

**MALAYSIA****TAN SRI NOR MOHAMED YAKCOP, Head of Delegation**

It gives me great pleasure and honour to be here today to address this auspicious gathering. On behalf of my government and the Malaysian delegation I would like to convey our deepest appreciation to the Government of Turkey and the people of Istanbul for the fine arrangements and cordial hospitality extended, which in no small measure has contributed to the success of this 38<sup>th</sup> Annual Meeting of Board of Governors of ADB.

Allow me to take this opportunity to formally congratulate the Hon. Haruhiko Kuroda, the newly appointed President of ADB, whose immense knowledge and experience would undoubtedly serve the Bank well.

Malaysia has always taken a keen interest and supported the developmental and capacity building activities of the Bank. It cannot be denied that ADB has been instrumental in strengthening regional cooperation and providing timely assistance to member countries to alleviate unforeseen economic adversities. The establishment of the US\$600 million Asian Tsunami Fund (ATF) to provide immediate relief to countries affected by the tsunami is indeed commendable. The support of the member countries in consenting to the initiative of ADB to utilize the income generated from interest charges on loans for the establishment of the Fund is a reflection of the extent of regional cohesiveness.

Apart from this, we also note that Asia currently has a large pool of reserves amounting to more than US\$1 trillion as a result of the high savings rate recorded in the region. However, it is ironic that while Asian countries have the necessary financial resources to be tapped upon to underwrite costs for the region's development, Asian savings are often intermediated outside Asia. Principally invested in US and European markets, these savings have been known to subsequently flow back into the region in the form of portfolio investments. This raises the possibility of a recurrence of the dual mismatches of maturity and currency, resulting in a repeat of the 1997/98 Asian financial crisis.

In order to meet the long-term financing needs of the region, Malaysia wishes to propose that the ADB enhance its lending facilities and tap into the liquidity of the region to better utilize Asian savings for Asian investments, especially for infrastructure development. The ADB's expertise in risk management and mitigation would be invaluable in tapping regional resources from the more developed members to assist in the development of the emerging economies. Having the ADB standing solidly behind regional developmental efforts, particularly in terms of providing sovereign guarantees for members' financing requirements, would lend credence to such efforts. This, in turn, would strengthen the confidence of potential financiers and investors in relation to the prospects of the region.

In this regard, Malaysia would like to thank ADB for its intervention in our capital market through the issuance of the inaugural RM400 million Ringgit-denominated loan in November 2004. This has greatly reinforced Malaysia's efforts in reducing any financial system risks by broadening the institutional investor base and enhancing the development of the domestic bond market. It also denotes the confidence the Bank has in the Malaysian capital market as a reliable source of competitive funds.

In addition to this, we understand that the Bank is currently considering innovative financing mechanisms to facilitate and accelerate assistance to middle-income countries in the region. We commend the relentless efforts of the Bank in introducing new approaches to improve its delivery system. We hope these innovations will meet the needs of these member countries, particularly in closing the gap in income inequity in the region. The middle-income countries are at a crucial stage in their development path and require the resources to address the challenges ahead.

The increasingly diversified economic structure and strong macroeconomic fundamentals have enabled the Malaysian economy to reach its strongest growth pace in four years with a GDP growth of 7.1% in 2004. This places Malaysia in the fourth position amongst the fastest growing economies in Asia after the People's Republic of China (9.5%), Singapore (8.4%) and Hong Kong, China (7.5%). Going forward, the Malaysian economy is poised to enter 2005 from a position of strength. Real Gross Domestic Product is expected to continue to register strong but lower growth of between 5% to 6% taking into account the potential uncertainties related to the global developments, such as moderate world economic growth and trade, downturn in the global semiconductor industry as well as the impact of high oil prices and the interest rate hikes.

In terms of global developments, world output and world trade are also projected to expand at a steady pace of 4% and 5.8% respectively in 2005 after attaining the strongest growth of 4.8% and 8.8% respectively in 2004. The rapid economic development in the People's Republic of China and India provides vast opportunities for Asian countries in particular. It is here that the ADB could play its role in supporting investment activities of member countries in the said economies. The main constraint of private sector investment and trading activities is funding. Perhaps ADB could put in place a mechanism to assist the private sector in the region to avail themselves of the global economic opportunities.

Malaysia has and will continue to support the ADB in all its endeavors and is looking forward to working closely with the ADB and member countries in enhancing economic growth in the region. To conclude, allow me on behalf of the Malaysian delegation, to once again express our sincere appreciation to the Government of Turkey and especially the people in Istanbul for their tireless efforts in making the 38<sup>th</sup> Annual Meeting of Board of Governors a memorable one. I would also like to commend Mr. Haruhiko Kuroda, the President, its Directors, management and staff for the Bank's excellent performance and achievements in 2004.

Thank you.