The Making of Maritime Malaysia

Malaysia, now ranked the 22nd largest merchant fleet in the world, has much to shout about in this respect.

THERE IS much satisfaction to be drawn from the fact that Malaysia is now ranked the 22nd largest merchant fleet in the world. According to a recent report issued by a United Nations' agency, the Malaysian fleet makes up 0.85% of the world total, which, as of Jan 1, 2003, stood at 767,592,380 deadweight tones (dwt).

The significance of this status could perhaps be better appreciated when we consider the fact that much larger economies than Malaysia, like Brazil, France, Indonesia, Canada, Spain and Australia, only reported a much smaller merchant fleet. The major trading nations are not major owners of shipping tonnage, says the latest issue of *Review of Maritime Transport 2003* published by UNCTAD.

The share of Brazil's merchant fleet, for instance, makes up 0.82%, France; 0.71%, Canada; 0.70%, Spain; 0.50%, and Australia; 0.30% of the world total.

What is particularly gratifying is that Malaysia's share of the total world fleet compares well when viewed against its share of world trade (in value terms). Malaysia has a share of 1.3% of world trade while its share of the world merchant fleet is 0.85%.

Larger economies like France has 5.0% of world trade but only 0.7% of the world merchant fleet. Similarly, Spain, which has 2.1% of world trade, secures only 0.5% of the world merchant fleet.

The ratio of Malaysia's share of the world merchant fleet to its share of world trade is, therefore, favourable, especially when viewed against some of the largest economies that generate the bulk of world trade.

For instance, the United States – the world's largest economy with a share of 14.5% of world trade – accounts for only 5.0% of the world merchant fleet.

Similarly too, Germany, with a share of 8.4% of world trade, has only 4.8% of the world merchant fleet. Countries like the United Kingdom, Italy, Canada and the Netherlands are also in the same league with lower ratios of the world merchant fleet to their share of world trade.

There is no doubt that Malaysia tops among the developing countries, witnessing the fastest expansion in its merchant fleet. Much of the credit goes to the national carrier, Malaysia International Shipping Corporation Bhd (MISC), which easily outranks several shipping lines from the developed world, including the US, France, Spain, Italy and others.

According to data released by the Malaysian Shipowners' Association, as of Oct 1, 2003, MISC's fleet size totaled 8.7 million dwt with 158 ships, a fleet size that has few competitors in the world with the exception of Japan and Greece.

Based on recent developments which involved MISC acquiring the Singapore-owned American Eagle Tankers Ltd and taking delivery of ships by MISC in the last nine months, the total Malaysian fleet strength could well go past the 10 million dwt mark.

It is widely expected that the global rank-

MISC's fleet size totals 8.7 million dwt with 158 ships, a fleet size that has few competitors in the world ing of Malaysia for 2004 will move up within the top-15 most important maritime countries and will be rated as one of the fastest-growing national flag registries in the world.

There is no doubt that the growth of Malaysia's national merchant fleet is a reflection of the trade-supporting policies initiated by the government for more than a quarter of a century that involved exploiting maritime transport as a complement to trade. Malaysia recognised, as far back as 30 years ago, that the expansion of the national merchant fleet was crucial to the development of the highly trade-dependent economy. The setting up of MISC was a manifestation of that policy.

The thrust of the national merchant fleet development policy was thus generally aimed at meeting the demands of national trade. Towards meeting this objective, the government has offered a host of fiscal and financial incentives and measures such as a blanket tax exemption to shipping companies, the creation of a national shipping fund, and the setting up of specific institutions like Bank Industri Bhd, Global Maritime Ventures Bhd, Malaysian Maritime Institute and other initiatives.

However, while the success of the national merchant fleet has never been in doubt - especially as reflected in the successful growth of MISC - detractors may say its ability to meet the demands of national trade remains very much unfulfilled. There are more Malaysian ships engaged in cross trades carrying cargo between third countries than they do between Malaysia and a second country.

This should not be viewed negatively since an important component of the initiative to become self-sufficient in shipping was also to remedy the imbalance in the services account of the balance of payment contributed by the outflow of payments to foreign shipping lines. MISC alone earns more than RM8 billion from freight payment, much of which is paid by foreigners for the carriage of cargo between third countries.

The fact that Malaysian ships are actively engaged in profitable cross trades and are thus able to contribute towards the inflow of payments from shipping should offer policy planners some comfort on the success or growth of the national merchant fleet. Perhaps too, the unintended outcome of the national policy should offer policy makers room for thought on the future direction of the policy initiatives on the development of the national merchant fleet. mb

This article is by Ports World Sdn Bhd (www.portsworld.com).