

**By : DATUK SERI SYED HAMID ALBAR**  
**Venue : TOKYO**  
**Date : 12TH AUGUST 2002**  
**Title : IDEA MINISTERIAL MEETING**

Her Excellency Ms. Yoriko KAWAGUCHI,  
Minister for Foreign Affairs of Japan

Excellencies,

Distinguished Delegates,

Ladies and Gentlemen,

I would like to take this opportunity, on behalf of the Government of Malaysia and my delegation, to thank the Government of Japan for the warm and generous hospitality accorded to us during our stay in Tokyo. We look forward to having a fruitful exchange of views during the course of our meeting today.

We believe that IDEA, within the ASEAN+3 framework, could provide inputs, both intellectual as well as material, towards enhancing regional cooperation and integration in ASEAN by serving as a conduit to identify and effectively mobilise and channel development assistance to this region. In this regard, we are convinced that IDEA is a timely initiative to further institutionalise the ASEAN + 3 process. This would further advance Prime Minister Koizumi's Initiative for Development in East Asia (IDEA) which is based on the spirit of "act together, advance together".

Madam Chairperson,

Despite the importance of international trade, Malaysia is of the view that trade alone would not enable poorer countries to garner the necessary resources for development. ODA remains vital for countries which lack the capacity to attract FDI and to trade effectively in the increasingly competitive global environment. For many developing countries, ODA is still a crucial source of funding development projects. This is where we believe IDEA can contribute, provided it results in an increase in the volume of ODA for these countries.

Nevertheless, for ODA to be effective, it must not be linked to onerous conditionalities. Its disbursement must also be flexible enough for developing countries to effectively benefit from it. The imposition of stringent conditionalities would limit their utilisation of the ODA.

Madam Chairperson,

Malaysia is of the view that ODA should not only be seen in relation to development alone. ODA can also have a role in promoting peace and prosperity as well. ASEAN's present focus on economic integration through efforts such as the ASEAN Free Trade Area (AFTA), e-ASEAN and the ASEAN Investment Area (AIA) as well as its various projects, in the long run, serve to strengthen the fabric of peace by raising the stakes of every ASEAN member country in the prosperity of the region.

Japan has been a major contributor of ODA to the East Asian region and to ASEAN in particular. Japan's ODA to East Asia accounts for nearly 60% of its total ODA expenditure. In our case, Japan has been the largest source of ODA. We have effectively used ODA to realise our national development goals. In fact ODA continues to be relevant in critical areas of Malaysia's economic development. Apart from that, during the recent regional economic crisis, generous loans from Japan through both ODA and Other Official Flows (OOF) helped us to recover from the economic crisis. We wish to put on record our appreciation to Japan for its assistance to Malaysia. Similarly, other Asian countries also have benefited from Japanese ODA.

Madam Chairperson,

Our exchange of views in the course of our meeting would be very useful to identify challenges and opportunities as we move towards enhancing our cooperation in development assistance. Our meeting is also timely as East Asia and in particular ASEAN, faces critical development challenges.

In this regard, I also wish to reiterate the importance of making ODA more effective. We are happy that the Monterrey Consensus addressed this issue and made several proposals. We strongly support the position that both the recipient and donor countries have a role to play in this respect. ODA should also be subordinated to the national development agenda so that it is consistent with national development needs and objectives. In effect, the recipient countries should be given greater opportunity and say in the formulation of ODA driven projects and financing arrangement. This in turn will certainly contribute to greater ownership of such projects by the recipient country and improve the rate of success.

Recent trends and developments in globalisation have necessitated a re-examination of our approach to globalisation. Malaysia believes that globalisation if properly interpreted and regulated can result in a more equitable world order where wealth is evenly distributed between the rich and the poor.

Nevertheless the Asian financial crisis underscored the risks and challenges posed by globalisation to ASEAN and East Asia and the fact that it has only widened the economic disparity between the developed and developing nations. Hence it is important that globalisation is better managed in order to ensure that ODA and development efforts are not negated.

Another challenge is the urgent need to enhance coherence, governance and consistency of the international financial system. We share the belief of many developing countries that apart from national reforms, continued reforms of the IMF are necessary. Such reforms should focus on issues of good governance of the international system including transparency and disclosure, capital flows, currency trading, highly leveraged institutions and reform of the international financial institutions.

The issue of infrastructure is another serious concern of developing countries as without basic physical infrastructure development is not possible. The construction of infrastructure creates employment opportunities and stimulates new economic activities through multiplier effects. However infrastructure development is accorded less priority in international assistance as compared to other basic needs such as health, nutrition and education. A dedicated pool of international financing for development of infrastructure for the poor developing countries should therefore be actively pursued at the international level.

ODA has also enabled many Southeast Asian countries to tackle the problem of poverty. While we agree that an increasing volume of ODA should continue to be channelled towards poverty eradication, it is equally crucial that larger ODA allocations are also made for enhancing the domestic environment for private sector participation including in areas of support for education, health, capacity building, technical assistance and physical infrastructure development. This would enable recipient countries to graduate to become more self-sufficient and less dependant on ODA.

Madam Chairperson,

ASEAN's present focus is on reducing the development gap between the older and newer members through its own indigenous "self help" namely the Initiative for ASEAN Integration (IAI). Malaysia, through its own Malaysian Technical Cooperation Programme (MTCP) has also assisted the CLMV countries in several specific areas.

To meet ASEAN's needs as well as to foster these 'self help' initiatives external resources such as the ODA would be necessary. Indirectly, therefore Japan has and should continue to play a vital role in ensuring the region's peace, stability and prosperity by continuing its ODA to ASEAN and East Asia as a whole.

In the case of Malaysia, our success in achieving high sustained growth can be summed up as "getting the basics right". Among others, we embarked on instituting sound development policies, good economic management, promoting private investment, developing the human resource and ensuring the provision of adequate and quality physical and institutional infrastructure. It is not a result of any single policy but different policies applied at different times. The Government distinctly played the leading role in structural adjustment, particularly in influencing savings,

investment and financial policy. We also placed great importance to social and political stability as it is the precondition for sustained economic growth.

Thank you.