



SEA VIEWS

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Ports to play a starring role

MIMA's Senior Fellow Nazery Khalid backs Malaysia's seaports to play a significant role in the country's march towards becoming a fully developed nation by 2010

A new dawn

Malaysia needs to record an average annual growth of 6% from this year to 2020 in order to reach fully developed nation status by 2020, as targeted by Vision 2020. It also aims to create high-income, value-adding economic activities to increase the income per capita from the current US\$7,000 (or RM21,000 at current exchange rate) to US\$15,000 (or RM45,000) by 2020.

This is a tall order but it is a certainly achievable target. The New Economic Model (NEM) has been introduced to help Malaysia attain these lofty goals. It is built on the pillars of high income, sustainability and inclusivity to support the objective of Vision 2020.

Key to achieving NEM's target of creating high-income activities is the maritime sector which facilitates 95% of the nation's international trade. To create high income activities, Malaysia need to export and import raw materials and manufactured goods to facilitate those activities.

For a trade-dependent and manufacturing-driven country like Malaysia, getting its exports to world markets speedily, efficiently and at competitive cost, and likewise to bring in imports in the same manner, is crucial to its economic prosperity. Having efficient ports, as the nation's main trade gateway, is key to our export competitiveness and to facilitate economic activities.

The nation's trade volumes are expected to grow in the years ahead, in anticipation of growing intra-regional and global trade. This will put our seaports, as a key enabler of economic growth, in the spotlight on account of its crucial importance as a trade facilitator.

With ASEAN Free Trade Area set to become a reality in 2015, Malaysian exporters are set to benefit from having access to a liberalized, integrated marketplace of 660 million people. Being a nation which is relatively well-developed compared to its regional neighbors, Malaysia is poised to generate more high-income activities in this enlarged market by offering various services to them, including port services.

Ports in the spotlight

To enable local manufacturers and producers to reach their markets and facilitate imports smoothly, our ports must be adequately equipped with the necessary features and infrastructures, and be efficient, productive and cost competitive.

Ports must have the 'hardware and software' to attract large vessels and to handle growing volumes of trade. Developments in maritime transport demand that ports keep up with them to stay relevant and competitive. Large ships carry huge amount of cargos and can only call at ports that can adequately cater to their size and cargo load. The globalization of trade requires even more complex services from trade facilitators such as ports.

While Malaysia can be proud of having several ports with world class infrastructures and high productivity and efficiency levels, there is still room for improvement. Much can be done to enhance their competitiveness and improve the crucial 'last mile connectivity' that can provide seamless movement of cargos between the ports and other transport modes.

In today's globalised trade environment and ultra-competitive business milieu, multimodal transport is crucial to facilitate trade of large amounts of goods across wide market expanses.

Intermodal connectivity has been an Achilles Heel to a hitherto excellent network of ports in Malaysia that are renowned for offering high level of services and competitive cost. This is something that warrants attention from our economic planners and port authorities and operators if Malaysia wants to enhance its competitiveness as a trading and maritime nation.

Being an export-driven and trade-dependent nation, Malaysia's economic performance is in large parts dependent on the economic health of our trading partners. Amid sluggish economic performance in major economies such as Japan, US and Europe, who are among our key trading partners, there are grounds to expect that this will have an adverse effect on our exports.

In economic terms, port services are essentially demand-derived services. The volumes of cargo handled (or throughput) of ports are dependent on trade. Hence, on their own, there is only so much that port authorities and operators can do to handle more throughput volumes and earn more revenues.

A comprehensive approach is needed to ensure our ports can retain and enhance their competitive. This include promoting economic activities, developing trade infrastructures, enhancing connectivity among transport modes, and providing incentives and a conducive environment for trade to flourish.

Given that most of our trade - and for that matter, global trade – are carried by seaborne transport, demand for port services and a host of other trade facilitating supporting services will always be high.

Underlining this fact, the two terminals at Port Klang, namely Westports and Northport, and Port of Tanjung Pelepas handled record throughput volumes in the first quarter of the year. When one considers the slump in global trade amid the gloom of the global economic downturn, this is a laudable achievement.

Despite this, they cannot afford to sit on their laurels. Competition from regional ports to attract shipping lines is keen and will grow more intense in the coming years.

This dictates that local ports must continue investing in capacity and human capital, and improve their productivity and efficiency, to offer value-adding, high level of services at competitive rates to their users. These include free zone, cold chain logistics and transshipment services that can generate high income for the ports and the nation.

Staying the course

The Malaysian economy has entered a critical phase in its development. As foreign investors become choosy about where to invest, Malaysia must take the necessary steps to ensure that it remains attractive to them.

It must make the quantum leap from merely being a country known for producing commodities and undertaking assembly activities in the manufacturing sector to move up the value chain by undertaking activities that can generate high income.

This includes providing high level services. As service providers, port operators must step up to the plate and improve their level of services and introduce more value-adding services to their users.

Shipping lines plying this region are spoilt for choice to call at many ports offering infrastructures as good as those offered by Malaysian ports, and at equally competitive charges.

As such, Malaysian ports must strive to offer high level of services at competitive rates to attract the shipping lines.

Although the global economic forecast is rather gloomy amid financial crises in US and the Eurozone, there is no reason for local port stakeholders to take the foot off the pedal to continuously strive for excellence.

In fact, they should use quieter times amid the global recession to plan ahead and prepare for the eventual rebound in the global economy. It has been proven time and again in various economic cycles that ports which do not invest will risk not having adequate capacity and productivity to handle high volumes of trade when the economy rebounds.

As pivotal facilitators of the nation's trade, our ports will play an even more significant role in driving economic growth and help propel Malaysia towards becoming a fully-developed nation by 2020. All eyes are on them to live up to the high expectations to help fulfill this lofty ambition.