain on such matters as technology transfer, but gripes mainly center on the lack of specifics. Still, momentum is building. So far, 29 companies have signed on to the MSC, including Microsoft, Siemens and Sun Microsystems. How the project will change Malaysia remains to be seen. Salleh says: "The sculpture is not finished yet." For now, the MSC is more virtual than reality.

-- *With reporting by Andrea Hamilton / Hong Kong*



Town Planning Department