

INTERVENTION NOTES FOR YB DATO' AHMAD HUSNI MOHAMAD HANADZLAH,
DEPUTY MINISTER OF INTERNATIONAL TRADE AND INDUSTRY,
AT THE INTERACTIVE THEMATIC SESSION "TRADE AND TRANSPORT FACILITATION: BUILDING
A SECURE AND EFFICIENT ENVIRONMENT FOR TRADE",
UNCTAD XI, SAO PAULO, 17 JUNE 2004

Mr. Chairman,
Excellencies,
Ladies and Gentlemen

1. The significance of transport systems in facilitating trade cannot be underestimated. According to UNCTAD's study last year, transportation by container has grown from zero in 1965 to 225.3 million moves in 2000. Most of the traffic involves more than one mode of transportation in its journey to the final destination. This traffic is estimated to double to almost 500 million by 2010 at an annual growth of 9 percent.

2. In Malaysia, the transport sector facilitates exports and imports worth over US\$188.6 billion in 2003. The sector employs about 320,500 people or 3.36 per cent of total employment.

3. Being the 18th largest exporter in the world, naturally Malaysia attaches great importance to the development of an efficient and integrated transportation network. To facilitate the linkage between various modes of transport we introduced a wide range of policies and strategies. We also adopted a supply-driven policy in constructing infrastructure facilities such as seaports, airports and rail links to facilitate trade.

4. Developing transport infrastructure projects require significant financial investment. In this regard, Malaysia had made substantial investments to improve the transport infrastructure. Over the past two decades (1986-2005), we have allocated around 20% of development expenditure to transport infrastructure. In the current development plan (2001-2005), this amounted to US\$5.58 billion. From this amount, 64.8 per cent was allocated for the land sector, 23.1 percent for the maritime sector and 11.3 per cent was allocated for the aviation sector.

LAND SECTOR

5. An efficient road and rail transportation system that links the ports and industrial/commercial districts are crucial in supporting a dynamic export-oriented economy. In

the case of Malaysia, the government is responsible for the maintenance of most of the roads, totaling 59,000 km in 2003. This is expected to expand to 61,000 km by 2005.

6. In addition, the government privatized major road networks since 1983 with the aim of accelerating the construction of major highways. Between 2000 and 2005, it is estimated that privatized roads would expand from 1,200 km to almost 1,500 km, which represents an increase of 25 percent.

MARITIME SECTOR

7. Malaysia's strategic location in the heart of the Southeast Asian region and along one of the world's busiest shipping routes makes the maritime sector a key mode of transportation in facilitating trade. Currently, 90 percent of Malaysia's trade is by sea.

8. As such, Malaysia has undertaken steps to modernize and liberalize our ports in order to compete with other regional ports and to sustain our position as a transshipment hub in the region. This is done through improving efficiency and upgrading facilities at the ports. Among measures that we have taken are:

- i. putting in place an IT-oriented logistics environment through the usage of e-commerce, e-trade, e-documentation, e-procurement, and web-based logistics for trade transactions;
- ii. providing a one-stop agency service at major ports;
- iii. introducing services and incentives that respond to users' needs; and,
- iv. reasonable port tariffs which are regularly reviewed with a view to maintain competitiveness.

9. Port development will continue to focus on productivity and efficiency of services as well as forging of strategic alliances. Such strategic alliances will help to secure users and to maintain an edge over our competitors. The government has also created a single port authority to ensure that ports consistently improve performance standards and remain competitive.

10. All these contribute to the growing capacity of ports and volume of cargo handled. Last year a total of 340 million tonnes of cargo went through our ports. It is estimated that in 2005, there will be 414 million tonnes. Containerized cargo is expected to increase from 10.6 million Twenty Foot Equivalent units (TEUs) in 2003 to 14.2 million TEUs in 2005. In anticipation of such growth, the government is expanding overall port capacity to 481 million tonnes by next year. This is in line with the growth of our trade from US\$180.2 billion in 2000 to US\$188.6 billion in 2003.

AVIATION SECTOR

11. On Aviation Sector, Malaysia has also developed an efficient and comprehensive air transportation network to cater for air traffic demand for both passenger and air cargo in the short and medium term. These airports could be further developed on a modular basis to cater for long-term demand. Such long-term growth capacity is crucial in making the Kuala Lumpur International Airport (KLIA) a regional passenger and cargo hub.

12. Currently KLIA can cater for 25 million passengers and 1 million metric tonnes of cargo. The facilities at KLIA are designed to ultimately be able to handle 100 million passengers and 5 million metric tonnes of cargo per annum.

13. Malaysia also provides incentives to attract users. For example, at KLIA:

- i. There is a 5-year full waiver on landing and parking fees for new and additional services;
and,
- ii. in addition, a budget of US\$131,579 over a 3-year period has been allocated for promotional activities and incentives for new airlines introducing passenger or freighter services.

14. Malaysia has also concluded open skies or liberal agreements with many countries including the US, New Zealand, Austria, the Scandinavian countries, Luxembourg, and Lebanon. In addition, we also have open skies arrangements for all cargo services with Germany, the Netherlands and Australia.

15. The aviation sector looks set to grow as an important mode in international trade. Air cargo traffic in 2003 amounted to 872,000 tonnes. It is estimated to grow to 1.1 million tonnes in 2005.

REGIONAL COLLABORATION - ASEAN

Mr. Chairman,

16. To facilitate and promote transportation services in the region Malaysia participates actively within the Association of South East Asian Nations (ASEAN). These include:

- i. ASEAN Framework Agreement on the Facilitation of Goods in Transit which provides for the simplification of procedures and requirements for the transit of dangerous goods in ASEAN, using internationally accepted standards and guidelines;
- ii. ASEAN MOU on Air Freight Services which allows designated airlines of each ASEAN member country to operate all cargo services for up to 100 tonnes weekly with no limit on frequency and aircraft type; and,
- iii. cooperative partnerships with the People's Republic of China, Japan, and India in the transport sector.

17. In the port industry, ASEAN countries handled a total of 35 million containers in 2003. This volume is expected to grow to 50 million containers in 2005 and 70 million by the year 2010.

18. As a result of our efforts:

- i. There is improved connectivity and frequency by mainline operators and improved handling efficiency at the terminals;
- ii. Ship turnaround time and ship waiting time has declined as there has been a marked increase in crane handling rate;
- iii. Port Klang's position has climbed from the 28th in 1995 to the 11th in the world port ranking today; and,

- iv. Port congestion has been significantly improved by liberalizing the haulage industry and expanding the number of service providers.

MEETING SECURITY CHALLENGES

Mr. Chairman,

19. Given the importance of the transport sector to Malaysia as outlined above, we place special importance to the security concerns and threats in this sector especially following the September 11th incident. In this connection, Malaysian ports have already initiated implementation of the Security of Life at Sea (SOLAS) convention with regard to the introduction of the international ship and port facility security code.

20. Malaysia also participates actively in other initiatives to ensure secure trade. Measures undertaken include:

i. At national level:

- cargo protection under the Container Security Initiative (CSI);
- protection of ships in international voyage under the Vessel Traffic Management System;
- protection of international aviation e.g. through upgrading the security technology at Kuala Lumpur International Airport (KLIA); and
- protection of travellers e.g. through installation of Biometrics Fingerprint Technology at KLIA.

ii. At the regional level Malaysia has undertaken :

- To establish South East Asia Regional Centre for Counter-Terrorism (SEARCCT) which was set up in Malaysia in July 2003. The Centre focuses on counter-terrorism capacity building; and
- To work together with APEC members in collaboration with SEARCCT on capacity building and training programmes on anti-terrorism.

- To increase security cooperation among ASEAN and other countries in the region and beyond.

Mr. Chairman,

21. Efficiency gains in transport facilitation seem to be overtaken by demand for heightened security measures. Ensuring secure trade is obviously not without cost. The increasing cost and additional resources to put in place various security measures and requirements are a matter of concern to many countries. While we must strive to ensure that a fully secure environment must be created, we must also be mindful that these measures do not serve to restrict trade more than necessary. In this regard the trend towards increasing security measures must be addressed in an integrated manner, comprehensively and collectively.

22. Malaysia is of the view that giving emphasis on providing security surveillance and imposing regulatory security check to combat terrorist threat alone is not sufficient. Neither could all these eliminate the threat to secure trade. We strongly feel that an effective way in dealing with the threat is to also address the root causes of the problem.

Mr. Chairman,

23. In conclusion, we believe that an efficient, secure and integrated transportation system is essential in determining a country's competitiveness in international trade. As trading nations, we cannot but emphasise on such an approach as an integral part of our national development strategy.

24. For Malaysia, the government will continue its ongoing effort to enhance transport and logistics efficiency and security to ensure competitiveness of the national economy.

25. At the regional, bilateral and international level, we will continue to actively participate in collaborative efforts towards creating an efficient and secure transportation network in the region.

Thank you Mr. Chairman.