

Luxe for less

By Stan Sesser

Kuala Lumpur: The world's cheapest city

From my hotel window I can see one of Asia's tallest buildings—the dramatic Petronas Twin Towers. My room is spacious and has all the little touches, such as thick terry cloth robes, that you'd expect from a five-star hotel. Downstairs, near the gym, there is a spa with hot and cold whirlpool baths. The breakfast buffet features specialties from Malaysia, China and Japan. All of this, with taxes and service charge, at the Shangri-La Hotel, is costing me \$107 a night.

I haven't asked the manager for a discount, nor have I used airline miles to cover two-thirds of the cost. Rather, my room is so inexpensive because I've taken a trip to the world's cheapest major city.

Every three years, Swiss banking giant UBS AG does a survey of prices around the world, including what a tourist would pay for a typical overnight package of an upscale hotel room, meals, transportation and theater outings. In this year's survey, released recently, Kuala Lumpur took the honors, outranking cities with a reputation for budget travel such as Mumbai and Prague. Kuala Lumpur's total UBS travel package costs \$260—less than one-quarter of what the same package would go for in London (\$1,180) or Tokyo (\$1,090), the two most expensive cities for tourists.

The theory of convergence teaches us that with globalization, emerging economies grow so rapidly that the gap narrows between



them and developed countries. This might be true for the standard of living and other measures, but it often doesn't apply to tourism prices. For instance, the \$107 I paid for my Shangri-La hotel room, bought through Web site AsiaTravel.com, would have gotten me no more than the Salisbury YMCA in Hong Kong. In London, the cheapest hotel room I could find on the Internet cost \$140, and that had the bathroom down the hall.

The startling price differential doesn't end at hotel rooms. According to the UBS survey, a 4.8-kilometer taxi ride in Kuala Lumpur would be just \$1.60, compared with \$11.60 in New York and \$20.30 in London.

Boomtown bargains

Just a few decades ago, Malaysia was a sleepy country living modestly off commodities such as rubber and tin. Now, the economy is booming. The nation is a world-class manufacturer and exporter of everything from auto parts to computer components. Much of the explanation lies with the policies of long-time Prime Minister Mahathir Mohamad, who stepped down three years ago. He introduced tax incentives, spent lavishly on big-ticket infrastructure projects and encouraged multinational investors. Kuala Lumpur is modern and prosperous, and has numerous attractions for tourists. So, why is it so cheap?

Yeah Kim Leng, chief economist of RAM Consultancy Services, a subsidiary of a Kuala Lum-

pur-based credit rating agency, ticks off three factors that help make it a budget destination (and that also help counteract the converging tendencies of globalization). Heading the list is an undervalued currency: The ringgit is now valued at about 3.7 to the U.S. dollar compared with 2.5 when the Asian financial crisis hit in 1997, so a tourist's dollar, euro or yen buys a lot more.

Second, the government subsidizes oil prices, which lowers the overall cost of doing business and helps keep taxi and other transportation fares low.

Third, a large foreign labor force, many of them Indonesians who work for low pay, has checked wage rises; these low labor costs keep the price of services down, which is good news for tourists. "Wages have not kept pace with the growth of national income," says Mr. Yeah. "We would have become a high-wage economy just like Singapore had we not allowed foreign workers to the tune of 1.8 million in a work force of 10 million."

Build it and they will come

There's also the freewheeling, entrepreneurial spirit of Southeast Asia, which spurs investors to try the roll of the dice even if hotels are overbuilt. "As soon as cities like Kuala Lumpur and Bangkok start to enjoy decent occupancy, more inventory comes into play," says Bill Black, managing director of Bangkok-based Bed Management Co., an operator of boutique hotels and restaurants in Southeast Asia. "There

are a lot of independent investors, builders and developers who keep adding inventory with the hope that demand will catch up to supply."

In the previous UBS survey, in 2003, Kuala Lumpur also proved a bargain for tourists, with its overnight city break cost of \$230 ranking second-lowest to Karachi's \$150. (London was the most expensive at \$900, followed by Tokyo at \$860). Daniel Kalt, a UBS economist, attributes Kuala Lumpur's relatively consistent performance during the years between the surveys primarily to Malaysia's ability to keep a firm grip on inflation. He notes that over the three-year period, Malaysia's cumulative inflation was just 5.6%, compared with 12.6% in India.

The capital's culture

Of course, like any major city, Kuala Lumpur has several drawbacks for tourists. The traffic jams are mind-boggling, making a taxi ride at rush hour an exercise in frustration. Not far from the glitzy shopping malls are impoverished neighborhoods with crumbling buildings—a reminder that not everyone is sharing in Malaysia's success.

But travelers who bypass Kuala Lumpur are missing some enticing features. There's a vibrancy that matches Bangkok, with bars and restaurants crowded late into the night. Restaurants in Kuala Lumpur spill out into the streets, and sidewalk food vendors are everywhere. A mix of ethnic Chinese, Malay and

Indian residents makes for a variety of excellent cuisine choices. The city has also retained large swaths of colorful ethnic neighborhoods.

The Lake Gardens district offers a bird park, botanical gardens and stately colonial-era mansions. The Islamic Arts Museum is world class. The area around the landmark Petronas Twin Towers can keep shoppers busy for days. Tourists can also take day trips to the former colonial hill station of Bukit Fraser, known as a spot for bird watching, and to the historic seaport of Melaka.

A riot of flavors

And then there are the prices. I could sample the culinary delights of Kuala Lumpur from morning to night for the cost of a main course in London. Adly Rizal, the creator of a Kuala Lumpur restaurant Web site, Friedchillies.com, notes that "eating in K.L. for only three days is like going to Disneyland in the morning and having to leave by noon."

Mr. Rizal took me to an outdoor fish restaurant behind the King's Palace called Gerai Seri Malaka, where three of us ordered two whole freshwater catfish, a whole mackerel, cuttlefish, a local river fish called terubuk and big chunks of stingray, their specialty. The bill definitely won't provoke a protest from the number crunchers who see my expense account. For far more fish than we could eat, as well as accompaniments, we paid \$12.