Chapter 9

Conclusions and Recommendations

9.1 Conclusions

The paper concludes that tourism has had the following positive effects upon economic growth:

1. Tourism has contributed to economic growth in terms of creating employment, bringing in foreign exchange and contributing positively to Malaysia’s current account balance. The growth in tourism industry related sectors, namely the hotel, retail shopping, food and beverages, entertainment, tour operators, local transport and air travel industries have all benefited considerably from the millions of international visitors and billions of Ringgit spent by these visitors.

2. The multiplier effect is quite significant since most of the tourist dollars go towards retail businesses, and hence has strong effect on local employment. As employment and total salaries increase, consumer spending increases in tandem. The level of import leakage appears very limited, which means that the new wealth created by tourism remains largely within the country.

3. As a result of tourism, various public goods, such as roads, bridges, public amenities and law enforcement are given higher priority by the government since such public goods are essential for international tourists to have a positive view of Malaysia. The taxes, both direct and indirect, provide additional stimulus for government spending. This government spending creates employment and support domestic consumer spending.
However, the paper also concludes that Malaysia’s strategy and approach towards promoting tourism as an economic engine has contributed negatively towards the economy in the following ways:

1. The promotion of tourism, particularly since 1998/99, to compensate for the loss of economic growth in Malaysia’s manufacturing sectors has led to a strategy of ‘mass tourism’. The focus has been on increasing the number of tourists, with little regard to the quality or sustainability of tourism as an economic engine. Consequently, tourism spending has not been increasing in recent years, which in turn puts pressure on tourist industries that depend on volume for profits. During ‘low tourist arrivals’, these industries could face severe cash flow pressures.

2. The strategy of making Malaysia a ‘shopping paradise’ does not go very far in supporting high value added economic growth. A significant part of goods sold in local shopping malls are sourced from other low cost manufacturing countries, like China, Thailand, Sri Lanka, India and Vietnam. Since Malaysia has limited ‘brand appeal’, the strategy is often to compete on price. The risks are high since tourism tends to be rather volatile, and retail outlets with high fixed costs and low margins may become vulnerable to financial losses during periods of low tourist arrivals.

3. The twin problem of large numbers of tourists and promoting Malaysia as an affordable shopping paradise has other negative consequences. These include increasing the demand for hotels in the major urban areas, which means more damage to the natural environment. There is also more congestion in the city. In order to resolve these problems, the government has to spend more money in capital intensive projects. But as long the strategy is to bring tourists to shop in
Malaysia’s mega malls, the situation will continue to worsen, and increase the burden on the government and ultimately the tax payer.

4. The strategies of MOCAT focus on short-term success, rather than building progressively for long term prosperity in the tourism industry. Investments in education, intellectual capital, national heritage sites, eco-tourism products, marine tourism products and deliberate packaging of Malaysia’s cultural diversity as a tourist product are inadequate.

In the final assessment, the short-term potential for tourism in terms of promoting economic growth is positive. The longer-term potential looks more uncertain because the Malaysian tourism industry could evolve into a low value adding industry, where the negative effects outweigh the positive effects.

9.2 Recommendations

1. Change the current strategy of promoting Malaysia as a ‘shopping paradise’ to one that promotes Malaysia’s cultural diversity, ethnic heritage and natural wonders. The strategy must include the development of cultural tours, specialist tour guides, quality tour facilities to remote sites of interest and continual re-investment in sustaining the heritage of the country.

2. Develop a wider range of regional tourist products to meet the needs of long-haul tourists from Europe, America, South Africa and the Middle-East. This strategy must include single region visa requirements, multiple entry privileges, integrated transport facilities and integrated information services.
3. Develop a wider range of eco-tourism and marine tourism products since Malaysia has a plenty to offer in this respect. This strategy will reduce the high dependence on urban attractions, spread the tourist spending over a greater economic region and help mitigate risks associated with volatility in tourist arrivals.

4. Develop premium priced products as a deliberate strategy since such products can add more economic value. A good example is Pangkor Laut which has successfully created a premium priced product, i.e. a luxury resort, that has found a niche in the international tourist market.

5. Develop a value brand that is distinctly Malaysian to attract premium tourists. Branding that reflects a unique national identity is a powerful marketing tool. Paris, Switzerland, Bangkok, Bali, Cayman Islands and Hawaii each project a special brand that attracts tourists. Such branding does not have to tied to any particular product.

6. Jointly promote product brands that are distinctly Malaysian to the world market in order to support premium pricing amongst Malaysian producers.

7. Reduce the current high dependency on tourists from Singapore and Thailand by shifting the market campaigns more towards China, India and the Middle-East.