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STATEMENT BY
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PERMANENT REPRESENTATIVE OF MALAYSIA
TO THE UNITED NATIONS

AT THE SECOND COMMITTEE OF THE 68th SESSION OF
THE UNITED NATIONS GENERAL ASSEMBLY,
ON AGENDA ITEM 17: MACROECONOMIC POLICY QUESTIONS
NEW YORK, 24 OCTOBER 2013

Mr. Chairman,

Malaysia associates itself with the statements delivered by the Permanent Representative of Fiji on behalf of the Group of 77 and China; my delegation on behalf of ASEAN and the distinguished representative of Australia on behalf of CAIRNS group. I also would like to thank the Secretary-General for his reports presented under this agenda item.

Mr. Chairman,

2. The world economy is still not out of the woods from a broad global downturn in 2008, in fact we are still far from it. Malaysia’s economic growth is only 4.3 percent in the second quarter this year, compared to the 5.4 percent growth in the same quarter last year. The Central Bank of Malaysia had to revise its forecast from 5.0 to 6.0 percent to only 4.5 to 5.0 percent of total growth this year. The fear we highlighted in this very same meeting last year, is dawning upon us. We are starting to feel the heat off the current banking and financial crisis in the developed world, which could greatly affect its trading partners. The recovery is uneven, and the prospects of sustaining economic growth for a longer period has becoming more fragile, even tougher as day gone by.

Mr. Chairman,

3. Malaysia remains concerned with the current global economic situation in the EU and US as well as the recent contagion risk concerning emerging economies. Malaysia hopes that the economic woes faced by developed countries would not cause the world to enter into a new global recession, as it will affect developing countries, in particular the economies of the Least Developed Countries (LDCs). However, Malaysia is confident that Euro countries are making progressive steps to resolve their debt crisis.

4. My delegation shares the view that the international community should continue to strengthen coordination and cooperation, as well as, implement effective fiscal measures in a comprehensive way to restore market confidence, stabilise global financial markets and promote global economic growth. These are important to regain investors' confidence. Malaysia, as a progressive developing nation, relies on FDIs to strengthen its capital market and in turn drives national development efforts. Despite the growing needs for investment to finance development, long-term investment by international investors, appears to have been declining. Based on the Secretary-General's report, globally, FDI has decreased by around 18% in 2012, compared to 2011. Net FDI flows to developing countries are estimated to have fallen around 4%, from US$437 billion in 2011 to US$419 billion in 2012. And to add to this concern, is the fact that a significant portion of the FDI is invested in short-term investment which could reverse more quickly than expected in an uncertain economic and financial climate.

5. The weakening of major Asian currencies, including Malaysian ringgit, against major-economy currencies in recent weeks, is clear evidence of the risks of short-term investment on national development efforts. The trend is mainly attributed to the widespread capital withdrawal from emerging Asian economies back to developed nations. In the case of Malaysia, the ringgit has depreciated quite substantially against several major currencies in recent weeks. As of 23 August 2013, the ringgit had depreciated by about 7.6% year-to-date against the US dollars, a decline of 3.7% against the British pound and a depreciation of 8.6% against the Euro. Malaysia is of the view that in order to secure recovery in the current economic situation, decisive policy actions are urgently required. These policies should include provisions to ensure sustained but gradual adjustment; ample liquidity and easy monetary policy; and restore confidence in policymakers' ability to act.

Mr. Chairman,

6. Over the last two decades, the world has experienced the recurrence of multiple regional and global financial and economic crises. The international community should have learned its lessons, instead of waiting the inevitability of another round of recession to occur. However, this time, it has emanated from the developed economy and its impact has trickled down to the rest of the developing world. The current international financial architecture has failed us. The euro zone debt crisis and the uncertainties that continue to prevail in many parts of the world, are telling signs that the global economy as a whole is sliding towards another crisis. We have to take steps, immediately, to avert a bigger disaster.

Mr. Chairman,

7. The international community has agreed, and Malaysia concurs in principal, that in order to support the enhanced framework for policy coordination, further progress on global economic governance reforms has to be made by relevant institutions. In this connection, Malaysia calls for expeditious implementation of the reform process to strengthen the international financial architecture, with focus on ways to further enhance

the economies of developing countries particularly, the LDCs. Malaysia remains steadfast in advocating for global governance and international financial reforms. Malaysia believes there is clearly a need to redesign the regulatory structures of an increasingly complex financial system. The international financial reform is necessary to increase transparency in the operation of specific markets and financial institutions, as well as, to explore options to ensure a more effective global surveillance of the financial system. This include installing a better early warning system and mechanism to ensure proper coordination and sharing of information, so that timely action can be taken to pre-empt a crisis before it gets blown out of proportions.

Mr. Chairman,

8. In the past three sessions, Malaysia had advocated for the promotion of the Islamic financial system among nations, as it promotes a just and coherent economic system. Again, today, Malaysia calls for the elements of this noble system to be closely studied in the process of reforming the international financial system. Malaysia firmly believes in the ability of the Islamic financial tools and approach as an alternative to the conventional financial system. According to the World Islamic Banking Competitiveness Report 2012-2013, the world Islamic banking grew 50 percent faster than the overall banking sector. Islamic banking assets with commercial banks globally grew to USD1.3 trillion in 2011, and are forecast to grow beyond USD2 trillion by 2014, with the industry's average return on equity (ROE) of 12 percent.

9. Malaysia continues to be one of the world's leading Islamic financial markets, with sukuk or Islamic bonds, of more than USD 148 billion as of June 2013, or 60.4 per cent of the global amount. This amount reflected Malaysia's rapid growth in sukuk, compared with USD 1.5 billion in 2001. Being the pioneer in introducing Islamic financial system to the world, Malaysia has provided a conducive environment for sukuk transactions, and believes that Islamic financial system has what it takes to attract more institutions from all over the world to tap its Islamic finance marketplace and the pool of liquidity. The major elements of the Islamic financial system are stability, financial partnerships, prevention of excessive risk and speculation, as well as, ethical principle. As most of the financial institutions under the Islamic financial system have remained stable against the backdrop of the financial crisis, Malaysia believes that countries stand to gain from the experience of Islamic financial system. For Islamic finance, it has been a defining period. Its rapid growth and internationalization are now enhancing its role in strengthening international economic linkages between different parts of the world.

Mr. Chairman,

10. In closing, Malaysia looks forward to the effective and early implementation of the international financial system reform, with the inclusion of the elements of the Islamic financial system in the new architecture, and the reform of the Bretton Woods Institutions.

I thank you, Mr. Chairman.