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WHY APRIL 1 IS A MOMENTOUS EVENT

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UNSHACKLING OF MOVEMENT RESTRICTIONS

WHY APRIL 1 IS A MOMENTOUS EVENT

Reopening of international borders signifies the real catalyst for economic recovery



TENGKU
DATUK SERI
ZAFRUL
ABDUL AZIZ

COME April 1, Malaysia will reopen her borders, closed since March 2020 owing to the Covid-19 pandemic. The decision is deeply significant and momentous for several reasons.

Firstly, it marks the final phase in the unshackling of our movement restrictions, part of the government's effort to curb the spread of the coronavirus. For the past two years, different iterations of borders and movement controls were implemented because our lives literally depended on it.

After April 1, it would be easier for Malaysians to travel abroad, which is something most of us have been unable to do since the pandemic hit our shores. Likewise, foreign tourists will be able to visit Malaysia more freely to soak in our famed beaches, cultured history, fabulous food and renowned warm hospitality.

This brings us to the second point about why April 1 is a momentous event for the country. The inflow of tourists and other travellers into the country is critical to not only kick-start our pandemic-battered tourism industry, but also provide a strong impetus for our post-Covid economic recovery.

Pre-Covid, tourism was a major contributor to our gross domestic product (GDP).

In 2019, tourism contributed 13.3 per cent to our GDP. The 26.1 million international tourists who visited Malaysia that year spent some RM86.14 billion.

Additionally, pre-Covid, tourism and tourism-related sub-sectors like retail, transportation, as well as food and beverage, hired an estimated three million workers.

All these made up the gross value added for tourism industries (GVATI) of RM240.5 billion or 15.9



The Kuala Lumpur International Airport in Sepang. With the reopening of international borders on April 1, international travellers can visit Malaysia for business and leisure. PIC BY MOHD FADLI HAMZAH

per cent of the GDP in 2019. This added to government revenue in the form of taxes, which is then ploughed back into the economy through development projects, including building schools, roads and hospitals.

Since the gradual opening of state borders starting October last, I believe we have turned the corner insofar as tourism is concerned. Nonetheless, it is the re-opening of our international borders on April 1 that is much anticipated, because that is what will truly revive the industry, as international travellers can now visit Malaysia, whether for business or leisure.

I just left for an overseas working trip on the afternoon of March 17 and felt heartened to see that Kuala Lumpur International Airport (KLIA) was once again teeming with travellers, with most retail outlets having reopened. Be that as it may, the Finance Ministry is realistically aware that the projected tourist arrivals this year will not likely catch up with the 2019 figure of 26.1 million any time soon.

In fact, the United Nations World Trade Organisation only expects international tourism to return to pre-pandemic levels by 2024, at the earliest. Further, the Omicron variant, the Russia-Ukraine conflict and the ensuing sharp rise in commodity prices, particularly oil have put a dampener on prospects for a quick economic recovery.

Nonetheless, the re-opening of Malaysia's international borders is still a positive development for our economy. Our GVATI for 2022 is projected to be RM206.8 billion, or 12.6 per cent of the GDP. This will certainly contribute to our service sector's expected seven per cent growth, which in turn, will contribute to the 2022 GDP growth projections of between 5.5 and 6.5 per cent.

Malaysia's growth this year will continue to be driven by encouraging external trade. Last year, we recorded external trade exceeding RM2.2 trillion. In January this year, our external trade grew by 25 per cent and in February, by 17.5 per cent.

In helping the industry to recover sooner, the government has also extended the Wage Subsidy Programme (WSP) to the tourism sector this year. Through the 2022 Budget, RM600 million has been allocated for this programme, which is expected to benefit 330,000 employees and 26,000 employers.

The Finance Ministry also extended until this year's end the special individual income tax relief for domestic tourism expenses of up to RM1,000. Additionally, more than 20,000 tour operators registered with the Tourism Ministry will also get assistance valued at RM85 million for three months. Hopefully, these will help the government create the targeted 600,000 new jobs this year and reduce unemployment

to less than four per cent by end-2022.

But what is equally, if not more important, is how the financial institutions will step up to support this industry and help it recover speedily from its two-year setback.

Measures such as a special RM600 million facility under the Penjana Tourism Financing and the BPMB Rehabilitation Schemes will certainly help. There are various other financing measures under the RM40-billion SemarakNiaga initiative, curated specifically to help businesses recover faster and help them grow. For micro small- and medium-sized enterprises, there are even a few financing schemes at 0 per cent, coupled with a moratorium of up to 12 months.

The financial institutions' support is key to reinvigorate a sector to help it regain its crown as one of the largest contributors to our GDP. For businesses that have been hit hard these last two years, equity and quasi-equity financing are options they could consider for the funding required to help them get back on their feet.

My fervent hope is that financial institutions will do their best to facilitate access to funding for these businesses. Because, just like a rising tide that lifts all boats, a growing tourism industry will have a knock-on, positive impact on many other subindustries, reflecting the cooperative spirit of Keluarga Malaysia not only surviving, but also thriving together.

The writer is the finance minister



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SUMMARIES

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