

## **The Economic Importance of Malaysia's Maritime Domain**

### **Maritime Institute of Malaysia For LIMA'23**

Malaysia lies at a strategic location between the Indian and the Pacific Oceans and is home to several critical sea lines of communication (SLOCs) such as the Straits of Malacca, the South China Sea, and the Sulu-Sulawesi Seas. The maritime domain contributes significantly to the country's economic development, contributing to around 40 percent (%) of its gross domestic product (GDP). The primary maritime economic sector derives from ports and shipping, oil and gas, and marine tourism that generate great income and economic growth for Malaysia as a foreign trade-dependent country. Additionally, maritime business such as containers shipping, ferry and passenger, cruise and activities as supporting services to the ports industry have huge potential to be expanded. Besides, maritime small-scale business are important sources of livelihood for coastal communities in Malaysia.

About 95% of Malaysia's exports are transported via sea and the ports are the hubs and gateways for international trade. Malaysia was ranked as the 4<sup>th</sup> best-connected economy in the liner shipping connectivity index (LSCI) by the United Nations Conference on Trade and Development (UNCTAD). Additionally, two Malaysian ports – Port Klang and Port of Tanjung Pelepas (PTP) were also ranked as the 11<sup>th</sup> and 15<sup>th</sup> busiest container ports in the world. Port Klang seeks to increase its capacity from 14 million twenty-foot equivalent units (TEUs) to 30 million TEUs per annum by the year 2040 through implementing automated container equipment. Meanwhile, PTP is building a new berth that will boost its existing capacity by 3.5 million TEUs by 2025. The digitilisation and expansion of Port Klang and PTP are necessary against the competition from Singapore's Tuas Port.

Furthermore, as the second-largest oil producer in Southeast Asia and the third-largest exporter of liquefied natural gas (LNG) in the world, Malaysia's oil and gas sector has been one of the major contributors to its economic growth and national development since its independence. The oil and gas sector makes up 20% of Malaysia's annual GDP and generated RM 312.4 million of investments to Malaysia in 2021. Petroleum and natural gas recorded a RM 144.2 billion gross output in 2021, and 33,411 persons were engaged in this sector with RM6.2 billion of total salaries and wages paid.

Malaysia's extensive coastline and rich marine biodiversity make it an attractive destination for marine tourism activities such as diving, snorkeling, and fishing. Some of Malaysia's most popular marine tourism destinations include Pulau Tioman, Pulau Perhentian, Sipadan Island, and Langkawi, which attract both domestic and international tourists. However, the country also faces challenges in developing its marine tourism industry. Some of the primary challenges are the impact of human activities on the marine environment, such as overfishing, littering which causes pollution, and habitat destruction, which can negatively impact the attractiveness of destinations and decrease the availability of activities.

During the Coronavirus disease 2019 (COVID-19) pandemic, port congestions, container and labour shortages, and delays in cargo loading/unloading have led to shipping disruptions, which have hampered the maritime transportation industry across the world, including in Malaysia. Further, the shipping disruptions have affected the global supply chain of critical goods such as food, pharmaceutical products, semiconductors, and raw materials due to the increase in

freight rates, resulting in global inflation and shortages of critical goods amidst the Russia-Ukraine War and the week-long Suez Canal blockage in March 2021.

The multifaceted challenges to the shipping and trade require Malaysia to be resilient and recover and withstand the challenges. The move forward, maritime industry must be adapted, and it is crucial to diversify the investments to other areas in the maritime domain such as the marine tourism industry at the same time enhancing Malaysia shipbuilding and maritime services industry. This effort must come hand in hand with a focus on the development of necessary infrastructure, such as marinas, boat ramps, and dive centers to be able to accommodate the demand and expectations.

In addition, there is a need for greater investment in training and education for local communities and businesses to ensure that they can provide high-quality marine tourism services and experiences. Furthermore, Malaysia faces competition from other countries in the region, such as Thailand and Indonesia, which also offer a range of marine tourism activities. To remain competitive, Malaysia must continue to develop and improve its marine tourism offerings and provide a unique and differentiated experience for visitors. Among the prospects and challenges of marine ecotourism in Malaysia, it can be said that while marine ecotourism has great potential for growth in Malaysia, the development of necessary infrastructure and services, such as waste management and sustainable transportation in remote areas and small islands is crucial for the sustainable growth of the marine ecotourism industry in Malaysia.

## Conclusion

The LIMA'23 International Maritime Conference on 24 May 2023 will address the most recent and emerging **Global Trade and Shipping Trends and Global Security in Southeast Asia Maritime. Top maritime experts will convene in Langkawi to the discourse with a Keynote Address by the Minister of Transport, Malaysia.**

Malaysia is blessed with strategic location for maritime activities, which is one of the factors that could propel the nation into becoming a Maritime Nation. Being the hub of international trade, a major player in the oil and gas sector, as well as having great prospects for marine tourism and marine ecotourism due to its extensive coastline and rich marine biodiversity have all contributed to Malaysia's Blue Economy developments. However, all these advantages can only prosper when the challenges are properly addressed and there should be clear strategies on how Malaysia can capture the opportunities and benefits offered by the Blue Economy to progress further as a Maritime Nation.