

## **Encouraging the development of the tourism sector**

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Tourism is described as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited”. One of the fastest growing service industries in the global economy, tourism is an activity that has flourished tremendously over the years as an economic and social phenomenon. The increasing awareness nowadays of the growing importance of leisure as well as the rising standard of living have, indeed, compounded its significance to new heights.

Over the years, tourism has made remarkable impact on the Malaysian economy with steady growth, in spite of the temporary domestic economic instability of 1997-1998 due to the Asian financial crisis that started in July 1997. Though still relatively small in percentage in terms of the Gross Domestic Product, the active encouragement in the development of this industry could have broader-scale benefits throughout the economy in the longer-term perspective. The role that tourism is playing and can play directly, indirectly or through the multiplier/spillover effects such as employment, income, foreign exchange earnings, generation of value added, etc., becomes crucial in the economy.

Tourist arrivals recorded an impressive 10.2 million in the year 2000, which represented an increase of 36 per cent over the 1995 figure of 7.5 million, the final year of the Seventh Malaysia Plan, 1991-1995. Its receipts reached an impressive RM18.7 billion in 2000, registering a 13.6 per cent annual growth during the Seventh Malaysia Plan. This is due to the increase in the average length of stay of 4.8 nights in 1995 to 5.5 nights in 2000, despite the occurrences of haze, outbreak of localised viruses and the

Asian financial crisis. At the same time, the average per diem expenditure of tourists increased by 20.5 per cent over the period 1995 to 2000.

Being a key component of the services sector, the thrust of achieving rapid tourism growth on a sustainable basis can offer the Malaysian economy numerous benefits. It can help drive economic growth and offer opportunities of employment in a wide range of industries throughout the economy. It earns foreign exchange through increased export earnings and attracts inward-bound foreign investment. Through domestic tourism, it reduces foreign exchange outflows. The provision of infrastructure and facilities would assist broader economic development. Last but not least, it can draw on the abundance of natural and cultural resources in partnership with other stakeholders and improve the quality of life for all citizens.

The growth of the tourism industry is driven by several factors including political and economic stability, appropriate government policy to attract foreign investment, world-class natural and cultural resources and concerted efforts for infrastructure improvements, while its critical challenges include the need to diversify the tourism products, smooth policy coordination at the federal, state and local government level, and the need to improve domestic air and surface connections.

With the target set for 14.2 million tourists in 2005, a total receipt of RM29.5 billion is expected for the same year. Realising the potential, the government has allocated a RM1 billion ringgit development expenditure over the next five years under the Eighth Malaysia Plan, 2001-2005. Much of this will go into the preservation of national and historical heritage, accommodation, beautification, cleanliness and environmental protection, and finally facilities and infrastructure, with the ultimate objective of maximising the returns to the tourism industry and the economy as a whole. The government's obligation has to be complemented by the

private-sector's concerted efforts in order to make the industry truly dynamic, which in turn would place rapid tourism growth on a sustainable trajectory. The prospects over the next five years are bright, if there is a steadily increase in the share of private capital investment as well, be it domestic or foreign. The impact of tourism on the economy will be enhanced if the underlying policy framework is conducive to dynamic growth, the residents are actively promoting tourism at community levels, existing safety and security standards are reinforced to improve public confidence, the private sector develops competitive products and international standards of service and works in close partnership with the government in educational and training programmes, and the government creates a climate which attracts investment, streamlines regulation and builds infrastructure.

Rising standard of living of the citizens has made leisure a necessity. Ample potential and opportunity can be tapped from domestic tourism. The declaration of holidays for the public-sector service for the first Saturday of the month with effect from 1 January 1999 and also third Saturday of the month effective 1 February 2000 has further bolstered the increase in domestic tourism. Easy access to tourist destinations has also been made possible with the development and improvement of surface transportation. All these have yielded positive impact on the industry, with reduced foreign exchange outflows.

In order not to inhibit the growth of the tourism sector and its sustainable development, the government should make tourism a strategic economic and employment priority. There is a need to underscore the importance of public-private sector partnership to take advantage of the untapped potential, as this will assist local development as well as national and regional growth. There is also a need to factor in tourism in mainstream employment, trade, investment and education policies. Secondly, the industry should continue to move towards open and competitive markets.

Pursuing government policies towards the progressive liberalisation within the framework of the World Trade organisation (WTO) is one step in the right direction. Other concerted efforts are to continue expanding liberal aviation accords, upgrading promotion to match prevailing competitive approaches and ensuring that the industry receives the same incentives as other exports. Thirdly, the government must pursue sustainable development with a long-term perspective, paying particular attention to eco-tourism, and take into account the need for local community development. Finally, the government should make an effort to eliminate barriers to tourism growth. Of great importance is to ensure that visitor security is a top priority in national tourism policy. Education and training should be put in the forefront of tourism development, incorporating it in school curricula and highlighting the career prospects in economic development. Another area to pay attention to is the expansion of infrastructure, making tourist destinations easily accessible and streamlining border clearance particularly for day-trippers.

The lack of credible data concerning the scale and significance of tourism has deprived the government and businesses of accurate information for the effective implementation of policies and smooth and efficient operation of businesses. In the absence of credible and reliable database, it is difficult not only to estimate the real impact of the tourism industry on the economy as a whole but also to achieve its great potentials.