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Office of the Resident Coordinator Of The United Nations System's  
Operational Activities For Development in Malaysia

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**Opening Remarks at the  
Press Launch of UNESCAP's Economic and Social  
Survey of Asia and the Pacific 2009  
"Addressing Triple Threats to Development"**

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Yang Berbahagia Dr. Mahani Zainal Abidin, Director-General of ISIS Malaysia

Dr. Muhammad Hussain Malik, Macroeconomic Policy and Development Division,  
UNESCAP

Excellencies, Distinguished guests and colleagues

Members of the media

Good morning.

A warm welcome to you all. Thank you for joining us at this launch of the 2009 UN-ESCAP Economic and Social Survey of Asia and the Pacific. I am especially grateful for the presence of Dr. Mahani Zainal Abidin, Director-General of ISIS for so graciously agreeing to launch this year's Survey and to Dr. Muhammad Hussain Malik of UNESCAP, who has flown in from Bangkok especially for this morning's event.

As you are aware, ESCAP's annual survey analyses trends in the regional economy against the background of global developments. It outlines the most critical issues, challenges and risks our region faces. This year's theme, *"Addressing Triple Threats to Development,"* captures the turmoil and uncertainty that we face as a global community – indeed, one could call it an unprecedented perfect storm.

Much has been said about the financial and economic crisis emanating from the developed world that has dominated world headlines and brought an abrupt end to a long era of increased trade flows and economic growth. A year after the eruption of the global financial crisis in the United States, the impact on both developed and developing countries in the Asia Pacific region is evident in several ways. Decoupling has also been shown to be a myth, even for economic giants in the region such as China, India and Japan.

As ESCAP finds in its Survey, the financial sector is under severe stress and a total global financial and economic meltdown has only been averted because of the multiple mega stimulus packages announced and partially implemented by numerous major governments. Nevertheless, the decimation of financial wealth has exerted significant downward pressures on aggregate demand and the growth prospects of the region, with the attendant social consequences still unfolding. The answer to the larger question of how successful we will be in our efforts to reshape and correct imbalances in the international monetary and financial architecture remains unclear and uncertain, although there is growing consensus that transparency, accountability and greater regulation are the way forward.

In the context of this global financial and economic crisis, unprecedented since the Great Depression of the early 1930s, it is easy to lose sight of other simultaneous and serious crises. Indeed, it is important to emphasize that the current global economic downturn is not the only crisis. The volatility in food and fuel prices has already raised levels of poverty, hunger and malnutrition in many countries. The overarching challenge of climate change, meanwhile, threatens to undermine all our development

work. These simultaneous and multiple challenges threaten not only to stall but also to reverse the poverty reduction gains made in recent years.

Ladies and Gentlemen:

A little over two weeks ago, the government of Malaysia announced a second stimulus package worth RM 60 billion, close to 9 per cent of the country's GDP, to boost domestic consumption and stave off recession. Yet, Malaysia is unlikely to escape a technical recession in the first half of 2009 and it seems more than likely that the country will continue to face significant economic challenges in the short to medium term. The government has revised its estimates of Gross Domestic Product (GDP) growth which it now expects to be in the range of a negative 1 per cent to 1 per cent for this year, significantly below the earlier estimate of 3.5 per cent. Nevertheless, some independent estimates suggest that GDP growth (or rather decline) in 2009 could be as low as a negative 5 per cent. Data also indicates that net flows of short term capital were a negative RM 30, 318 million and a negative RM 38, 054 million in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2008, respectively, as a result of which the country's international reserves dropped to USD 91.4 billion in December 2008 from USD 125.8 billion in June 2008. They stood even lower at USD 85 billion at the end of February 2009.

Moreover, 2009 does not augur well in terms of FDI inflows into developing countries, including Malaysia, with recent UN estimates indicating that total FDI inflows will on average, drop by a further 30 per cent to developing countries in 2009 compared with 2008. The decline for Malaysia is expected to be to the tune of 50 per cent compared with its 2008 FDI inflows. The country's exports are expected to further decline in line with deteriorating world demand. For instance, in January 2009, exports declined 27.8 per cent. Moreover, commodity exports, in particular, crude oil and gas, as well as palm oil have all experienced a sharp decline in prices with significant negative implications for the revenue side of the national budget. The country's unemployment rate is also expected to rise to 4.5 percent this year, up from 3.5 percent in 2008.

While Malaysia is not facing a food shortage, results from a 2008 UN analysis highlight that the country's high dependence on food imports has translated into higher food costs for a large proportion of the population, particularly the urban poor and those in rural areas who are net purchasers of food. The joint pressures of the food and energy price increase are already evident in costlier subsidies and food import bills.

The lower purchasing power of many households, especially poorer ones, means that there is a real risk that some families could fall back below the poverty line while those already below it will need significant additional help. Poorer women and children are particularly at risk since higher food prices can worsen their already precarious nutritional status.

These challenges underscore the need to ensure that addressing vulnerability and food security should remain top policy priorities in addition to the creation of equitable and sustainable economic growth. Evidence-based policies for sustainable food production, maintenance of food buffer stocks, and contingency plans for food security and disaster risk reduction are equally essential. Existing informal and formal

safety nets and social protection policies for vulnerable groups also need to be strengthened.

Ladies and Gentlemen:

These triple crises are interrelated. All have profound social and political implications. Each needs solutions that take the others into account. One of the key messages from the UNESCAP Survey being launched today is that crises are also opportunities and that the convergence of the triple crises present a unique opportunity for the region to make growth more sustainable (including in an environmental sense), fair and inclusive. I would like to take this opportunity to emphasize that the United Nations in Malaysia remains committed to assisting the country in these difficult times to address both the short-term implications of the crises and the more structural longer-term solutions that will be necessary if they are not to recur in the future.

To elaborate further on these findings, it now gives me great pleasure to invite Dr. Muhammad Hussain Malik of ESCAP to present an overview of the 2009 Economic and Social Survey of Asia and the Pacific.

Thank you.