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**THE ICT SECTOR AS AN OPPORTUNITY AND
POTENTIAL KEY CONTRIBUTOR TO FDI**

by

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Ladies and Gentlemen,

I am pleased to have the opportunity to be here with you today and would like to thank you all for taking the time to come and join us.

When I started in business ICT existed, but we didn't call it that and we didn't expect so much from it as we do today. I guess we relied on it, but in large measure, life was more restrained by the interrelation between geography, time and the financial cost of bridging the two of them. Back in the old days we had telephones, typewriters and telex machines. Then came the fax machines. You've probably heard about the fax machine story before; it was invented back in 1842 but it didn't become popular until the 1970's and 1980's. Ask me about it later if you haven't heard the story.

Years ago, I became interested in the idea of development, of socio-economic development of the area of the world I call home: the Arab world. I had my own business to run of course, but I managed to never lose sight of and always somehow incorporate my development agenda into my work. Of course I started with the things closest and most familiar to me, accounting, (I am an accountant), professional associations, professional development, trade & business practices, etc. But as they say the only constant in life is change and change is what has continued to occur. The times changed, business changed, and we adapted.

Because my business was one of the few Arab businesses that encompassed the whole Arab region with offices in every major city, we were among the first in our region to really aggressively adopt modern ICTs in business, and by modem I mean the use of the Internet and computers and related technology. As we began to see the amazing possibilities and opportunities of ICTs to reduce communication costs while increasing the value of the communication, we became excited over what that could mean for the region, for developing countries in general and the world. By the end of the 90's I was a very enthusiastic supporter of ICT and their utility for enhancing business, education, culture, and society in general.

Then I rode along on the web of excitement that the whole world seemed to be on during the Internet Bubble period. Now we are all a bit more sober in our pronouncements and expectations, but we are still here, and modern ICTs are still here and still important; but we've definitely shed a bit of the hyperbole.

Back a few years ago when the Internet Bubble was building or near its peak, there was quite a lot of talk about cyberspace and the ability to be free from the realities and limitations of the real world. The virtual conference would be able to eliminate the need for air travel; the virtual employee wouldn't need to leave home, the virtual student wouldn't have to leave his room to go to school. Etc. etc. We didn't all buy into all these dreams, but the general mood was kind of contagious. A general glow of unreality settled in that affected even the most resistant skeptics.

Now however we all know that cyberspace is just a medium of communication and a way of storing, manipulating, and communicating data for use in the bricks & mortar world, and not some sort of replacement world. But we also are still left with an interesting fact: ICT is still important. It is still very important, just not as important as maybe people thought it was a few years ago. The brick & mortar world is dominant; in fact it doesn't have to be 'dominant' because there isn't really a 'cyber' world. It is just a mental construct we invented. Consequently, the same rules apply as always have, and one of those is a big one: location counts!

Location counts. That is why we are here today. A few years ago there was a widely held idea that ICTs would make not just communication networks but human beings spread out in rather random patterns, according to their whims. Modern ICTs would free people from physical constraints. Now today we find that is not true. For one thing we are all here in this room today together, and not in our office communicating through net meeting. People do tend to congregate. The same is true of investors. That is why most of them are in China right now and those of us who aren't Chinese are trying to remember what an investor looks like.

Joking aside, the point I'm making here is that ICTs have not changed the fundamentals of FDI. Because we are talking about FDI in the ICT sector, that may result in some ironies. The ICT companies have provided us with technologies that allow us to send information and communicate with people on the top of Mount Everest, or on the opposite side of the planet from us, but when it comes to investing in their own businesses they are likely to congregate just as other businesses do. And there are certain advantages that they get from congregating in the same area. We all know of Silicon Valley but there are numerous other high-technology hubs all around the world.

Some of us in the developing world have tried to find a way to attract ICT business to our countries and hoped that modern ICT infrastructure would be enough to get people to come. Sometimes there is the additional add-on of tax holidays and good deals on rent. But all too often these bold and reasonable-sounding plans haven't worked. Today we'll talk about why that is. One thing I will say is that it takes a lot more effort than is often thought. ICT FDI will be

attracted by:

1. proximity to other ICT firms
2. The right mix of scientific/technical, academic, government, financial and business sectors and skill sets, and formal and informal networks between them.
3. Good R&D investment resources and funding mechanisms
4. Intellectual property protection and enforcement
5. An atmosphere of intellectual activism

Getting these types of things right is not at all easy to do from scratch. Often things look easy when you watch, but try to do it and it isn't so easy. Expertise *makes* things look easy. But don't worry, we will discuss these issues and try to air enough of the subject to give you a good focus on how to undertake an initial attempt at laying some of the necessary groundwork.

From what I have already observed in my own experience, I would stress the need for a more holistic approach to society and education, building of core school capabilities, appropriate government legislation and a strong involvement in society from the business community.

Ultimately building a massive facility with wonderful ICT infrastructure out in the Arabian or Egyptian desert will not be successful. It is just as important to begin building human and business infrastructure, including the academic and social matters that pertain to those matters. We should think more of a knowledge economy rather than an ICT economy. ICT is just the tool. Knowledge is the focus and the energy behind it.