



Malaysia

Permanent Mission to the United Nations

(Please check against delivery)

**Statement by the Honourable Senator Mohammed Najeeb Abdullah,
Member of Parliament and Representative of Malaysia,
on Agenda Item 18: Macroeconomic Policy Questions:
(a) International Trade and Development, and
(b) International Financial System and Development,
at the Second Committee of the 67th Session of
the United Nations General Assembly
New York, 24 October 2012**

Mr. Chairman,

Malaysia associates itself with the statements delivered by Algeria on behalf of G77 and China; my delegation on behalf of ASEAN; and by Australia on behalf of the CAIRNS Group.

Mr. Chairman,

2. The world economy is still not out of the woods from a broad global downturn in late 2008 and early 2009. Notwithstanding this, an increasing number of countries have registered positive growth in gross domestic product (GDP) in 2011, where Malaysia recorded a growth of 5.4 percent in the second quarter of 2012. Nevertheless, the recovery is uneven, and the prospects of sustaining it for a longer period looks fragile, and even tougher, with the current banking and financial crisis in the developed world, which could greatly affect its trading partners.

3. Credit conditions in major developed economies are still tight. Many major financial institutions are continuing the process of deleveraging and cleaning up their balance sheets. Much of the rebound in the real economy is due to the strong fiscal stimulus provided by Governments in large number of developed and developing countries, including Malaysia. Consumption and investment demand remains weak, unemployment and underemployment continue to rise, significantly in most advanced economies. Global economic recovery remains sluggish, employment prospect remains bleak and inflation is expected to stay low. The current global downturn holds the potential of further aggravating poverty and threatens the achievement of the Millennium Development Goals by 2015.

Mr. Chairman,

4. Over the past 20 years, the world has experienced the recurrence of multiple regional and global financial and economic crises. The international community should

have learned its lessons by now, but sadly we are here again, staring at the inevitability of another recession. Only this time, it started in the developed economy and unfortunately, trickling down to the rest of the developing world. The report by the Secretary-General, confirmed our fears. History is the best teacher, but do not seem to want to learn from our past mistakes. The current international financial architecture has failed us, time and time again. The euro zone sovereign 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 recession. We cannot just hope for the best. We have to take steps, immediately, to avert a bigger disaster.

Mr. Chairman,

5. 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 on four related fronts.

First, multilateral surveillance by the IMF will need to be extended well beyond the traditional emphasis in exchange rates.

Second, more pervasive progress on governance reform of the IMF will be needed to add legitimacy to the institution's enhanced role in this respect. In this context, the reform of the governance and representation in the IMF has become all the more urgent and important task. Seats in the Executive Board and votes in the Fund should better represent developing country interests in the decision-making process.

Third, clear and verifiable targets for desired policy outcomes will help make parties accountable, and the possible loss of reputation through non-compliance should be an incentive to live up to policy agreements.

Fourth, sustainable rebalancing of the global economy will require close coordination with other areas of global governance, including those related to development financing and the multilateral trading system.

6. In this connection, Malaysia calls for immediate implementation of these four measures and actions needed to strengthen the international financial system, with focus on ways to further enhance the economies of developing countries particularly, the Least Developed Countries. Further measures need to be taken by the IMF and the World Bank to address the historical imbalances that led to the lack of representation of the developing world, to realistically reflect the current reality of the global economy. The Bretton Woods institutions should continue its work on various governance issues, and Malaysia therefore, supports a comprehensive reform of the international financial architecture that should address challenges that are posed by the current international financial architecture, as well as to ensure that the objectives of these international financial institutions are achieved.

Mr. Chairman,

7. While the ongoing crisis has given strong impetus to macroeconomic policy coordination, there is no guarantee that all parties will remain committed to the agreed joint responses. Malaysia remains steadfast in advocating for global governance and international financial reforms. Malaysia believes there is clearly a need to redesign regulatory structures for what is an increasingly complex financial system. The international financial reform is necessary in order 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.

8. On global governance, Malaysia views the United Nations system remains central to the global economic governance structure for achieving sustainable, equitable and inclusive growth. Malaysia believes that small and medium countries have a role in setting the global economic agenda alongside the advanced economies. We believe that, democratic and effective global governance, with the objective to sustain the policies of informal bodies, including the G-20, 3G and other international organizations, must be formulated on the basis of promoting legitimate needs and expectations of peoples across the globe. These informal groups should also refrain from involving itself in geo-political issues, given its complexity and should focus only is facilitating and complementing the work of the United Nations in charting the global economic and financial directions.

Mr. Chairman,

9. In the past two 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. The world is being confronted by the repercussions of the ongoing global financial crisis. Despite this more challenging global financial and economic environment, Islamic finance has continued to remain on its growth trajectory. 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.

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

I thank you Mr. Chairman.