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Statement by the Hon. **AHMAD HUSNI HANADZLAH**,
Governor of the Bank for **MALAYSIA**

Statement by the Hon. Ahmad Husni Mohamad Hanadzlah,
Governor of the Bank for Malaysia

Mr. Chairman, my distinguished fellow Governors, President of the World Bank Group, Managing Director of the International Monetary Fund, ladies and gentlemen.

I feel honoured to address the 2012 Annual Fall Meetings of the World Bank and the International Monetary Fund. We are meeting at a time of continued vulnerability for the global economy. The IMF has revised downward the global growth projections for 2012 and 2013. It is in our collective interest to overcome this crisis and strengthen world growth.

Five years into the financial crisis and we still do not see the problems in the advanced economies addressed effectively and spillovers are affecting growth in all regions of the world. We need to take resolute actions to deal with this crisis and boost confidence in the markets. New sources of growth and structural reforms are pivotal to achieve sustainable, balanced and inclusive growth for the future.

In line with the International Monetary Fund's mandate to ensure the effective operation of the international monetary system and support global economic and financial stability, we need the Fund and other multilateral stakeholders to take all necessary steps to work with national authorities to restore global financial stability and foster growth.

As major risks for the global economy are emanating from the euro area and the US, we need their policy makers to deliver on the commitments they have made for improved banking supervision, fiscal adjustments and increasing resources for crisis management. While monetary easing has continued from the onset of the crisis with interest rates brought down to historically low levels, fiscal policy is now focused on fiscal sustainability and reducing indebtedness. However, fiscal consolidation and austerity should not undermine economic growth and market confidence.

Emerging and developing economies in Asia, which are now leading global growth have fared better due to the resilience built up through financial and economic reforms undertaken following the Asian financial crisis. Measures to strengthen the financial system and boost domestic demand provide the policy space to mitigate the impact of external vulnerabilities to some extent. In addition, there is increased cooperation for surveillance, risk assessment and financial safety nets within the region.

In efforts to strengthen the global financial safety net, 37 member states including Malaysia have committed to increase the IMF's lending resources. Given that regional safety nets are important to provide short-term liquidity support, the Member States of ASEAN, The People's Republic of China, Japan and The Republic of Korea (ASEAN+3), have doubled the Chiang Mai Initiative Multilateralisation (CMIM)

resource pool from USD120 billion to USD240 billion and increased the IMF-delinked portion to 30% as well as introduced the CMIM precautionary line.

The ASEAN+3 Macroeconomic Research Office (AMRO) the surveillance unit of CMIM, will monitor and analyse regional economies, identify systemic risks and provide appropriate advice for the effective decision-making of the CMIM. Additionally, the ASEAN Infrastructure Fund was established in April 2012 to mobilise regional savings for infrastructure development to facilitate economic growth and alleviate poverty in the region.

The Global Trade Alert has indicated that protectionist actions have increased. As international trade contributes significantly to job creation, economic growth and balanced development, we must resist pursuing inward-looking policies that would constrict international trade and investment. In a highly interconnected global environment, such policies will provide short-term gains but then will widen global imbalances in the longer term.

Mr. Chairman and fellow Governors

Global food prices have increased sharply again. If prolonged, this will have severe economic, poverty and nutritional effects on the most vulnerable groups. With increasing population, affluence, declining arable land and vagaries of climate change induced natural disasters, food production and security is a critical global issue. While we applaud the World Bank for stepping up support for agriculture and food production, we know that more needs to be done. In this regard, we look forward to greater cooperation to strengthen food security through increasing investment, productivity, and research in agriculture; and opening of markets by removing restrictions and taxes. Ensuring food security cannot be confined to public-sector efforts only; the Public-Private Partnership model can be explored to increase food production.

In addition to increasing food production, we must continue to improve the efficiency of supply chains, including harvesting practices, storage, transport and distribution. Efficiency gains in the supply chain will reduce wastage, translate to higher farm prices and lower prices to consumers.

We also urge the IMF membership to reform the international financial system by making it more transparent and safer, including by promoting Islamic finance; and implementing the reforms decided in 2010 to increase the quota share of dynamic emerging and developing countries by an additional six percent and to have an all elected Executive Board.

I take this opportunity to extend my country's best wishes, and welcome Dr. Jim Yong Kim as the new President of the World Bank Group. We encourage and support his leadership of this important multilateral institution at this critical juncture.

Thank you.