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(Prime Minister)

EVENT: Malaysia's First International Maritime Conference

VENUE: Onboard MV STAR PISCES, Langkawi

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TIME:

1. I wish to thank the organisers, the Royal Malaysian Navy and Huswah Exhibition services for inviting me today to officiate this First International Maritime Conference. Unlike the first conference which was an all Malaysian public sector affair, I am happy to note that this conference involves both the local and foreign private sectors of the maritime industry. The theme of the conference 'The Making Of Malaysia As A Maritime Nation' is appropriate and relevant as it highlights Malaysia's aspiration to be a maritime nation in the true sense.

2. At the outset, I feel there is a need to remind ourselves that more than two thirds of the earth's surface area is covered by water. The sea has all along been an important part of human livelihood and today it remains as an important source of food, energy and means of communication where more than 95 percent of international trade transportation is sea-borne. With the depletion of resources on land and the rapid industrialisation that is taking place, the sea is set to become even more important. Men are now turning to the sea for space to accommodate the ever-growing population. Still the growing importance of the sea to mankind is probably best gauged from the compromise amongst nations that had made United Nations Conference on the Law of Sea (UNCLOS) an accepted international law. As of today 120 countries have ratified UNCLOS.

3. Because of our history and the close proximity of many Malaysians to the sea we are inclined to regard Malaysia as a maritime nation. We are situated on the trade routes between India and China, between Europe and the East and naturally served as a port of call between monsoons for supplies and crew for all ships plying this route. Given the importance of the maritime role and technological innovations, the term maritime nation itself needs to be redefined. A country cannot claim itself to be a maritime nation merely by virtue of attributes such as suitable geographical position, physical conformation or strength of population as propounded by Admiral Alfred T Mahan in the 19th century. These geographical attributes or a glorious

maritime history do not automatically make a country a maritime nation. In fact some of the great maritime nations are not those blessed with such maritime attributes. Of course those blessed with natural maritime attributes would have an advantage over those without. It is inconceivable for a land-locked country like Mongolia to have a big shipping fleet when it does not even have a harbour to berth its ships.

4. A true maritime nation is one which has the capability to fully exploit its God given maritime endowments to enhance its socio-economic standing among the community of nations. In this regard, though Malaysia has all the makings of a maritime nation, strategically located at the centre of shipping lane and a large sea area rich in fishery, oil and gas resources, it has yet to optimise all these attributes to qualify as a maritime nation in the true sense of the word.

5. Efforts to transform Malaysia into a true maritime nation began in earnest only about two decades ago. Since then the maritime industry has been recognised as an increasingly important sector in the Malaysian economy. Malaysia's Second Outline Perspective Plan (OPP2) clearly describes the potential role of the maritime sector to the long-term growth and development of the country especially in creating new and non-traditional marine based and related economic activities until the year 2000 and beyond.

6. In terms of volume, about 98 percent of Malaysia's international trade is currently handled by sea. Out of this, exports accounted for about 80 percent of the GDP, whilst imports accounted for about 75 percent of the GNP. Based on this, the efficiency of the maritime transportation system involving shipping and ports, is not only vital for trade but also to ensure the continuity of the nations's economic growth.

7. However, despite its importance, only about 15 percent of Malaysia's trade is transported by the Malaysian Mercantile Fleet. To encourage the growth of the Malaysian Mercantile Fleet, a shipping fund of RM800 million was launched in 1992 to provide long term financial assistance to the shipping industry. The fund comprises the Shipping Venture Facility (SVF) and Ship Financing Facility (SFF). In 1994 and 1997, the fund was provided with an additional allocation of RM500 million. Whilst our fleet has expanded from 1,934 million GRT in 1990 to 3,597 million GRT last year, further expansion is necessary to cope with the increasing volume of trade and at the same time minimising our dependence on foreign shipping.

8. Over the years, in tandem with the growth of

Malaysia's trade, the volume of goods handled by all these ports has seen a steady growth. The tonnage increased from a mere 60,382 million tonnes in 1985 to 146,057 million tonnes ten years later. The increase in tonnage handled and the number of ships calling in can be attributed to, among others, policies of enhancing the utilisation of existing facilities, improvements and expansion in port infrastructure, privatisation as well as efforts made by the government and private sector to promote direct trade to the rest of the world. New ports have been and are being built, and existing ones expanded and modernised. Amongst the new ports under development are the Klang West Port and Johore West Port. The combined capacities of these ports when completed will be 140,000 dwt or a total berthing space of 6,800 metres.

9. Ancillary services supporting the ports and shipping sectors such as services covering ship bunkering, insurance, legal, shipping agencies, banking and ship financing, freight forwarding and hauliers among others are improving very slowly with time. The lack of expertise in these sectors is seen to be a drawback in the development of the maritime industry. The government is determined to improve the prevailing situation within the ancillary services.

10. Aside from shipping and port activities, Malaysia also depends upon offshore economic activities such as extraction of petroleum and gas, fisheries and tourism. The petroleum industry is the main offshore activity. Since its pioneering development in the early 1970's, this sector has grown significantly to contribute towards the development of the Malaysian economy. The amount of oil reserves which has been identified is expected to last more than a decade. While the country's natural gas reserves is estimated to last for the next 70 years, exploration continues to identify new areas of oil and gas reserves as well as other minerals. The contribution from this sector this year is expected to be more than seven percent of the GDP.

11. The fishing industry too, has expanded immensely. It is still an important source of income particularly for the coastal population. Despite being a net exporter of fish and fish products in terms of value, Malaysia is yet to realise its true potential. Potential investors are now encouraged to venture into offshore fish farming a new area which is very promising.

12. The country's long beautiful beaches and outlying islands also offer attraction for tourists. Last year tourism was Malaysia's second highest revenue earner after manufacturing. Generating a revenue of RM11.2 billion, the development of offshore islands and water

front areas as major tourist destinations have been given priority by the Government as well as the private sector. This is evident from the emergence of a flush of tour operators catering for specialised recreational needs such as scuba diving and sport fishing over the recent years. One of the highlights of this sector is the growth of leisure boating and cruise industries. More marinas are being built and more cruise vessels now operate from Malaysia and within her waters. Indeed, lest we forget, we are right now having our conference onboard a cruise vessel. It is hoped that cruise ships will be considered as a viable alternative venues to conference organisers in the future. The Government will continue to encourage the promotional efforts to boost investments in tourism industry particularly at a time when the Ringgit is relatively cheap as well as providing necessary infrastructures to help stimulate further growth to this industry.

13. The Government's decision to turn Labuan Island into a prominent financial offshore centre reflects the tremendous prospects of offshore economic activities. Incentives offered by this centre will undoubtedly stimulate the growth of maritime economic activities.

14. The number and capacity of local shipbuilding and repair yards have also increased manifold to cope with the rising level of activities. The acquisition of new assets and the eventual launching of the Navy's patrol vessels project are expected to further stimulate shipbuilding and ship repair activities whilst enhancing indigenous technical know-how through a comprehensive transfer of technology. In this field of high technology, it is hoped that the Navy will play a more significant role in initiating warship design, building and repairs. This would eventually enable the development of local capabilities in the field of naval architecture, marine engineering, marine and aerospace communication, defence electronics and systems integration among others.

15. In as far as security is concerned, I can assure all of you that the Government will make every effort to ensure that your investments are safe and sound. Let's not allow the occasional reports of piracy create an inaccurate impression of the overall security situation of the region. Piracies or robberies at sea are isolated incidents which occur occasionally everywhere. They need close regional cooperation among nations to tackle the problem. This is exactly what is being done between the security agencies of Malaysia, Singapore and Indonesia. The cooperation has borne results where piracy incidents in the Malacca Straits for instance, have drastically declined from 32 cases in 1991 to eight cases in 1996. Another effort to enhance safety and

security of coastal waters is through the installation of a RM100 million Sea Surveillance System (SSS). Apart from regulating traffic flow, the system is also capable of monitoring vessels suspected of having criminal intent. The first phase of the project along the Malacca Straits is already in place and is currently undergoing trials.

16. The healthy growth in maritime industry however does not go without challenge. Growth implies a tremendous pressure on the limited human resources in the industry. Not only is recruiting the right candidate a problem, but retaining trained personnel in sea related careers is even more problematic. Though we were once renowned seafarers, as portrayed by men like Panglima Awang or Henry the Black who along with Magellan circumnavigated the globe, unfortunately we have somehow lost this trait. The long years under colonial rule have perhaps made us landlubbers with a distinct dislike for being away from home for any length of time.

17. As it is not possible to force people to take up maritime related careers, the Government on its part is trying to revive the nation's seafaring culture. This includes inculcating maritime values among school children through extra curricular activities like sea cadet corps. For the youths, we are now actively embarking on the 'Tunas Samudera' sailing programme run by the Navy in conjunction with the Ministry of Youth and Sports and the Education Ministry. Other efforts include promoting activities like sailing competitions and exhibitions such as LIMA.

18. As building up the pool of trained human resources to take up maritime related jobs takes time, I would like to urge the maritime community to concurrently look at other complementary solutions. One option worth looking into is making the maritime industry less labour intensive. In line with our Multimedia Super Corridor Project, the industry should look into the possibility of incorporating more IT based technology and automation. I am glad to note that the Navy is now seriously looking into the 'Smart Ship' concept. As proven by some advanced navies, this concept has enabled them to reduce annual operating costs by about 10 percent through a reduction in manpower by more than thirty percent.

19. I would like to reiterate that Malaysia has all the makings of a true maritime nation. However, some of our God given heritage have yet to be optimised. In some areas they are still under explored. Thus, opportunities for investors in the maritime sector are abundant, be it in shipping, ancillary and port

services, tourism or in the fishing industry. For its part, the Government encourages the growth of this sector, and this includes efforts to create more infrastructures like ports and highways and financial incentives in the form of shipping funds to boost the industry. To complement the government's human resources development efforts, the private sector is urged to look into technological innovations that could make the maritime industry less labour intensive.

20. On that note I have great pleasure in declaring 'Malaysia's International Maritime Conference 1997' open.

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