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Malaysia’s Multimedia Super Corridor—Is Singapore’s Status as Southeast Asia’s Technology Capital Under Threat?

Dr. Serajul I. Bhuiyan
Lecturer, School of Communication Studies
Nanyang Technological University
Singapore

Abstract

This paper presents the growth and prospect of Malaysia’s Multimedia Super Corridor (MSC) and its impact on the region especially on Singapore. Located at the hub of Asia’s fastest-growing markets, Malaysia’s Multimedia Super Corridor (MSC) is a bold initiative—a regional launch site for companies developing or using leading multimedia technologies. Aiming to revolutionize how the world does business, the MSC will unlock multimedia’s full potential by integrating ground-breaking cyberlaws and outstanding information infrastructure in an attractive physical environment.

Malaysia has been very ambitious in aiming to reach a developed-nation status by 2020 by exercising technology advancement to meet the future challenges. Among the key points to achieve the goal is to optimize the application and development of IT by building a MSC that would fast-forward Malaysia into the 21st century.

By matching one of the world’s most advanced computer networks with generous business incentives, Malaysia plans to lure giant multimedia and information-technology companies to invest in MSC. The goal is to propel Malaysia beyond labour-intensive manufacturing into the outer reaches of the information age.

To achieve this promise, the government is building the Information Infrastructure (II), the electronic pathways that will carry vast quantities of valuable commercial, scientific, and educational information between individuals, companies and customers, doctors and patients, students and teachers.

There is plenty of hi-tech opportunity in Southeast Asia, and Malaysia aims to grab much of it. Malaysia’s ambitions to transform itself into a Southeast Asian hi-tech powerhouse are clearly setting off alarm bells in well-wired Singapore. This paper basically answers the different questions: Is Malaysia a real threat to Singapore’s hi-tech supremacy? What are the conducive policy issues Malaysia will consider to achieve its goal? What are the obstacles Malaysia would face to implement its plan? Is there any provision to protect the cyberproperty?

The paper concludes with a look at the prospect of entropy and shows that it will not affect Singapore because country keeps abreast of technology and preserves its cutting edge on competition and survival.

Introduction
With the recent breakthrough in the fields of communication and computer technology, IT has become key ingredient in the foundation of every successful
organization and institution of this age. Malaysia, one of the fastest growing countries in South East Asia, has been very ambitious in keeping abreast of the latest advancement in technology. The country is in an all-out drive to achieve its goal set for the year 2020, that is to reach a developed-nation status, by exercising technology advancement to meet the future challenges (Hamid, 1993). Among the key points to achieve the goal is to optimize the application and development of information technology (IT).

This multimedia super corridor is intended to nurture multimedia and IT related industries in restricted areas. It will consist of an advanced infrastructure of the information superhighway within Malaysia and the rest of the world to establish competitive advantage in the global village.

The MSC is a 750 sq. km area in the Malaysian capital stretching from the Kuala Lumpur City Centre, in which the world’s tallest twin towers are located, to a new airport which will be the biggest in Asia when completed in 1998. Malaysia outlined the plans to create the world’s first truly digital state with infrastructure, laws, policies and practices that will enable companies to explore the limits of multimedia.

The MSC will be a glimpse of the way the world might work in what the Prime Minister Dr. Mahathir called “The World Century”: a reference to his personal vision of a 21st century in which technological interdependence underpins peace. The MSC will be the first urban environment designed specifically to cater for the demands of an information society.

The passing of cyberlaws, designed to support the unique economy, has already begun. Malaysia’s parliament tabled a Digital Signature Act, Computer Crimes Bill, Copyright Act, Telemedicine Act and Multimedia, Intellectual Property Act. Further legislation will follow this year addressing multimedia convergence and electronic government.

In addition to the world’s tallest building and the region’s most modern airport, the MSC will have two intelligent garden cities, an electronic government administrative centre and a Multimedia University where virtual classes will be followed by students from around the world.

The technology driving the MSC will be of an unprecedented scale and power. A 2.5-10 gigabit per second Open Multimedia Network with ATM switches will combine with a 5 gigabit international gateway with direct links to the US, Japan, Europe and other ASEAN countries, all scheduled to be operational next year.

The MSC will have seven flagship applications, each designed to pioneer the strategy behind specific aspects of the electronic economy. Standards and solutions for each area are already being developed by the Malaysian government working in partnership with Microsoft, Sun, Netscape, EDS and IBM.

Malaysia’s MSC aims to revolutionise how Malaysians and others do business in the region. The MSC will be the regional launch site for companies developing or using leading multimedia technology.
These investments will generate a profit of RM6 million this year and RM113 million in 2001. A total of 5,325 knowledge workers are working in the MSC this year and this number is forecasted to increase to 14,391 in five years.

Total cost, including the new airport: a staggering 50 billion ringgit. The government will pay for some of this; the private sector will foot the bill for the rest under terms that are still being worked out. Deadline for completing all of it: 2005.

**Government Strategies to Implement the Project**
The government has identified six strategies to help Malaysia face the global competition. They include government’s incentives and role, R&D facilities, manpower needs, review of legislation and the strategy to make Malaysia an IT hub.

**Government Incentives and Role**
To lure multinationals, the government has promised generous tax holidays and offered to lift restrictions on hiring foreign experts. Among the incentives offered to investors are five-year tax exemption, duty free importation of multimedia equipment and R&D grants for small and medium-sized enterprises. Foreign companies will also be allowed unrestricted ownership of companies and freedom to bring in as many foreign workers as required.

MSC status companies can enjoy both financial and non-financial incentives. The financial incentives include tax exemption from the Malaysian income tax for up to 10 years or a 100 per cent Investment Tax Allowance on new investments made in MSC; duty-free importation of multimedia equipment; and R&D grants for local small- and medium-size enterprises (SMEs).

Meanwhile, the non-financial incentives include unrestricted employment of foreign knowledge workers, freedom of ownership, freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally. The 15 recently approved MSC companies are expected to invest a sum of RM47.4 million, which is expected to increase to RM253 million in year 2001.

The government has also pledged not to censor the Internet and to pass new laws protecting intellectual property and making electronic commerce possible. The prime minister, Dr. Mahathir, hopes these policies provide a more information-friendly environment than that found in Singapore.

Malaysia is offering the world's technology leaders what is essentially a tabula rasa, a facility that will be built to their specifications, based on their input. The Malaysian government has promised the Silicon Valley moguls that the corridor would enable them to explore the information age without any of the usual constraints that frustrate them.

So far, the Multimedia Development Corporation (MDC), the caretaker of the Multimedia Super Corridor project, has to date approved the applications of 19 companies for MSC status. Included in the number are four pioneer companies for the status - Mimos Berhad, Telekom Malaysia Berhad, Nippon Telegraph and Telephone Corporation of Japan or NTT, and Sun Microsystems. An additional 15 applications have recently been approved and another 55 applications are still being
processed. Alta Vista Internet Software says it will build a "mirror" site of its United States-based Internet guides and search engines to speed up online service. Oracle, the software giant, will set up a telecoms unit.

**Research & Development at MSC**

The R&D Cluster flagship application will help to ensure that the MSC is an attractive location for companies to develop next-generation multimedia technologies and innovations. Three core elements of the R&D cluster flagship will help to achieve this: first, the encouragement of corporate R&D; second, the creation of a new Multimedia University; and third, the development of large-scale R&D pilot projects.

A number of agencies, institutions and companies will provide support to R&D initiatives within the MSC. Among these are the Multimedia University located in Cyberjaya to meet the manpower needs of R&D companies operating in the MSC. The University has already commenced operations in temporary premises, and is expected to be operational in its new campus by the end of 1998.

Companies located in the MSC can also draw on the expertise of existing universities located within and near the corridor: Universiti Putra Malaysia, National University of Malaysia, MARA Institute of Technology, Universiti Malaya, Tenaga Nasional University, Universiti Telekom Malaysia, Technology University of Malaysia and the Malaysia University of Science and Technology.

The Malaysian Institute of Microelectronics Systems (MIMOS) located in the MSC is the national focal point of technological competence in microelectronics and information technology. Its main objective is to develop an indigenous capacity in the rapidly changing multimedia environment. It is currently undertaking two flagship R&D projects relating to wafer and chip technology, and national broadband communications test bed.

The Technology Park Malaysia (TPM) located in the MSC aims to promote high technology by offering a comprehensive range of incubation and other support facilities particularly to start-up companies. Presently, there are 40 companies housed in the TPM of which 29 are involved in multimedia/IT activities. It will cost an estimated 2 billion ringgit ($800 million) to wire the corridor for high speed transmission of video, voice and data on the Internet. And the government plans to build two new "intelligent" cities in the zone: Putrajaya, the new administrative capital, and Cyberjaya, a new education and research-and-development centre.

It might all sound like a futuristic fantasy, except that Mahathir has a proven track record. Over the past 16 years, the prime minister has transformed his once-sleepy backwater into an economic powerhouse.

**Manpower Needs**

The Malaysian government projects that the country will continue to have a severe shortage of information-technology workers for the next decade. And salaries for qualified personnel are soaring.

To tackle the shortages of labour and creativity, the government promises to let companies bring expatriates into the corridor hassle free. Still, many firms won't be
interested in importing foreigners for long periods of time. However, the cost of expatriates is too high.

To fulfil the manpower needs, the government is promoting computer literacy among the younger generation and building a sufficient pool of skilled personnel particularly in systems development and operations, data management, quality control, technical advisory and training services through programmes such as introducing Information Technology as a school subject, setting up computer clubs and laboratories, and implementing the Integrated Computerization Plan and Computer Integrated Learning System.

The economic situation in Malaysia shows that although the economy has expanded by leaps and bounds, it has failed to produce a sufficiently large knowledge-based workforce. Thousands of vacancies cannot be filled because there are insufficient numbers of people with the right skill and training to take on jobs. One way to overcome the problem is by creating new concessions to allow the influx of foreign experts. During their working activities, these experts are obliged to impart knowledge to the locals under their supervision. Only by exercising knowledge-transfer activities in all levels of organization, Malaysia will be able to reduce its dependency on foreign experts.

It is also important to take note that global circumstances have forced Malaysians in general and the workforce in particular to change not just work habits but also the personal attitudes. Everybody now needs to adapt and participate in the dawn of a new technology. With a greater access to educational opportunities as well as increasing emphasis on human capital investment, Malaysian workforce are expected to be more educated and better trained.

An educated and skilled workforce would be a critical factor in achieving the country's Vision 2020 as the competitiveness, productivity, innovativeness and capability in the management of new technologies in Malaysia would, to a large extent, be determined mostly by the quality of the country's human resources.

By abolishing sales tax on computer equipment, Malaysians have more purchasing power on the products than other people in the neighbouring countries. This incentive not only enables the people, institutions or companies to purchase any computer equipment at affordable prices, it also encourages the establishment and growth of local computer companies.

**IT Legislation**

More than 5,000 complaints of piracy and copy infringements were lodged with the Domestic Trade and Consumer Affairs Ministry between December 1989 and March last year which includes piracy of computer software. More than half of these cases were solved last year and the Ministry continuously work to resolve the rest of complaints. This shows the seriousness of Malaysian Government to reduce such offence and the importance of promoting public awareness on copyrights.

**Computer Purchase Incentives**

By abolishing sales tax on computer equipment, Malaysians have more purchasing power on the products than other people in the neighbouring countries. This incentive
not only enables the people, institutions or companies to purchase any computer equipment at affordable prices, it also encourages the establishment and growth of local computer companies.

Malaysia an Asian IT Hub?
The country has the potential to be developed as an IT hub in Asia. This can be done through creating an environment conducive for Malaysia to be used as a regional center by international firms for high value-added IT activities such as software development, IT consulting, training and education, and research and development.

Since the multimedia super corridor is geared towards transforming Malaysia into an information technology hub, it will support the natural shift in technology and equip Malaysia to take on not only the latest but also future innovations. Since Malaysia has also set up technology parks to accommodate activities mentioned above, which are research & development, training & education, IT consultation and software development, the multimedia super corridor and technology parks will be effective media in supporting the country to achieve Vision 2020.

The MSC is Prime Minister Mahathir's bold initiative and he is determined to make it work. But is it, as some analysts believe, too ambitious?

The Challenges and Problems Facing Implementation of MSC
Western experience shows that monopoly's don't work. In the approach that Malaysia has taken to building the MSC, and given the relative technical and managerial weaknesses at Telekom Malaysia - which is the sole builder of MSC infrastructure - as the sole infrastructure supplier. To make it competitive Malaysia has to have some way of persuading Telekom to spend a lot of money.

Malaysian government puts its efforts to build MSC as Silicon Valley in Asia. But Silicon Valley has a kind of surf or rock and roll' culture. Does Malaysia have the right kind of culture to develop multimedia? The reality depends on various factors—future economic growth, multinationals' willingness to stay long and international politics.

Malaysia has a number of infrastructural weaknesses, with power cuts, poor telephone connections and so on. It is very difficult to assure investors they won't face similar problems in the MSC. It is a fact that western countries are often reluctant to share their technology with developing countries. It is not known yet whether this will impact on the MSC.

It is customary to predict that investors in the MSC will have to be sure that there will be a market for the products they might create. The reaction of other Asian partners is not clear yet. However, almost every country in Southeast Asia is interested in the latest IT developments.

What exactly is the super corridor idea that this power elite wanted to hear about? That is a question even the experts find hard to answer. On the surface, it seems simple enough: a 15 km by 60 km corridor that will be set aside for computer-based information technology companies. Serviced by a digital 2.5 gigabyte fiber optic backbone, it will extend from the world’s tallest building, the Petronas Twin Towers.
in central Kuala Lumpur to the new international airport being built south of the capital. Within the zone will be two other megaprojects: the new administrative center, Putrajaya, and a new intelligent city, Cyberjaya, where -- it is hoped -- the IT moguls will locate some of their businesses. These could range from administration offices to manufacturing plants to research and development. It is easy to plan but difficult to implement to its fullest strength. All that may not be enough. Man-power is a big problem.

The government is well aware that an efficient and reliable infrastructure is essential if Malaysia's rate of economic growth is to continue. The Seventh Malaysia Plan lays out ambitious directions for the sector and financing has been put largely at the door of the private sector. The focus is on high-tech industries with the spotlight on the Multimedia Super Corridor, a state-of-the-art industrial, commercial and residential zone south of Kuala Lumpur. Malaysia's most pressing weakness in infrastructure is currently power: blackouts and brownouts are all too frequent. On the other hand Singapore has an excellent and efficient infrastructure.

The telecommunications sector, meanwhile, is over-crowded. But the government seems to be allowing the situation to resolve itself without interference.

Shortages of skilled and unskilled workers and resultant wage rises are expected to worsen, at least through end-decade, causing hesitation among investors looking for cheap labour. To meet the shortage of skilled workers, Kuala Lumpur is encouraging professional Malaysians working abroad to return home. Unskilled workers, mostly from Indonesia, Bangladesh and the Philippines, are also being imported.

Malaysia would like to be the regional leader in intellectual property rights and cyberlaws but it does not have perfect laws yet.

Malaysia versus Singapore: Can MSC threaten Singapore’s status as IT hub?
All the impressive plans have put Malaysia on a competitive course with Singapore, which has long courted foreign firms with its own top-flight infrastructure and incentives. In the race for dominance in Southeast Asia, Singapore leaders fear their poorer but larger neighbour will be chasing the same multinational firms, investment capital and limited pool of "knowledge" workers. "We will face stiff competition from Malaysia," Senior Minister Lee Kuan Yew told university students in November, ticking off its new container ports, new airport, new highways, high-speed railway and the multimedia corridor. "Policies that we adopted which have made for our success are now followed by our neighbours," Lee said.

Still, Singapore should be taking the Malaysian project seriously. The world's leading information-technology companies certainly are. Gates and two dozen other cyberbarons have pledged to serve on an advisory panel for the project. No small feat given that many are sworn enemies who regularly snipe at each other in the battle to shape the future of computing. Among them: Oracle Chief Executive Larry Ellison, Hewlett-Packard Chairman Lew Platt, Sony President Nobuyuki Idei, Netscape Communications President Jim Barksdale and Sun Microsystems Chairman Scott McNealy.

The facility which will stretch from Kuala Lumpur south to the new international airport is now under construction. Organizers envision a futuristic mix of research-
and-development operations, software houses and command centres for running manufacturing operations throughout the region (Hiebert, 1997). The hope is that Malaysia will be able to feed Southeast Asia's growing hi-tech markets while carving out some of its own world-class information-technology niches.

However, today, aside from the airport construction project, there's little in the corridor outside of Kuala Lumpur. Indeed, the project represents a phenomenal leap of faith by the Malaysian government. Nobody knows what the facilities will ultimately look like, which businesses will come here or where they'll sell their products and services.

The challenge will be coordinating a host of different projects, partners and policies at the same time. It will be hard for a planning organization to keep pace with something this large. However, the landscape is evolving at lightning speed.

So far, most of the policies and incentives Malaysia has proposed are fairly general. Just how much investment the corridor generates will depend on the fine print. If there are any surprises in the next year or two, if the cyberlaws talk of limited censorship, they'll blow the whole thing out of the water.

Many also question Malaysia's ability to foster a hi-tech zone given the present quality of its infrastructure. Last year, a power blackout darkened much of Peninsular Malaysia not long after Mahathir first unveiled the Super-Corridor concept. From phone lines to computer networks, Malaysia's infrastructure remains far weaker than Singapore's.

And then there's the question of labour, perhaps the biggest obstacle to Malaysia's hi-tech future. Despite its thundering economic growth, the country remains woefully short of engineers and other technology-savvy workers. The Global Competitiveness Report ranks Malaysia 28th in the world in computer literacy, while it puts Singapore second.

As the corridor develops, there will be enticing opportunities to sell hi-tech hardware and software. The government has proposed eight flagship projects, including wiring an electronic government, equipping schools with computers and Internet connections, and creating telemedicine with which doctors can consult with patients in remote locations. All of this will make the Malaysian government a potentially huge customer.

And the rules for doing business in the zone will be favourable, the authorities insist. Indeed, companies will enjoy freedoms there that don't exist in the rest of Malaysia. Example: Firms won't be subject to affirmative-action laws mandating the hiring of economically depressed bumiputras (mainly ethnic Malays). Nor will they be subject to regulations requiring companies to allocate at least 30% of a project's equity to bumiputra interests. Getting around these rules which are the backbone of the country's economic policy is no mean feat in Malaysia.

Prime Minister Mahathir Mohamad has also pledged to refrain from any censorship of the Internet. Whether this is being used as a card against Singapore's restrictive policies is unclear, but all in all, the guarantees signal a quantum policy shift within the zone.
Organizers are even talking about technological guarantees. Given Malaysia's recent problems with providing a consistent power supply, that's quite a promise. What's more, there are other choices in Asia. Taiwan, South Korea and Japan are way ahead on the technology ladder. China's huge market offers incentive enough for investors. And countries from India to the Philippines are competing for manufacturing facilities with large pools of English-speaking technicians. India, in fact, ranks second after the U.S. in designing software.

But there's plenty of hi-tech opportunity in Southeast Asia, and Malaysia aims to grab much of it. The challenge fuels deep-seated Singaporean fears of being overtaken by its neighbours. In August, 1996, Premier Goh Chok Tong warned the nation that: "Singaporeans will have no choice but to work smarter and harder. If we fall behind and cannot make a living, we may have to ask to rejoin Malaysia." The analysts persistently ask the question: Does Singapore need to worry about Malaysia's plan of IT hub? If not, then why?

**Singapore’s “The Next Lap- IT2000” - A Vision of an Intelligent Island**

Singapore government formulated a plan to chart the future direction of Singapore - to be a developed country, the first developed city of distinction in the tropics, a city of gracious living and a cultured society. The National Computer Board's (NCB, 1997) response to the realisation of this vision will bring about new national competitive advantages and enhancements in the quality of life of the people of Singapore.

Singapore is not just talking about it's upgrading of its own facilities. Under a programme called Singapore ONE, the entire city state is being wired: By the end of 1998, 95% of households and most offices and schools will have access to a range of electronic government services, multimedia applications and business transactions.

Fourteen multinationals, including Microsoft, IBM and Hewlett-Packard, agreed to invest S$100 million ($71 million) to develop content, services and technology for this giant information network. The government is spending another S$82 million to develop online education, information and entertainment services including S$1.5 billion for the installation of 100 new computers in each of the city's schools by February 1998.

The opportunities have brought outside firms to the island. It has generous grants and tax benefits for hi-tech firms. Revenue from Singapore's information-technology industry grew a hefty 34% in 1995 to S$6.7 billion, and preliminary figures show it surged another 30% last year.

Over the past decade, Singapore has deliberately prepared itself to meet the new challenges of the information age. It has developed a substantial national information technology (IT) capability. A positive environment exists for the private and public sectors to collaborate in exploiting IT for national competitive advantage (NCB, 1997). "The World Competitiveness Report" has, in recent years, placed Singapore among the top nations in the world in terms of strategic exploitation of IT by companies, computer literacy of workers and telecommunications infrastructure.
Singaporeans will be able to tap into vast reservoirs of electronically stored information and services to improve their business, to make their working lives easier, and to enhance their personal, social, recreational and leisure options. Text, sound, pictures, video, documents, designs and other forms of media can be transferred and shared through the high capacity and high speed nationwide information infrastructure made up of fibre optic cables reaching all homes and offices, and a pervasive wireless network working in tandem.

This information infrastructure will also permeate Singapore's physical infrastructure making mobile telecomputing possible, and its homes, work places, airport, seaport and surface transportation systems "smarter". A wide range of new infrastructural services, linking government, business and the people, will be created to take advantage of new communications and tetherless network technology.

In its vision, some 15 years from now, Singapore, the Intelligent Island, will be among the first countries in the world with an advanced nationwide information infrastructure. It will interconnect computers in virtually every home, office, school, and factory. The computer will evolve into an information appliance, combining the functions of the telephone, computer, TV and more. It will provide a wide range of communication means and access to services. The vision of the IT2000 is based on the far-reaching use of IT.

Singapore ONE will be implemented in two overlapping phases. Phase 1 (1996 - 2001) will start with the selective deployment of a pilot core broadband network. The pilot network will comprise several broadband ATM switches linked to offices, public places and homes via existing local access networks.

By 1997, Singapore ONE will pilot the services like, access to schools' curriculum materials from homes, access to the digital library from homes, high speed Internet access from homes, commercial services for homes, virtual government services in public sites, each offering four or five services. For a start, 300 homes will pilot the various services on Singapore ONE. This could be scaled up to over 5,000 homes. Phase 2 (1999 - 2004) will see the network grow in capacity as more switches and cables are added. More applications will come on-stream. Over the years, as cost declines, home connections may be upgraded to fibre or other advanced technologies to allow home users to take full advantage of the high bandwidth of Singapore ONE. Private sector activities will gradually become the main driving force for the network.

Moreover, the mission of the National Supercomputing Research Centre (NSRC) is to enhance Singapore's global competitive position through effective use of high performance computing in research, manufacturing, and services.

So, is Singapore's early lead threatened by Malaysia's grandiose new scheme? The Singaporeans most involved in these hi-tech industries don't think so because Singapore has had 15 to 20 years of experience and a head start.

Still, Malaysia will vie for the same investment funds and workers the Lion City has long courted. Singapore and Malaysia are fighting for the same Japanese and Korean capital. However, there will be healthy competition.
One factor favouring Malaysia is its commitment not to censor the Internet. Singapore's three Internet providers block users from directly accessing the World Wide Web and deny access to sites blacklisted by the government.

The rising cost of labour and rent hurts Singapore, too. When Microsoft chose to locate its regional headquarters in Kuala Lumpur, the decision was based mainly on "the cost factor".

In the end, though, if the Multimedia Super Corridor brings in business, the whole region is likely to benefit. The MSC makes life more exciting. However, experts don't see it as a threat. The notion that the size of the cake is fixed is never so in information technology. The cake is always growing. In the beginning, there will be competition. But together Malaysia and Singapore will be successful in generating interest in the whole peninsula. In the end, both will benefit.

Singapore's rivals who challenge its business supremacy are like someone being chased by tigers with a cliff in front. The tigers are closing in fast but the cliff is difficult to scale. The tigers are the dynamic economies like Thailand, Malaysia, Indonesia and China. The cliff is the formidable challenge posed by the developed countries.

The Lion City has long cast a wary eye over its shoulder to size up the larger but poorer economies nearby. These days, it feels threatened by what it sees. Consider the army of 25,000 workers assembled at a dusty former oil-palm plantation south of Kuala Lumpur. They're battling to complete a huge new international airport by an early-1998 deadline. It will cost 9 billion ringgit ($3.6 billion), and planners intend to lure the same international carriers that now head to Singapore's Changi airport, about 45 minutes' flying time to the south.

If they succeed, they'll redraw Southeast Asia's economic landscape a fact that's not lost on Singaporeans. At the end of 10 years, Singapore may no longer be No. 1 in every field. There's not much Singapore can do.

Over the past three decades, Singapore's economic performance has been a blistering success by any measure. But that has brought labour shortages and soaring land costs, cutting into its edge at a time when other economies are charging ahead. The environment for Singapore is becoming more competitive. It's not because Singapore isn't doing fine, but because the rate of change in other places is picking up. Of course, the rest of the region still has plenty of catching up to do.

Singapore enjoys a wide lead in both infrastructure and technical know-how. In Malaysia, not a single American airline currently flies to Kuala Lumpur, one reason its airport served only half as many passengers as Singapore's did in 1995.

Singapore's super-efficient port is also miles ahead in the competition. Container traffic surged 9.3% in 1996, and a 26 berth hi-tech container port is now under construction to meet demand into the next century.

But there are rising challenges from Malaysia, Thailand and Indonesia, countries that have become weary of paying their neighbour to ship their thriving exports.
Malaysia is also competing with Singapore as a regional hub for multinationals. Besides Microsoft, Malaysia recently snared Swedish furniture maker Ikea, computer manufacturer Packard Bell and software giant Oracle. According to a recent study on labour costs (Bauer and Tan, 1995, Singapore's export competitiveness vis-a-vis Malaysia and Thailand plunged 29% between 1980 and 1994.

Even Singapore's once-secure title as Southeast Asia's shopping paradise is no longer secure. According to estimates by the International Council of Shopping Centres, Singapore's shoppers in 1995 spent a whopping S$2.6 billion ($1.9 billion) in Malaysia's glitzy new malls, at a time when Orchard Row's high-priced retailers were hurting.

Political Commitment
PM Mahathir tries to sell the megaproject idea. Mahathir, the force behind Malaysia's national car and giant Petronas Twin Towers, is seen by many as the key to turning this dream into reality. He has track record of successful leadership. Mahathir is a driver, he will make it. But others are anxious that the 71-year-old Prime Minister might not be in the job long enough to complete the project. What if his successor isn't as open as Mahathir is? But it seems that his deputy Anwar Ibrahim is picking up his ideas very well.

If he is, just how important will Malaysia's corridor become? Malaysia could be a hub for a lot of Asia activities. But will it be the only hub? Probably not. Multinationals won't put all their jewels in one crown. Some believe that Malaysia will struggle in luring hi tech research-and-development operations into the corridor. There's just not enough expertise there.

Conclusion
Malaysia's Multimedia Super Corridor—Is Singapore's status as Southeast Asia's technology capital under threat? The answer is “NO”. It is not a question of threat but an opportunity for mutual cooperation. A close look at the Malaysian hi-tech plan, however, suggests that Singapore is being too alarmist. It will take Malaysia years to narrow the technology-infrastructure gap, and even longer to train a workforce anywhere near as educated as Singapore's. What's more, some analysts say the information-technology business isn't necessarily a zero-sum game: If the Multimedia Super Corridor succeeds, both Singapore and Malaysia could benefit. The two countries can benefit from each other. There should be the policy of being complementary not competitive.

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