

# Malaysia's Experience in Addressing the Challenge of the Knowledge Economy

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# Contents

- In what way has Malaysia addressed its development challenges?
- How did it approach the ICT and knowledge revolution?
- What has it achieved?
- What lessons can we draw from this experience?

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# Major development challenges have been faced to transform country: economic, social, administrative and governance

- Poverty eradication
- National unity
- Social change and transformation
- Economic growth with equitable distribution
- Economic diversification
- Social and economic transformation to address ICT and information revolution
- Economic resilience and competitiveness

# Strategic and structured national vision, development plans and institutional frameworks were formulated

- Five-year planning cycle: 1960 onwards
- New Economic Policy (1971-1990)
- National Development Policy (1991-2000)
- Vision 2020 (1991-2020)
- National Vision Policy (2001-2010)
- Ninth Malaysia Plan (2006-2010)

# Key features of national development planning

- Top-down strategic intervention
- Investment in human capital
- Capacity building: human resource, institutional, systemic linkages
- Foreign direct investment: financial, knowledge and skills
- Series of qualitative jumps: agriculture to industrial to information/knowledge
- Willingness to experiment, explore and discover

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# Specific strategic interventions to capitalise on ICT and information/knowledge revolution

- Industrial Incentives Act, 1969, and creation of Free Trade Zones
- Expansion of R&D and higher education
- Creation of national R&D institute in microelectronics and ICT, 1985
- Privatisation of telecoms, followed by deregulation and liberalisation, 1985 onwards
- Formation of National Information Technology Council (NITC), 1994
- Multimedia Super Corridor, 1995
- National Information Technology Agenda, 1996

# Knowledge for Development: The World is undergoing a Sea Change

## ECONOMY

- Transformation of economies from industrial to knowledge based – economic value is a function of knowledge intensity
- Knowledge based economy is an economy of innovation

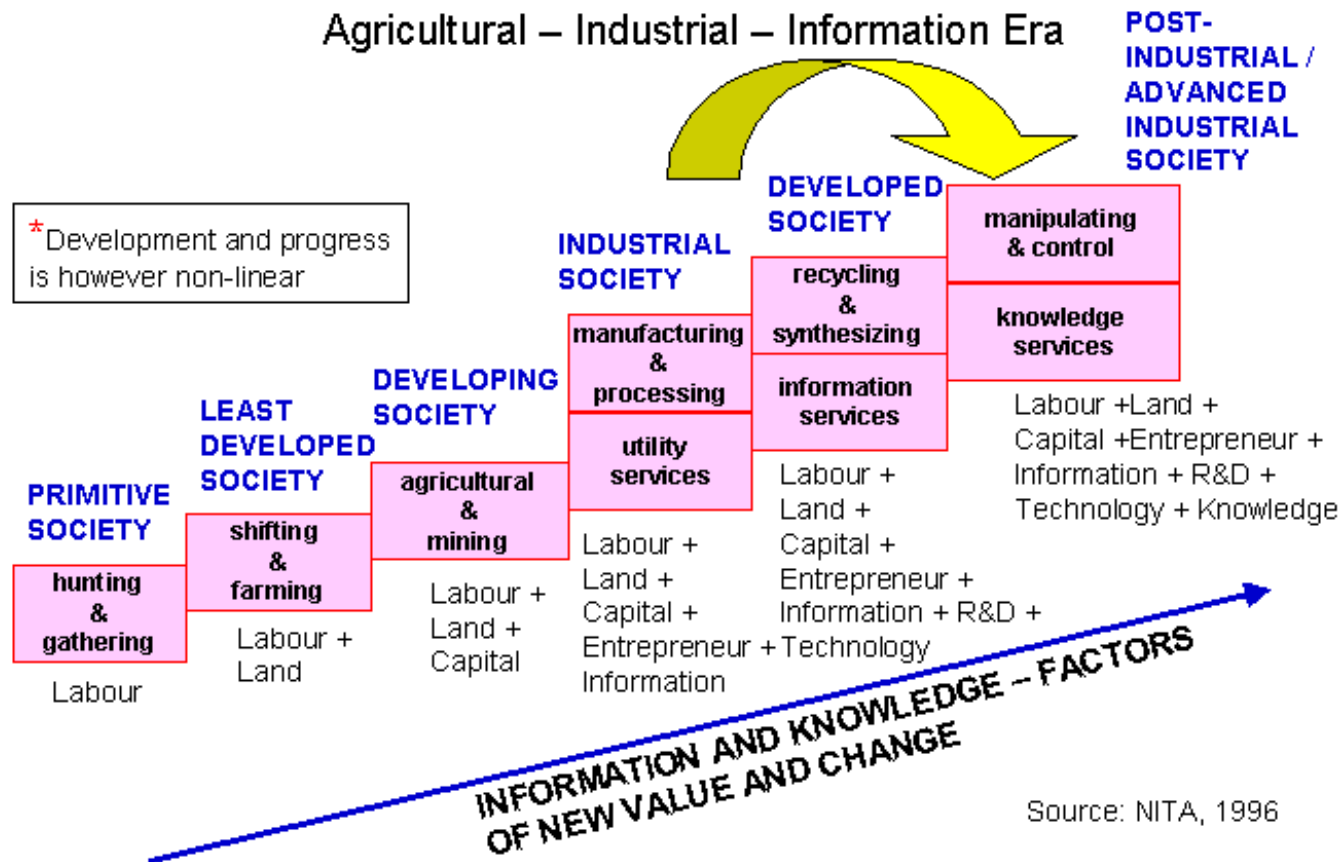
## GOVERNANCE

- Pervasive access to information flattens organizational hierarchies
- Ubiquitous global communication heightens citizen expectations leading towards demand for more democratization and active participation
- Global Internet governance system is changing the traditional economic, social and political mechanisms in place

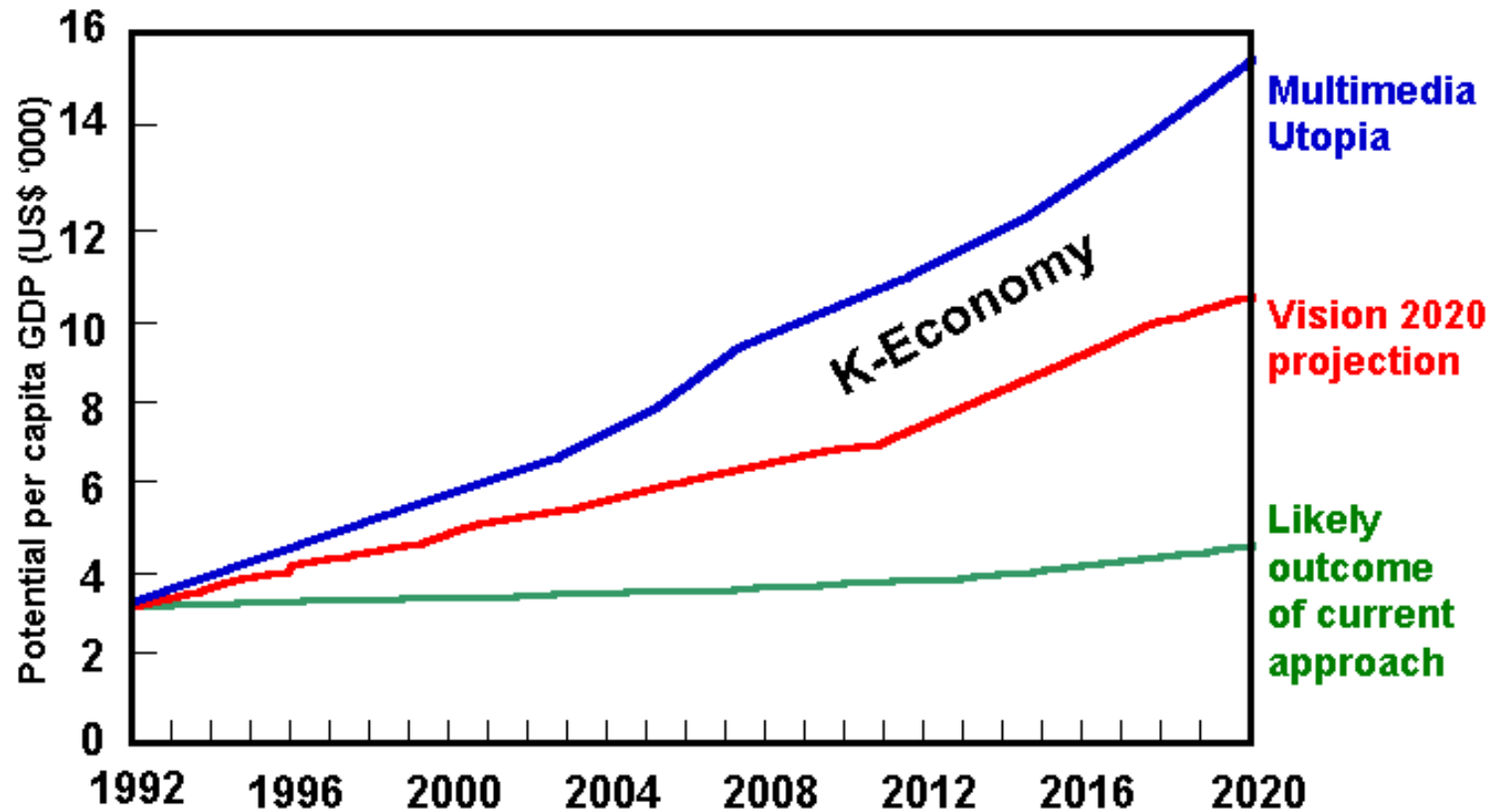
## CULTURE

- Cultural identity and sovereignty being redefined through borderless communication of content which embed value systems

# Information & Communication Technology (ICT) envisioned as the means to leapfrog Malaysia from an industrial society to a post-industrial one, by-passing the 'developed society' phase of the industrial model



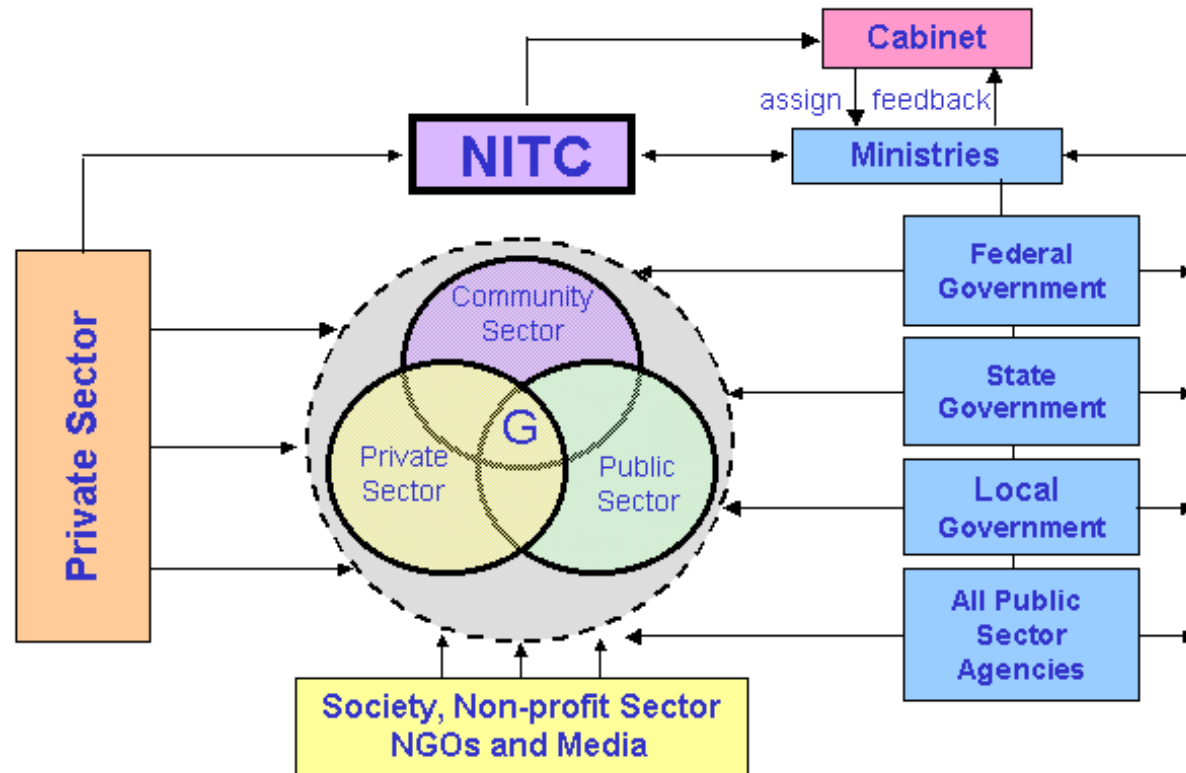
Export-oriented industrial growth then pursued would not take Malaysia to Vision 2020 economic targets



Source: McKinsey analysis (1994)

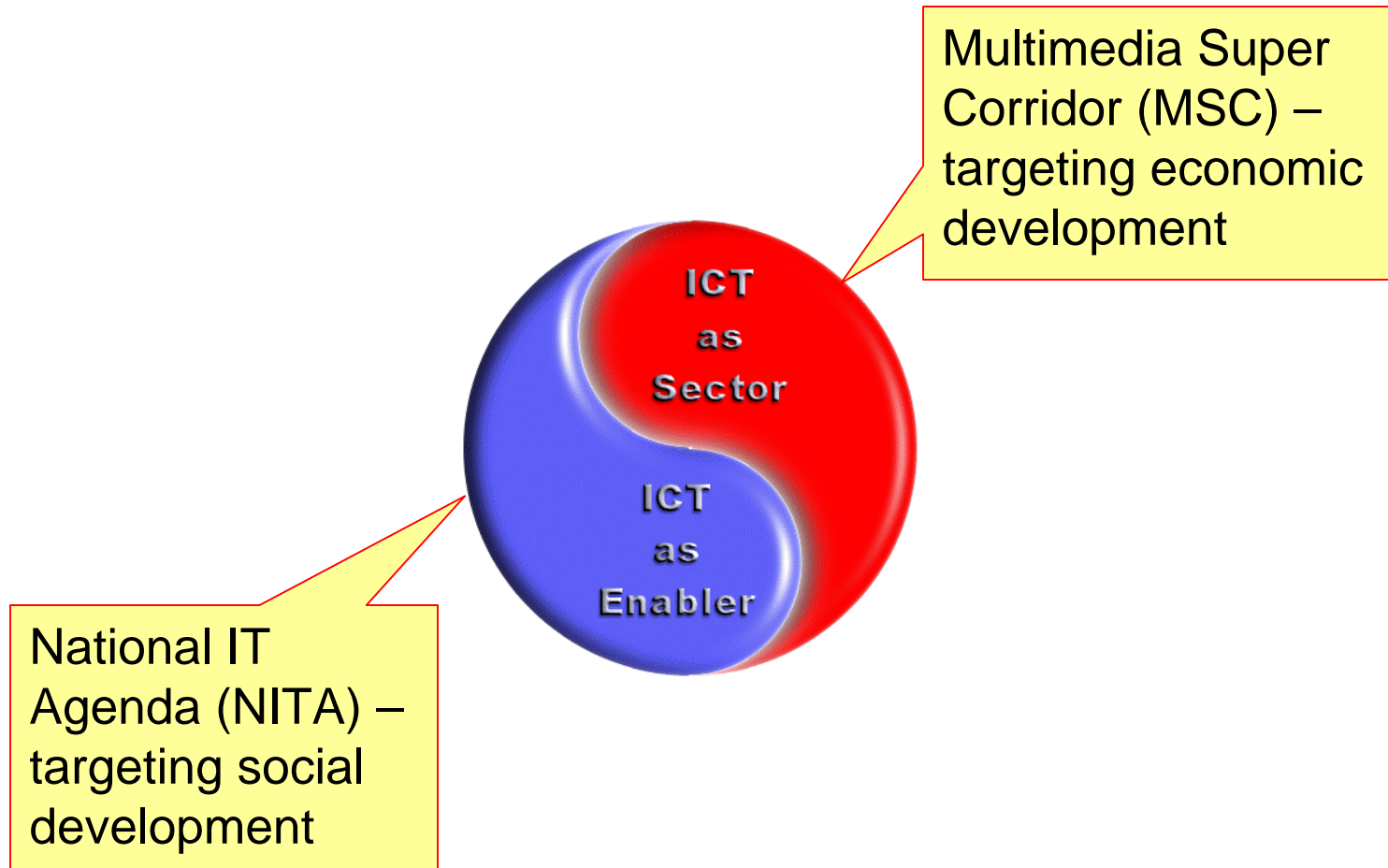
Information and Communication Technology (ICT) became the vehicle to make the quantum jump

In 1994 the National IT Council was established, chaired by the Prime Minister, to act as a Think Tank and drive ICT development and utilisation



Tri-sectoral multi-stakeholder partnership forged between the public, private and community sectors founded upon **good governance (G)**.

The National IT Council (NITC), recognising the dual functions of ICT, conceived the National IT Agenda and the Multimedia Super Corridor as complementary initiatives

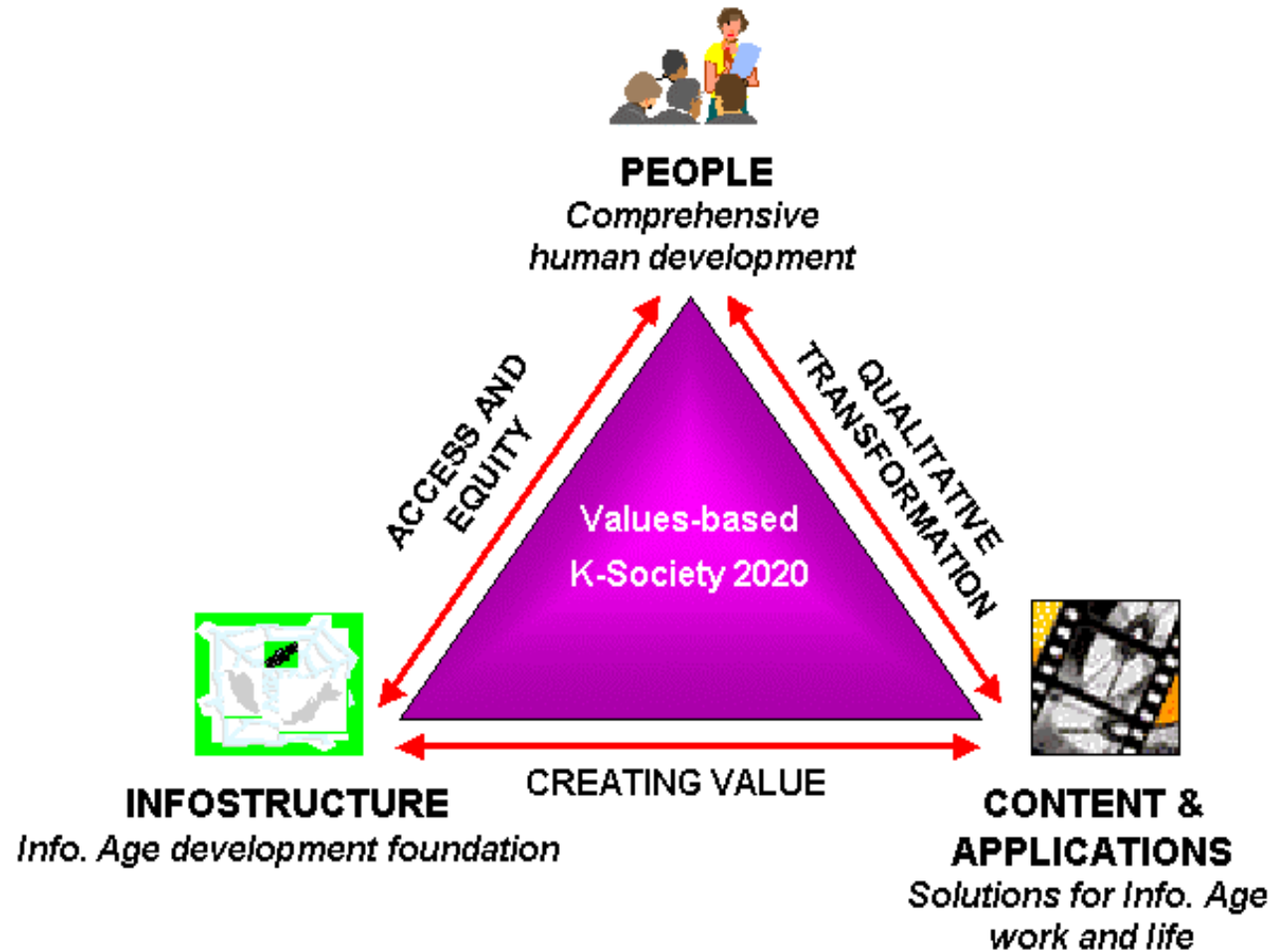


# Strategic Programme 1

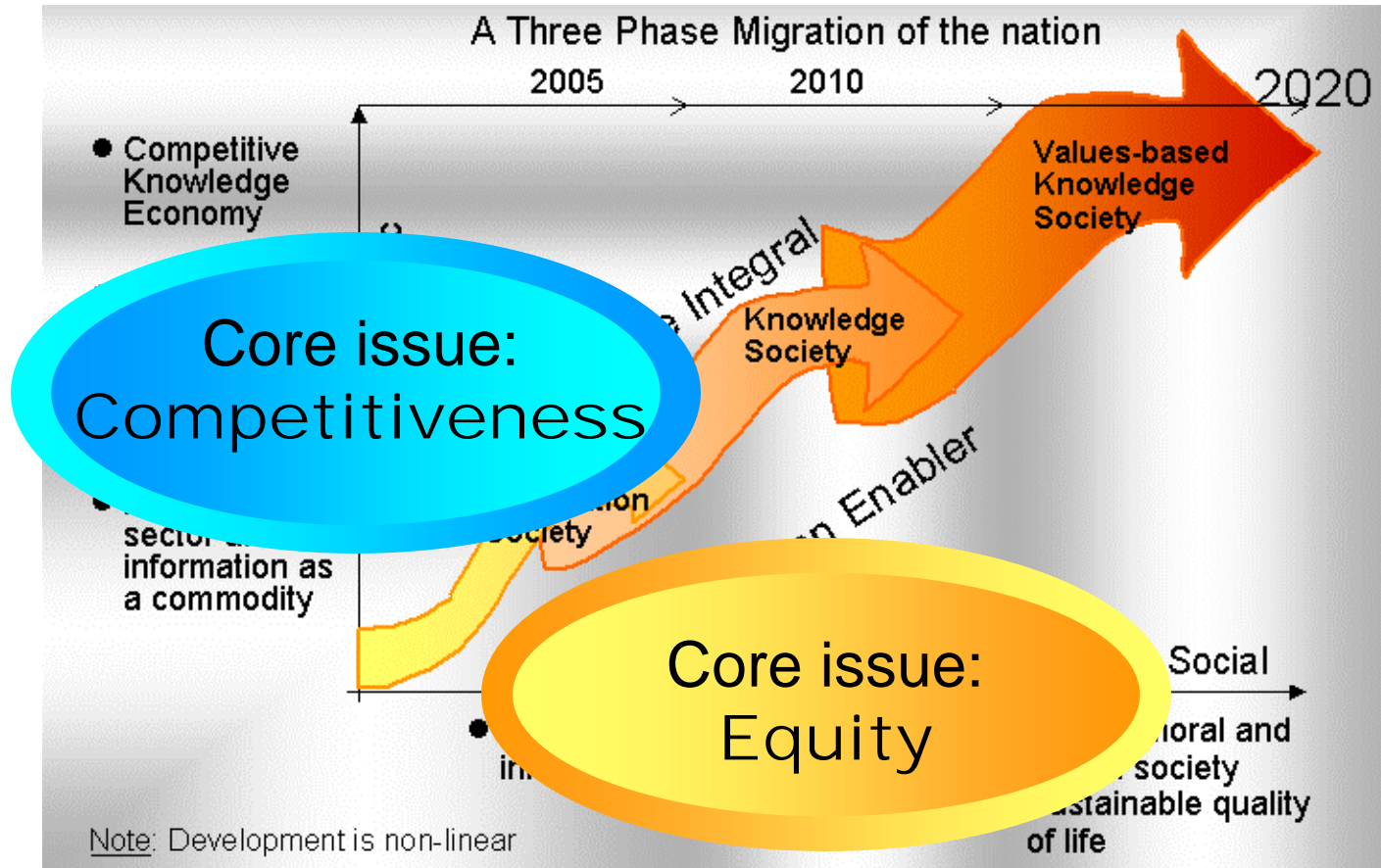
## National IT Agenda

*“from ripples to tidal waves”*

## National IT Agenda: A Framework for Continuing Growth with Equity



# The K-Malaysia Migration Strategy

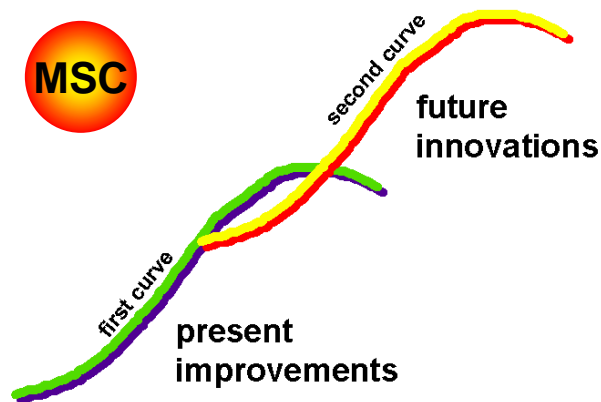


# Strategic Programme 2

## Multimedia Super Corridor



The MSC heralded ICT as a new sector of growth to develop knowledge-based industries



URL: <http://www.msc.com.my>

The MSC is an attempt to develop a dynamic industrial cluster for producing innovative ICT-based multimedia products and services to kick-start a content and applications industry

## The MSC Strategy: Leapfrogging Malaysia's development



# MSC key features to attract investment

- Ten-point Bill of Guarantees
- Seven Flagship Applications
- Cyberlaws and IP laws
- Cyber city: green-field site with comfortable living environment and advanced ICT infrastructure
- Strong government support

# MSC Bill of Guarantees

- Provide a world-class physical and information infrastructure
- Allow unrestricted employment of local and foreign knowledge workers
- Ensure freedom of ownership by exempting companies with MSC status from local ownership requirements
- Give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally
- Provide competitive financial incentives, including no income tax for up to 10 years or an investment tax allowance, and no duties on import of multimedia equipment
- Become a regional leader in intellectual property protection and cyberlaws
- Ensure no Internet censorship
- Provide globally competitive telecommunications tariffs
- Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub
- Provide an effective one-stop agency – Multimedia Development Corporation

# MSC Seven Flagship Applications

- e-Government
- Smart Schools
- Tele-health
- R&D clusters
- Multi-purpose card
- e-business
- Technopreneur development

And two special initiatives

- Creative multimedia cluster
- Outsourcing and shared services centre

# Cyberlaws and Intellectual Property Laws

- Communications and Multimedia Act 1998
- Malaysian Communications and Multimedia Commission Act 1998
- Digital Signature Act 1997
- Computer Crimes Act 1997
- Telecommunications Act 1997
- Optical Discs Act 2000
- Copyright Act 1987
- Trade Marks Act 1976
- Patents Act 1983
- Industrial Designs Act 1996
- Layout Designs of Integrated Circuits Act 2000
- Geographical Indicators Act 2000
- Trade Description Act 1972
- Intellectual Property Corporation of Malaysia Act 2002
- E-commerce Act 2006

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# Results achieved

- Awareness of ICT and knowledge revolution – initiating process of acculturation and social change
- New institutional capacity for planning and implementation
- Human and intellectual capital gains attention
- Innovation and value-adding processes and systems revisited
- MSC as global ICT and multimedia hub – work in progress with some early success
- Economic transformation has begun

# Ongoing Challenges

- Mindset change to knowledge paradigm: islands of activity but yet to take root across the board
- Lack of readiness – mental, intellectual, cultural, institutional, organisational: all sectors public, private, community
- Institutional set up: build new ones, reorient existing, close some?
- Scaling up programmes and projects when they succeed and killing them when they fail
- Equitable distribution of infrastructure and opportunities: BDD
- Execution and implementation: organisations, policies, processes

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# Lessons learnt (1/3 )

- ❖ Top-down strategic intervention approach has again proven its efficacy
  - Political will
  - Visionary leadership
  - Creative planning process
  - Institutional reform
  
- ❖ Social transformation and economic restructuring should be addressed as separate but complementary programmes
  - Comprehensive human development for intellectual and knowledge-based work and life activities
  - Economic restructuring needs government policy direction backed by strong incentives

# Lessons learnt (2/3 )

- ❖ Tri-sectoral partnership between public, private and civil society sectors
  - Democratising participation for inclusiveness
  - Contention vs cooperation
  - Mutually enabling and facilitating
  
- ❖ Communication and marketing
  - Clarity, consistency and transparency of policies and programmes
  - Show and tell

# Lessons learnt (3/3 )

## ❖ Learn by doing

- Learning, unlearning, and relearning
- Mistakes are allowed

## ❖ Knowledge economy is an economy of innovation

- Innovation is value creation
- Knowledge as ultimate source of value: R&D, etc
- Entrepreneurs are innovators: “creative destruction”
- Risk capital
- Talent war

Develop National Innovation Eco-system

**END**

thank you for your attention