



Permanent Mission of
Malaysia
to the United Nations

STATEMENT BY H.E. MR. HAMIDON ALI, PERMANENT REPRESENTATIVE OF MALAYSIA TO THE UNITED NATIONS AT THE GENERAL DEBATE OF THE SECOND COMMITTEE OF THE 64th SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY, 6th OCTOBER 2009

Mr. Chairman,

I would like to first congratulate you and the other members of the Bureau on your election. Please be assured that Malaysia will lend our full support to you and the Bureau as you discharge your responsibilities. We associate ourselves with the statement made by the Sudan on behalf of the G77 and China and Indonesia on behalf of ASEAN.

Mr. Chairman,

2. The past few months have witnessed the UN playing an active role in addressing issues related to financial and economic crisis and its effects on development, climate change and the achievement of the MDGs, to name but a few. As the international community will continue to be seized of these issues in the months and years ahead, it is important that the UN should continue to play its rightful role.

3. Given this, I believe that it would be useful for us to take stock of the UN's involvement in these issues, the value that has been added and what we can do to ensure how the UN can do things better. I believe that to do so, the UN should focus on these two areas:

- 3.1 One, the role it can play in improving the global economy, including in the creation of a Framework for a Strong, Sustainable and Balanced Growth; and
- 3.2 Two, its relationship with the emerging structure of global governance.

Mr. Chairman,

4. The IMF's latest report on the state of the global economy points to the following facts:

- 4.1 While the global recession is ending, we will continue to experience de-leveraging and slow job growth ahead. The global economy is to grow by 4 percent in the 2010-2014 period, appreciably below the 5 percent pre-crisis level;

- 4.2 Although it will improve, financial conditions will continue to be bad. While stock markets worldwide have posted gains, the securitization markets remain impaired, severely limiting banks' capacity to generate and distribute credit ;
 - 4.3 Sluggish real sector dynamics will be characterized by low demand, large excess capacity, unavailability of credit and weak corporate sector revenues;
 - 4.4 Continued, but diminishing support from governmental policies due to reduction in space for additional stimulus. It should be noted that the budget deficit in the US and the UK has reached double digits;
 - 4.5 In sum, the `policy forces that are driving the current rebound will gradually lose strength, and the real and financial forces remain weak but are gradually building', will lead to a period of subdued recovery and vulnerability to mild deflation.
5. The key issue that needs to be addressed is how to address the imbalances in the global economy, more specifically addressing the supply disruptions caused by the crisis and rebalancing the global pattern of demand.
6. On the supply side, this involves restructuring and repairing financial firms and markets so that they will be able to deliver adequate credit for sustained increases in investment and productivity. Labour will need to be redeployed across sectors. On the demand side, our ability to rectify global imbalances will depend on switching from public to private demand. It also depends on switching from domestically to externally driven growth in the many economies that experienced asset bubble busts.
7. Lest we forget, it was over-inflated asset prices that enabled consumers in these countries to borrow in order to consume more. On the other side of the coin, this means that economies that previously relied on export-led growth, including from the developing world, will need to switch from externally to domestically driven growth.
8. This prescription for both the demand and supply side sounds simple. It is not. Most of us in the developing world have invested heavily in an economic model that depends on exports as a means of capital formation, economic growth and social progress. Changing the present model will result in dislocation and high social adjustment costs.
9. Indeed, ongoing discussions, most particularly within the G20, have focused on measures to achieve a framework for strong, sustainable and balanced growth. Even allowing for a best case scenario in which these measures are implemented fully and achieve the aims and targets set, we have yet to devote an equal amount of time on measures to mitigate the adjustment costs involved.
10. In this connection, the G20's Leaders' Statement merely contained a generic statement to the effect that in committing to `implement a new, sustainable growth

model, we should encourage work on measurement methods so as to better take into account the social and environmental dimensions of economic development’.

11. This is an area in which the UN is especially well-equipped to address, given the wealth of analytical and operational expertise that it possesses across the entire spectrum of the development problematique. Indeed, for the very same reason, the UN should play an active role in the formulation of the new framework for a strong, sustainable and balanced growth.

12. This requires the UN to:

12.1 Firstly, advocate the view that global growth and social progress is a global public good, on the same lines as climate change, global health, countering terrorism and disarmament and non-proliferation;

12.2 Secondly, formulate coherent and concrete views on the elements that would constitute this framework;

12.3 Thirdly, make better use of the UN’s system unrivalled ability in predicting medium to long term trends. It had warned of the food, fuel, climate change and financial crises long before they manifested themselves with such fury. Yet, the question remains – why were did the warnings go unheeded? Therefore, there is a need to seriously address the disconnect that exists between the analytical work of the UN and its advocacy and implementation roles; and

12.4 Fourthly, drawing on best practices worldwide, recommend the best ways of reducing the adjustment costs to a minimum.

Mr. Chairman,

13. The need to formulate a new model of economic growth is one of the many changes brought on by the financial crisis. It would seem that the crisis has also resulted in a new framework for global governance.

14. The G20 Pittsburgh Summit designated the G20 as the premier forum for their international economic cooperation.

15. We note that the G20 played a critical role in addressing the crisis. While we are not yet out of the woods, the consensus is that the situation would be more dire were it not for the decisive role played by the G20.

16. It may be said that the G20 is far more representative than the G8, given the participation of the leading emerging economies. It should be noted however, that Europeans are disproportionately represented. In addition to the 4 major European economies, the EU chair and the ECB is also present. Further, the present heads of the WTO, IMF and the FSB are Europeans too. Therefore, questions still remain as to how

representative and inclusive the G20 truly is. Thus, the challenge for the G20 process is how best to make it more legitimate and by the same token, more effective.

17. I would like reiterate and expand on the points made by the Malaysian Foreign Minister in his statement to the General debate of UNGA64:

- 17.1 One, many of the main thrusts of the G20's work, such as reform of the Bretton Woods Institutions and strengthening the international financial regulatory system, were first articulated by Malaysia in wake of the Asian Financial Crisis;
- 17.2 Two, while claiming no particular credit for Malaysia, this means that ideas and solutions are not the monopoly of the large and powerful;
- 17.3 Three, the choice between legitimacy and effectiveness is often a false one;
- 17.4 Four, in addressing ways of maximizing cooperation among themselves, the G20 must simultaneously address ways of improving links with the broader international community;
- 17.5 Five, we need to consider how the G20 can complement our efforts at the UN as increasingly, the issues discussed at G20 meetings are also deliberated on by the UN. We need to ensure that global issues are addressed in a consistent and sustained manner in all fora and bodies. Institutional linkages can be established, whether they be formal or otherwise. For example, the Chair of the G20 Summit could address relevant meetings of the ECOSOC. Further, the UN Secretary General, carrying the mandate of its membership, should be allowed a greater role in the deliberations of the G20;
- 17.6 Six, as the G20 more frequently requests the IMF, World Bank and even the UN to undertake certain measures, questions arise as to the governance structures of these bodies and the prerogatives of its entire membership; and
- 17.7 Seven, there needs to be greater clarity on the involvement of regional organizations.

18. On these issues as well as the rest which the Second Committee faces, I would like to again reiterate the support for your efforts in bringing our work to a successful conclusion. This is part of our efforts in ensuring that the UN continues to play an integral part of the global solutions that we so desperately need.

Thank you.