

WORLD BANK GROUP

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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **DATO' JAMALUDIN MOHD JARJIS**,
Governor of the Bank and the Fund for **MALAYSIA**,
at the Joint Annual Discussion

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Global Economic Outlook

Since we last met last fall, the prospects of the global economic recovery have improved. There has now been greater certainties with respect to the recovery in the global economic outlook. In this regard, we are indeed heartened by recent assessments by IFIs pointing towards the strengthening of global growth during the second half of 2003 and in 2004, especially in the US and Japan. In the Asian region, economies are also showing improvements, following the aftermath of the SARS outbreak. The threats of geopolitical risks arising from the Iraq war as well as SARS have since abated. These economies have also weathered the global economic slowdown and are set to be the fastest growing region.

The performance of the Malaysian economy has also been encouraging. Our first quarter growth of 4.6% was higher than anticipated earlier, while the second quarter growth remained strong at 4.4%, despite the impact of the war in Iraq and SARS. As such, we have registered an average growth of 4.5% during the first half this year, achieving the target set for the whole year.

The better performance has been the result of the Government's bold and prompt measures to stimulate the domestic economy through the implementation of The Package Of New Strategies. Moving forward, Budget 2004 recently tabled in Parliament, continues to focus on domestic private sector to spearhead economic growth. The improved global economic outlook will also contribute towards sustaining our export sector.

Globalisation And World Trade

In line with the expected improvement in the global economy, world trade is also expected to strengthen. Trade is vital as it ensures increasing flows of financial and investment resources. In this regard, trade will definitely contribute towards strengthening the economic recovery, in particular in emerging economies. Notwithstanding this, we must work towards the full engagement of developing countries in global trade negotiations, in order to ensure they will benefit from the expansion in world trade. These countries must be given better market access for their exports, as this is the only way to enable them to sustain their economic growth and reduce poverty. However, the rules of international trade has been to discriminate the poor countries. In this regards, developed economies must take the lead in reducing protection and trade barriers by adopting policies that are conducive to development of the developing countries.

We note the outcome of the recent WTO negotiations in Cancun. From Seattle to Doha and Cancun, the writing was already on the wall that trade talks would be jeopardised because of the resentment from developing countries. We must resolve existing core issues, especially in agriculture and manufacturing. We must not attempt to bring on board new issues on the WTO agenda.

Malaysia supports globalisation. But globalisation must ensure level playing fields for all. We must remain alert to problems of developing countries, their circumstances, their stage of development, and their capacity to deal with new issues. Developing world, where the majority of the world's population lived, must be assisted in capacity building to enable them to be better engaged in the global trading system. We must work towards a world trading system that can empower the developing world and foster their economic growth and prosperity. If not, the world would continue to be a poorer place for them.

Millennium Development Goals

While many countries in the developing world have benefited from economic growth, the poor countries remained entrapped in poverty and impoverishment. We are encouraged by efforts to move forward the agenda of Millennium Development Goals. We also welcomed the continued progress made on the HIPC (Highly Indebted Poor Countries). However, we urged developed economies, to not only meet their pledges, but also give greater urgency in meeting any financial shortfall. Wealthy nations have pledge to put 0.7% of GNP into development, but many have yet to meet that target. We must also work towards the speedier implementation of the Initiative. Experiences have shown several of these countries face difficulties in meeting the stringent conditions of the Initiative. As such, we must ensure conditionalities must be compatible and therefore, designed according to differences in countries' circumstances and flexibility be accorded. We are pleased with the innovations introduced under the IDA-13, in particular the grant element and we look forward to agreement among donors on financing shortfall created by this grant element.

Enhancing The Voice Of Developing Economies

The Bank and the Fund must continue to seek pragmatic and innovative ways to strengthen their work in enhancing the participation of developing economies as well as reaffirmed their commitment to help the poor towards attaining economic growth and prosperity. Besides providing financial and technical assistance, the voice and participation of developing countries in decision making process of the Bank and the Fund must be strengthened, in particular with respect to the improvement in the quota and voting structure. Only these, can we ensure a fairer global participation by all.

We appreciate the work that has been done by both the Bank and the Fund in dealing with these challenging institutional and structural issues to enhance the voice of developing and transition countries at the Bretton Wood Institutions. We agree

with the view that clear practical steps are required on three levels: shorter-term capacity building assistance for the most over-stretched Executive Directors and constituencies; medium-term institutional change and longer-term change on the more challenging structural issues. We are pleased to note on the progress that has been made with regard to the first level, especially in assisting the most over-stretched Executive Directors and constituencies.

However, we acknowledge that the prospects of any major structural changes appear to be remote in view of the need to manage strong reservation by major shareholders, as well as the need for Executive Directors on the Boards representing developing countries to be united in approaching the different elements of the reform agenda.

Developing and transition countries on their part, must continue with efforts to build capacity at both the country level and in the Boards of the two institutions. The challenge, therefore, is for developing countries to be represented by a group of qualified and experienced Executive Directors / staff, who are capable of exerting strong influence in the Boards' daily decision-making process. This is important given the practice of the Boards that made most of the decisions by consensus, instead of voting.

Conclusion

In concluding, let me reiterate that while recent indicators point to an improvement in global economic outlook, recovery may remain fragile. While macro economic policies must continue to be supportive, we must also focus on efforts to reduce vulnerabilities over the medium and long term. IFIs must be more effective in their roles in strengthening growth as well as stability to ensure the world will be a better place for all.

Thank you.