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For Immediate Release

Undersea Cables: 21st Century Highways to a Digital Selat Melaka

On March 29th 2021, Facebook announced plans to lay two new undersea cables connecting Singapore and Indonesia with North America in a partnership with regional telecommunication companies and Google. The two cables, Echo and Bifrost, are in the process of receiving domestic regulatory approval and are scheduled to be completed in 2023 and 2024, respectively.

There are likely to be a number of factors as to why Malaysia was excluded from this investment decision, one of which is the national cabotage policy that has impacted Malaysia's appeal as an investment destination and is likely to deter further investments from global technology companies.

Why was Malaysia bypassed?

According to Datuk Seri Ir. Dr. Wee Ka Siong, Malaysia's Minister of Transport, the decision to skip Malaysia is unrelated to the cabotage policy and is instead due to the lack of data center infrastructure in Malaysia. However, Malaysia is currently home to a number of data centers. As recently as February 2021, NTT Ltd, a global technology services company, announced the launch of its fifth Malaysian data center. Arizton Advisory and Intelligence's report on "The Rise of New Data Centre Growth Markets" illustrates the opportunities in Malaysia, stating that our data center market size is likely to reach revenues of over \$800 million by 2025.

The Ministry of Transport's justification is inconsistent with the recently-launched Malaysia Digital Economy Blueprint, where the Prime Minister, YAB Tan Sri Muhyiddin Yassin shared that the Government has provided conditional approval to four cloud service providers intending to develop hyper-scale data centers and cloud services in Malaysia.

Subsea cables and data centers: two sides of the same coin

The exponential increase in bandwidth and data flowing through new and existing cables increases the possibility of data center investments. For example, the Indigo cable connecting Singapore, Sydney and Perth via Jakarta led to SpaceDC opening its first Indonesian data center in November 2020.

Given the link between submarine cable landings and digital economy growth, the Malaysian Internet Exchange (MyIX) has repeatedly called on the Minister of Transport to reinstate the cabotage exemption for foreign vessels to conduct undersea cable repairs. This has been backed by representatives from TIME dotcom Group Bhd, Maxis Bhd, YTL Communications Sdn Bhd, MyKRIS Asia Sdn Bhd, Celcom Axiata Bhd, REDtone International Bhd, TT dotcom Sdn Bhd and Telekom Malaysia Bhd.

US-based technology companies, Microsoft, Facebook, and Google have also written to the Prime Minister, expressing their concerns over the revocation of the cabotage exemption. The joint statement also stated that Malaysia's approach to cabotage is inconsistent with international best practices as the International Cable Protection Committee recommends that States "refrain from defining submarine cable installation and repair as cabotage, as they do not involve the transport of goods or passengers between domestic ports"

Our participation in the global digital economy is dependent on the health and resilience of our digital talent and digital infrastructure. Protectionist or monopolistic measures will not serve us well. Given the multi-stakeholder nature of the digital economy, a collaborative approach would be more appropriate, especially in relation to cable repairs as we lack local specialised talent and equipment to address cable damage quickly and effectively.

How do we reconcile this with the Malaysia Digital Economy Blueprint?

The decision to exclude Malaysia for the cable landings of Echo and Bifrost does not bode well for our digital economy ambitions, especially given the Blueprint's aim for Malaysia to have the highest number of submarine cables landing in Southeast Asia by 2025. According to the Blueprint, efforts to achieve higher investment in the digital economy and more reliable and high-speed internet connectivity are being led by the Ministry of Communications and Multimedia. However, the national cabotage policy falls within the purview of the Ministry of Transport.

There is a need and an opportunity for greater collaboration between the relevant Ministries if we are to fulfill the goals of the Malaysia Digital Economy Blueprint. Clarity, urgent action, and a willingness for regular two-way engagement with the private sector and civil society are essential to enable Malaysia's digital economy to create 500,000 jobs and contribute 22.6% to the nation's GDP by 2025.

With the global pandemic forcing educational, economic, and social interactions into digital spaces, there must be clear next steps to strengthen Malaysia's Digital Economy. We call on the Ministry of Transport to urgently engage the Ministry of Communications and Multimedia, and technology companies, towards reinstating the cabotage exemption, and creating an enabling environment for digital infrastructure investment. Malaysian internet users deserve forward-looking, future-proof, and investment-friendly policies, for a truly inclusive and resilient Digital Malaysia.

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