

MALAYSIA
TUN DAIM ZAINUDDIN, Governor

I would like to begin by recording my appreciation to the government of the United States (US) and to the people of this beautiful city of Honolulu for their warm hospitality and excellent arrangements for this meeting.

Malaysia entered the year 2001 with strong overall macroeconomic performance. Real gross domestic product (GDP) of 8.5 percent registered in 2000 was accompanied by a significant improvement in economic and financial fundamentals, providing Malaysia with greater flexibility and vitality in responding to the short- and medium-term challenges facing the economy.

At the global level, Malaysia is bracing for lower economic growth following the marked slowdown in the US economy, uncertain prospects of recovery in Japan, and moderating growth in Europe. While the general consensus is that the slowdown will be moderate and short-lived, Malaysia has initiated various measures to mitigate the impact of the slowdown. The measures include enhancing the fiscal stimulus, maintaining an accommodative monetary policy, and stimulating domestic consumption. Other notable challenges on the external front include the current uncertainty in global equity and financial markets, and the continued volatility in oil prices. The issues that need to be addressed to ensure economic stability and resilience are comprehensive and extend beyond sustaining the momentum of economic growth in our individual economies.

Aside from remaining focused on current concerns of sustaining growth, Malaysia is of the view that we should be persistent in addressing the continuing and longer term challenges before us. They include managing the challenges arising from globalization and the inherent instability of global financial markets. Another notable challenge is ensuring the inclusion of all economies in the more equitable distribution of the benefits accruing from global growth and in the decision-making processes that govern the global marketplace. In managing these challenges, developing countries can continue to take measures to strengthen their domestic economic and financial systems to reduce their vulnerability to external risks. These measures alone are obviously inadequate as many of these challenges require a commitment that extends beyond national boundaries. The international community, in particular multilateral agencies like ADB, have a strategic role to play in this regard.

Malaysia welcomes ADB's long-term strategic framework for 2001-2015, which outlines a core poverty reduction strategy that will be complemented by the role of the private sector in development, regional cooperation and integration in development, and environment sustainability. With more than two thirds of the world's poor living in this region, ADB undoubtedly has a primary role to play in ensuring that economic development benefits the poor and the marginalized in the region.

As the only regional development bank in the region, ADB must retain its regional character and focus primarily on regional interests and challenges given the recent move

to coordinate and standardize the operations of international development agencies. Forging regional cooperation and financial stability will have to remain its core activity. In this regard, I would like to commend ADB for its role in promoting several subregional initiatives, in particular the Greater Mekong Subregion, East ASEAN Growth Area (BIMP-EAGA), and Indonesia-Malaysia Growth Triangle (IMT-GT). However, Malaysia believes that more can be done to bring about greater economic development to the poorest in the region.

Poverty eradication programs and economic cooperation alone are not enough to ensure a more equitable distribution of the benefits accruing from globalization. While globalization in theory promises infinite potential for the development and welfare of mankind, not all countries are equally well placed to benefit from the process, and the benefits have, to date, been uneven. Not only are the benefits uneven, some countries have been made to bear a disproportionate cost as well. Globalization can be destabilizing, and developing countries are the most likely to bear the brunt of adjustment given the limitations of their political, administrative, and legal capacities to manage the process. As globalization is a means to greater welfare and not an end in itself, Malaysia strongly believes that countries must be given the flexibility to determine the pace of globalization for themselves. They must also be given the flexibility to ensure that balance is achieved between the pursuit of efficiency and competitiveness, and the socioeconomic aspirations of their people. This is because globalization per se attaches supreme importance to the wisdom of private enterprise and free markets. But the market has its deficiencies and has oftentimes failed. We cannot expect private enterprise or the free market system to uphold public interests, which is ultimately the responsibility of government.

However, Malaysia believes that managed globalization can be beneficial to developing countries. National boundaries can be opened based on these countries' own best interests, as judged by them. The pace of globalization must not be dictated and flexibility in policy options should be provided to allow for trade-offs between efficiency and social considerations. In this regard, Malaysia strongly urges ADB to play an expanded role in enhancing the capacity of the smaller and vulnerable economies to prepare for globalization, as well as influence international opinion in ensuring a fairer and more equitable global marketplace that will enhance the welfare of all and not the privileged few that are better placed to benefit.