Chapter FIVE
THE ROLE OF THE GOVERNMENT

5.1 Introduction

In Malaysia the public sector remains its largest economic actor, weather measured in terms of employment, expenditure or revenue. The changes in the Internet will bring about in the way Governments manage these vast resources, especially in the way they interact with businesses. This will ultimately have a deep impact on the economy, especially the competitiveness of its enterprises and its ability to attract foreign investment.

Enhancing the overall competitiveness of the economy is another reason for Governments to embrace the Internet. And if in the old economy an efficient

Government was a key factor for successful development strategies, a good e-Government will be equally important for the new economy.

This chapter shall specifically look at the Malaysian Governments role as a driver for Electronic Commerce in Malaysia. We shall briefly review current policies, strategies, and the bodies and agencies have been put in place to implement and guide industries in adopting Electronic Commerce.

This chapter will also touch on why the adoption of an E-Government is key in providing the necessary push for our industries to jump into the Electronic Commerce bandwagon. Apart from helping in the more efficient use of a significant share of the nation resources, an Electronic-Government will provide an example and an incentive for firms to adopt e-business practices.

The Internet, with its capacity to allow the sharing of information across organizations, creates new opportunities to reorganize and network Government services so that they could become more user-centered, transparent and efficient. Governments have a crucial responsibility in the areas such as the regulatory framework for Electronic Commerce (including rules for e-contracts, consumer protection, taxes and privacy), insuring competitiveness of telecommunication services or equipping the population with Internet skills.

5.2 Policies, Strategies and Agencies

The Government has taken a number of steps to assist SMEs, including providing institutional support and technical assistance, implementing productivity and quality enhancement schemes, redefining SMEs and launching new programmes. The formation of Small and Medium Industries Development Corporation (SMIDEC) in 1996 has provided institutional support and technical assistance. Its main function is to provide effective leadership through the formulation and implementation of focussed strategies and programs for the long-term development of SMEs such as Electronic Commerce.

One of the main aim of the National IT Council (NITC), a think tank and advisor to the Government on IT development formed in 1994, is to promote the notion that for Malaysia to be competitive she must embrace the k-economy and create world class enterprises that can compete globally with the edge in price, quality, delivery and costs.

The primary goal for NITC agenda is to facilitate the migration of Malaysian and institutional structures into the e-world and to engender the requisite mindset in our people to successfully participate, develop and grow in the increasingly networked global society of the 21st century. MIMOS Berhad, as the secretariat to NITC, assists and supports its activities, including the development and realization of National IT Agenda -NITA.

The Multimedia Super Corridor (1995) was the earliest strategic initiative of NITC. The National IT Agenda (NITA) was launched in 1996 by the National IT Council to provide the foundation and framework for the utilization of information and communication technology (ICT). As an added aspect of NITA realization, the NITC has formulated the NITC Strategic Agenda- a strategy for Malaysia's migration to the e-world.

The National IT Framework (NITF) is a strategic combination of key components, 1) info-structure which includes hard infrastructure such as hardware and the relevant telecommunications components, soft infrastructure like databases, networks, laws and regulations. 2) People and 3) applications development.

The third initiative, the 5 Strategic Policy Thrusts were rolled out in 1998, which is a strategy for Malaysia's migration into the E-World. It highlights the need to address five critical ideas critical to us namely, E-Community, E-Public Services, E-Learning, E-Economy and E-Sovereignty.

The MSC initiative is a project that intends to transform the Malaysian economy from an agricultural and manufacturing economy into an information economy by 2020. The project started in 1996 and to date has 322 companies that have been granted MSC status.

Amongst the incentives introduced by the Government is the absence of censorship on the Internet, and up to 10 years of tax-free status for companies with MSC status. A comprehensive set of cyber laws was enacted as part of Electronic Commerce enabler initiative. In 1997 the parliament passed the Digital Signature Act. This allows for certification authority as well as PTI technology to be introduced into the country.

In addition to that there is a tightening of the Copyright Act in 1997, where it now also looks at unauthorized access of databases and there are provisions in the act that prosecutes hackers. In 1999 the Consumer Protection Bill was passed and the Data Protection Act followed soon after that. As a result of the digital signature Act in 1997, there are now two certification authorities.

Essentially they were established to enhance trust on the web, to legally accept and recognize electronic signatures, and also to facilitate cross border certification. In order to operate certification authorities, you need a license. Basically one is the establishment license and the other one is an operational license.

The MSC has launched the MSC central incubator in Cyberjaya. This has been identified as the nucleus for the National Incubator Network that will link eight other centers which are already in operation including Technology Park, UPM – MTDC Incubator and the Kulim High Technology Park. It will also facilitate the sharing of resources and networking with other incubators in the international arena specifically Australia, Canada and Scotland.

Currently MDC has a total of 13000 ICT small and medium scale enterprises and the aim is to have 3000 by 2003. Compare this with Silicon Valley, which has 7000 SMEs with an annual growth of 500-600 SMEs. The MSC central incubator has access to MSC's telecommunication infrastructure, research facilities, networking opportunities ands venture capital funding.

One example of B2B is Mybiz by Hitechniaga. It enables small and medium based industries to order and bid for prices in a multiple buyer multiple seller-trading environments. B2C Jaring Mall of Malaysia is and Internet shopping facility hosting various business offering products in many categories. Business to Administration. Transactions between businesses and Government agencies. E Government, all Government agencies will be equipped with multimedia technologies.

Another Electronic Commerce enabler is the electronic payment gateway. MAPS together with the banks have set up this gateway, which supports both SET and SSL protocols.

Matrade is enhancing its role as a trade infomediary by adopting ICT to promote export growth. It is also using Electronic Commerce as a tool in accessing export markets and enhancing the profile of made in Malaysia products and services. Matrade will web enable its core databases of Malaysian manufacturers and develop an online trade inquiry system in order to match with foreign buyers.

Matrade, SMIDEC, NPC, MTDC are continuously conducting business workshops and seminars on IT basics and conducting business on the Internet.

There are many Government loans and grants available to SMEs. One such grant is the 20million allocation Electronic Commerce grant to assist SMEs to integrate into mainstream ICT. The Government pays 70% of project costs with a maximum of RM10k a company. This loan is available form MATRADE.

The RosettaNet initiative is an example off the Government providing a boost for the local Electronic Commerce market. Under it, the Government is proposing a RM 5 million grant to encourage SME to participate in global supply chain management for online and real time procurement, production and logistics management.

Despite these efforts, low awareness and the fact that many SMEs dread going though the red tape to get the grants are major stumbling blocks. Recently MITI announced a set of revised loan schemes for SMEs including raising the ceiling on financial assistance, expanding the scope of activities, relaxing the rules and standardizing the selection criteria.

Our legislative and regulatory environment should be harmonized with those of our trading partners in order for Electronic Commerce to flourish. Our environment must be favorable and must provide a low cost alternative to retain Malaysian cyberpeneures and to attract foreign cyberpeneurs and application and

content developers to relocate to Malaysia. Our regulatory environment must not place local entrepreneurs at a disadvantage compared to their foreign competitors.

Opening up of the telecommunications industry is key to increased universal access to the communications network infrastructure, which is critical for the conduct of Electronic Commerce. To complement the liberalization of the fixed network and cellular industries, all fixed network operators have been granted ISP licenses, lo dial up Internet access rates fixed, equal access implemented, the cap of foreign equity raised from 30% to 49%, and on case by case basis, subject to a period of 5 years up to 60%. Also, a new law for the converging industries of telecommunications, broadcasting and computing was enacted in 1998.

Security and privacy issues need to be addressed to encourage a more rapid uptake of e- commerce. Intellectual property and consumer interest also needs to be protected. In order to promote trust, confidence, security and privacy to facilitate Electronic Commerce, the Government has enacted the Digital Signature Act 1997, the Telemedicine Act 1997, the Computer Crimes Act 1997 and amended the Copyrights Act, 1997.

Among the principle technologies directly enabling modern Electronic Commerce are computer networking, telecommunications, client/server computing, multimedia, information retrieval systems, EDI, message handling and workflow management.

5.3 Electronic Government

As the largest economic actor, the Government, through e-Government, can accelerate the change in mentality that is needed for Electronic Commerce practices to spread among private sector enterprises, particularly in the small and medium sized enterprises. Just as some larger corporations have forced their suppliers to adapt Electronic Commerce in order to keep doing business with them, the Government can stimulate the introduction of Electronic Commerce by demonstrating the potential of the Internet by encouraging the private sector to adopt e-practices in their dealings with Government agencies.

Malaysia launched its own e-Government initiative as one of the seven MSC Flagship applications. The electronic procurement is an application within the e-Government with the aims to 're-engineer, automate and transform the current procurement system'. The system should provide substantial cost savings and faster turnaround times. Suppliers who include the SMEs should benefit greatly from this transparency.

As in the private sector, adopting e-Government practices will allow the Government to achieve significant savings in areas ranging from procurement to personnel management. Not only can resources be saved, but also the quality of services provided to the citizens can also be improved. E-Government will also provide an example for firms (especially SMEs) to adopt e-business practices, thus propagating efficiency gains to the economy as a whole.

According to UNCTAD Electronic Commerce and Development Report (2001), many Government agencies in the electronic world have set up websites that provide information on their services, include downloadable forms that can be submitted offline and let users interact with the staff of the agencies through e mail. However very little can be said to have real e-Government tools that support formal transactions, such as payments or the creation or transfer of legal rights. These sites tend to replicate procedures of offline services and do not support transactions that involve more than one agency.

In Malaysia, one would have to move towards total e-Government incrementally. Most agencies are at the first phase of concentrating on relatively simple applications on the Internet. As the demand for e-Government grow, and agencies progress in their understanding of its benefits and the changes it requires, e-Government in Malaysia must be stepped up in which portals integrating a wider range of online transactions in a secure environment will be more widespread.

Government agencies must overcome obstacles derived from their sheer size and complexity, addresses concerns about inequality of access to the Internet and revise how they operate and organized. They would also have to deal with poor computer literacy and lack of awareness. Also, concerns about integrity and confidentiality of sensitive data Government agencies usually collect would have to be addressed.

One of the objective is to build a comprehensive Government portal so that people can use it to find information or carry out transactions without having to deal directly with the various agencies that can be involved in a single 'life event' such as setting up a small business.

Businesses need to be made aware of the availability and advantages of e Government services. It provides an excellent opportunity for new partnerships with the private sector, which will contribute financial resources and its experience in Electronic Commerce.

TNCs must play their role as anchor companies working with SMEs for technological and managerial upgrading by adopting SMEs and coaching them. They should open doors to provide opportunities with other international partners.

Transnational Corporation (TNC)- SME linkages has a positive impact on nominal growth and development. However Governments must act as a catalyst by providing a continuously improving logistics and educational infrastructure, with continuos private and public sector dialogue.

Governments must prioritize Government to business services (G2B), in which efficiency gains are more likely to translate into improved competitiveness as a whole. Governments must also build up critical mass by making citizens and businesses aware of the availability and advantages of e-Government services.

5.4. Conclusion

The Government should continue to participate in organizations such as the World Trade Organization (WTO), United Nations Commission on International Trade Law (UNCITRAL), Organization for Economic Corporation and Development (OECD), Asia Pacific Economic Corporation (APEC), Association of South East Asian Nations (ASEAN), and the European Union (EU).

In November 2000, ASEAN entered into an e ASEAN Framework. The e ASEAN initiative establishes a region wide approach to making comprehensive use of information and communication technologies in business, society and Government. Agreement to facilitate the establishment of an ASEAN Information Infrastructure- the hardware and software systems needed to access process and share information – and promote e- commerce in this region. It binds member countries to facilitate interconnectivity and technical interoperability among their telecom system and equipment.