



SPEECHES

Press Communiqué

THE 38TH SOUTH EAST ASIAN CENTRAL BANKS (SEACEN) GOVERNORS CONFERENCE AND THE 22ND MEETING OF THE SEACEN BOARD OF GOVERNORS 13-14 February 2003 Manila, Philippines

The 38th South East Asian Central Banks (SEACEN) Governors Conference was held in Manila, Philippines on 13-14 February 2003. Sixteen SEACEN member and observer central banks and monetary authorities participated in the Conference. ¹ Mr. Rafael B. Buenaventura, Governor, Bangko Sentral ng Pilipinas (BSP), chaired this year's SEACEN Governors Conference. The theme of the Conference was "Structural Change and Growth Prospects in Asia – Challenges to Central Banking".

In his welcome remarks, Mr. Buenaventura pointed to renewed risk of weakness in global economic activity, with downside risks stemming from factors both economic and geopolitical. In light of the possibility of faltering global economic recovery, Mr. Buenaventura highlighted the need for central banks and monetary authorities in the Asian region to ascertain the appropriate mix of monetary policy and financial sector reforms to sustain growth and stability. He emphasized, however, that the larger task for the SEACEN countries would be the pursuit of vigorous structural reforms in order to enhance the long-run growth potential of the SEACEN countries. Mr. Buenaventura thanked the SEACEN Centre for its work on strengthening economic cooperation in the region.

In his response address, Mr. Ochirbat Chuluunbat, Governor, The Bank of Mongolia, observed that the economic outlook for SEACEN member countries has improved, and that SEACEN member countries have become more resilient since the Asian financial crisis. Mr. Chuluunbat referred to the opportunities provided by globalization, but stressed that countries must continue with efforts to strengthen their economic, financial and structural resilience. Mr. Chuluunbat also expressed hope that the SEACEN Governors Conference would continue to provide a useful forum to exchange information and experiences in overcoming constraints in domestic markets and strengthening the Asian economies.

Guest speakers at the Conference shared their views on various policy issues and challenges to central banking posed by structural changes, world economic outlook and their impact on the growth prospects in Asia.

Mr. Andrew Crockett, General Manager of the Bank for International Settlements (BIS), delivered the keynote address on "Central Banking, Financial Stability and Basel II". He elaborated on the challenges to central bankers arising from financial innovation and liberalization. Toward strengthening the financial market infrastructure, there was a growing consensus for the development and adoption of standards and codes of best practices. Mr. Crockett also emphasized the importance of capital adequacy guidelines for banks as set forth in the Basel II Accord. However, in view of the possible challenges that emerging markets could encounter to meet the Basel II Accord, he encouraged those countries to raise their concerns collectively through a group such as SEACEN to make it more effective.

Professor Eugenio Domingo Solans, Executive Board Member of the European Central Bank (ECB), delivered the special address on "Financial Innovation and Monetary Policy". In his presentation, he observed that financial innovation raised a wide range of monetary policy issues, which needed to be addressed to maintain the effectiveness of monetary policy. He also observed that regulators would need to take a balanced approach to the introduction of new regulatory and supervisory policy on electronic finance activities to ensure financial stability without hampering the development of such services.

Mr. Michael Callaghan, IMF Executive Director, briefed the Conference on the "Progress and Issues on Building the New International Financial Infrastructure". Mr. Callaghan discussed recent IMF efforts to improve the quality and effectiveness of surveillance, debt sustainability analysis, criteria for exceptional access to Fund resources, transparency, and the framework for restructuring unsustainable sovereign debts. He acknowledged that restructuring of the international financial architecture is an ongoing process and needs to be underpinned by sound economic policies.

Ms. Sri Mulyani Indrawati, IMF Executive Director, briefed the Conference on recent global economic developments and the outlook for the Asian region. She noted that growth prospects for the Asian region have improved on the basis of higher growth in both external and domestic demand. However, she noted the potential downside risks from a slower-than-expected recovery in the industrial countries, geopolitical uncertainty, and higher oil prices. Consequently, countries should continue with prudent financial policies and structural reforms as well as efforts to promote closer inter-regional financial cooperation.

Mr. Hubert Neiss, Chairman for Asia, Deutsche Bank AG, Asia Pacific Head Office, spoke on "Public-Private Cooperation in Financial Restructuring". Mr. Neiss noted that the need to recapitalize banking systems in Asia after the crisis opened new areas of cooperation between private and public sectors, especially the disposal of non-performing loans (NPLs), bank restructuring, reorganization and consolidation, reprivatization of banks taken over by the government and capital build-up through bond issuances.

In discussing the challenges of structural change and growth, Governors shared the view that their countries were likely to obtain greater benefits through enhanced mutual economic cooperation among the SEACEN member countries. In this connection, some Governors expressed their views that regional central banks and monetary authorities could encourage regional economic collaboration by strengthening financial cooperative structures (for example, through the Chiang Mai Initiative); by accelerating free trade efforts; and by consolidating the channels for policy consultations.

Dr. Subarjo Joyosumarto, Executive Director of the SEACEN Centre, presented economic developments and prospects in the SEACEN region.

The Governors had an extensive exchange of views on recent economic and monetary developments and the outlook of each participating country and the region as a whole.

At the 22nd Meeting of the Board of Governors of the SEACEN Research and Training Centre, the Board of Governors considered the application of the Ministry of Finance, Brunei Darussalam, which performs, among others the function of a monetary authority, as a new member of SEACEN. The Board of Governors agreed to admit and welcome the Ministry of Finance, Brunei Darussalam as the twelfth SEACEN member.

The Board of Governors ratified the Centre's program of activities and budget for Operating Year 2003. In implementing the work program, Governors emphasized the need to maintain the focus of the Centre's activities on core central banking functions, such as on monetary policy, banking supervision, and payments and settlements system.

The Governors accepted with thanks the offer of the Central Bank of Sri Lanka to host the 39th Conference of the SEACEN Governors and the 23rd Meeting of the SEACEN Board of Governors in 2004.

The Governors expressed their appreciation to the Bangko Sentral ng Pilipinas for its warm hospitality and the excellent arrangements for the Conference.

¹ The members are Bank Indonesia, The Bank of Korea, Bank Negara Malaysia, The Bank of Mongolia, Central Bank of Myanmar, Nepal Rastra Bank, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, Central Bank of Sri Lanka, The Central Bank of China, Taipei, and Bank of Thailand. The participating observers include Brunei's Ministry of Finance, National Bank of Cambodia, Reserve Bank of Fiji, Bank of Papua New Guinea and National Reserve Bank of Tonga.
