



Permanent Mission of
Malaysia
to the United Nations

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**STATEMENT BY THE HONOURABLE DR. K.S. NIJHAR
REPRESENTATIVE OF MALAYSIA
ON AGENDA ITEM 50(b): MACROECONOMIC POLICY QUESTIONS
INTERNATIONAL FINANCIAL SYSTEM AND DEVELOPMENT
AT THE SECOND COMMITTEE DURING THE 60TH SESSION OF
THE UNITED NATIONS GENERAL ASSEMBLY
MONDAY, 10TH OCTOBER 2005**

Mr. Chairman,

At the outset allow me to express my delegation's appreciation to the Secretary-General for his report A/60/163 on this important agenda item. The report provides valuable insights on the efficacy of the international financial system in the allocation of financial resources to support the mobilization of domestic resources and in reviewing recent measures to improve the stability of the international financial system with particular relevance to developing countries.

2. My delegation associates itself with the statement made earlier by the Permanent Representative of Jamaica on behalf of the Group of 77 and China. We also align ourselves with the statement made by the Permanent Representative of Indonesia on behalf of the Association of Southeast Asian Nations (ASEAN). Nevertheless, we would also like to make some additional comments on sub-item 50(b) concerning the International Financial System and Development.

Mr. Chairman,

3. Following the financial crisis in the late 1990s, the Asian region has made significant progress to strengthen the underlying economic structures and fundamentals of the region's financial system. In addition to promoting domestic resources of growth, the economies in Asia have also enhanced regional economic and financial cooperation, including measures to strengthen regional surveillance and financial support mechanisms, including the regional capital market. Progress has also been achieved in further deregularizing and liberalizing the economic and financial sectors, thus increasing the potential for the Asian economies to contribute to global growth and stability.

4. Malaysia's own performance has been very encouraging, registering continued steady growth in the last few years. The economy, with the private sector being the main engine for growth, continued to explore new areas of comparative advantage and new areas of growth. This has contributed to a well-diversified economic structure and has also increased the resilience of the economy to external developments. The financial sector has also been

significantly transformed with the near completion of the restructuring, consolidation and internal rationalization of the banking sector. Governance and risk management practices have been improved while structural enhancements have been made in the capital market, significantly enhancing its role in the country's financial system. A comprehensive and robust financial system based on Islamic syariah principles also now operates in parallel with the conventional domestic financial system in my country.

5. Malaysia has also sequentially deregulated and liberalised the financial system. This is being implemented with the introduction of a new interest rate framework that is market-driven, liberalization of the rules of foreign exchange administration to promote greater efficiency and enhance risk management in foreign exchange transactions, and the introduction of new foreign players into the financial system. On 21 July 2005, Malaysia unpegged the national currency, the Ringgit, and in its place adopted a managed float for the Ringgit's exchange rate. The move placed Malaysia in a better position to respond to structural changes in the global and regional environment. Nevertheless, it should be noted that while efforts to strengthen domestic financial systems are important, they are themselves not sufficient to ensure international financial stability. Given the interconnectedness of global financial markets, international efforts to ensure financial stability across the board have to be integrated and further strengthened.

Mr. Chairman,

6. The Secretary-General in his report acknowledged that developing countries have adopted a wide range of measures to improve and strengthen their financial regulation and supervision in order to contribute to a more stable international financial system. However he lamented that developing countries still remained highly vulnerable to the increasingly challenging and competitive global financial environment. The prevailing imbalances in the global economic environment compounded by the high and volatile oil prices have also brought negative consequences to the small and fragile economies of developing countries. These countries lack the necessary institutional capacity and are highly susceptible to the volatility of external financial flows. It remains clear to us that more needs to be done on the reform and restructuring of the international financial architecture to bring the desired result. Further reform of the Bretton Woods Institutions is essential.

7. At the Joint annual discussion of the Boards of Governors of Central banks at the 2005 World Bank – International Monetary Fund (IMF) Annual Meeting in Washington D.C., the Governor of Malaysia's Central Bank had stated, and I quote, "As we strengthen our global relationships, there needs to be greater engagement with the entire spectrum of member countries. If we are to achieve a more balanced global growth, greater stability in the global financial system and significant progress in the fight against poverty, there needs to be greater appreciation and understanding of the global issues from the perspective of the emerging and developing economies".

Mr. Chairman,

8. Malaysia welcomes the efforts in the last few years to reform the international financial architecture. However, we feel that they are still far from adequate. The Monterrey Consensus had stressed the need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm setting. There is a need to adapt to the changes in the world economy and to ensure that the

developing and emerging economies have adequate representation in the institutions that is consistent with their relative positions in the world economy.

9. In this connection, we concur with the view advanced by Mr. Rodrigo de Rato, Managing director of the International Monetary Fund(IMF) when he stated at this year's Joint annual Discussion of the Board of Governors of the IMF that, and I quote, " We all have a pretty good idea what actions are needed to address the global imbalances of today , though knowing what needs to be done and actually doing it are two different things". We also agree with his statement that the IMF as the institution of global monetary cooperation can and should be the forum for collective action. The legitimacy and relevance of the IMF could only be strengthened with a reform of the IMF quotas and representation.

10. We look forward to the commitment of the international community in preserving the fundamental core principle of equality in the governance structure of the Bretton Woods Institutions. In this regard, we look forward to the upcoming meeting of the 13th General review of IMF Quotas in Washington for greater engagement with the international community which we earnestly hope could contribute to increasing prospects to developing countries for greater share in the global economic prosperity.

Thank you, Mr. Chairman.