

**MALAYSIA****CHAN KONG CHOY, Governor ad Interim**

It gives me great pleasure to address this auspicious Thirty-Fifth Annual Meeting of the Asian Development Bank (ADB). On behalf of the Malaysian delegation, I would like to thank the Government of the People's Republic of China and the people of Shanghai for their excellent arrangements and generous hospitality. At the outset, let me congratulate President Tadao Chino for being unanimously reelected as President of ADB for the next 5-year term commencing 24 November 2001. I am confident he will be able to lead ADB to face greater challenges in the years ahead.

Most ASEAN and East Asian economies experienced slower growth in 2001 following the slowdown in the world economy. Some economies in the region even registered negative growth.

The Malaysian economy has also been adversely affected. However, our gross domestic product (GDP) for 2001 has remained positive at 0.4%. Malaysia's fundamentals remained strong with a low inflation environment and low unemployment rate. Our external reserves increased to \$32.5 billion, which is 5.3 times our short-term debt and sufficient to finance 5.5 months of retained imports. The current account of the balance of payment continues to be in surplus.

Our banking sector remained resilient with risk-weighted capital ratio of 12.5% and nonperforming loans of 8.1%. We have also made significant progress in financial and corporate sector restructuring. The bank merger was completed in 2001. Our Asset Management Company (Danaharta) has restructured \$12.6 billion of nonperforming loans with a recovery rate of 56%. The Corporate Debt Restructuring Committee has resolved the debt of 43 companies with a total value of \$9.9 billion. The remaining eight companies with debt are expected to be restructured by July this year.

As we enter 2002, indications are that growth in the major industrial countries as a group is expected to stabilize and world trade is expected to recover. Against this background, Malaysia is well positioned to benefit from the emerging recovery in the global economy. Real GDP growth in the Malaysian economy is projected to recover to 3.5% in 2002. The projection is based on stronger growth in private consumption, a

modest recovery in private investment, sustained public sector expenditure, and moderate growth in exports.

Malaysia welcomes the partnerships between ADB, World Bank, and United Nations in providing support for preparing poverty reduction strategies. While much emphasis is placed on increased efficiency and improved communication in order to eliminate duplication of efforts, Malaysia hopes that these strategic partnerships will not affect ADB's focus and dedication in its regional poverty program in the Asia and Pacific region but rather enhance ADB's operations more effectively.

The experience of East and Southeast Asia has shown that globalization when accompanied by appropriate policies can promote economic growth and reduce poverty. However, the Asian financial crisis of 1997 clearly demonstrated that globalization can also increase economic volatility. The stance taken by multilateral institutions appeared to be enhancing resilience among the poor to enable them to counter the adverse effect of globalization. However not much effort is being made by these institutions to work toward an equitable distribution of the benefits from global economic growth. As such, ADB could play a meaningful role by ensuring that its participation in financing economic activities will benefit the poor and the vulnerable in the less-developed countries.

In this regard, Malaysia wishes to call on ADB to support Myanmar in their development efforts. We urge ADB to resume its lending activities and technical assistance (TA) to Myanmar.

ADB's long-term strategic framework and medium-term strategy place high priority on promoting sustainable economic growth through investments in physical and social infrastructure, environmentally sound development, and active private sector development. Malaysia's experience has shown that private sector participation in development can facilitate rapid economic growth, but a high investment in human development is required to achieve synergy in creating economic wealth. As such, Malaysia supports ADB's commitment to provide the necessary infrastructure for education and promote private sector participation in developing information and communication technology capacity in the region.

As a regional development bank, ADB should give prime importance to forging regional cooperation not just among member countries, but also their private sectors. This particularly applies to ADB's efforts to promote the subregional initiatives in the Greater Mekong Subregion, the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), and the Indonesia-Malaysia Growth Triangle (IMT-GT). As a regional member country, Malaysia believes that further progress could be achieved if ADB takes the lead in part financing projects earmarked for development in these regions.

The year 2001 also witnessed a decline in ADB's overall loan approvals and TA, particularly under the Asian Development Fund and lending to the private sectors. Total loans approved for 2001 dropped to \$5.3 billion for 76 projects, compared with \$5.8

billion for 90 projects the year before. There was also a significant decrease in TA operations from 306 TA grants totalling \$172 million in 2000 to 257 TA grants with a total amount of \$146.4 million in 2001. Malaysia is of the view that it is important for ADB to play a major role in providing a fiscal stimulus to boost economic activities in developing member countries during times of global economic slowdown.

Notwithstanding this, I wish to commend ADB for its earnest and continuous commitment to reducing poverty and promoting the economic well-being of the Asia and Pacific region. ADB's international development goals could be effectively achieved if ADB conducts, on a permanent basis, regular policy dialogue with member countries to better understand member countries, and subsequently facilitates its operations and ensures efficacy in implementing it. On that note, I take this opportunity to thank the President, directors, and staff of ADB for their relentless effort in the development of the region and look forward to a better relationship with ADB.