



SPEECHES

Press Communiqué

The 39th South East Asian Central Banks (SEACEN) Governors Conference and The 23rd Meeting of The Seacen Board of Governors Colombo, Sri Lanka 12 - 13 February 2004

The 39th South East Asian Central Banks (SEACEN) Governors Conference was hosted by the Central Bank of Sri Lanka, and held in Colombo, Sri Lanka from 12th – 13th February 2004. Fifteen SEACEN member and observer central banks and monetary authorities participated in the Conference. ¹ Hon. K.N. Choksy, Minister of Finance officiated at the opening ceremony. Mr. A.S. Jayawardena, Governor of the Central Bank of Sri Lanka chaired the sessions. The theme of the conference was “How Central Banks in Emerging Economies Can Respond to External Shocks”.

In his opening address, Hon. K N Choksy, Minister of Finance, highlighted the importance of the SEACEN group in enhancing regional cooperation. The Minister noted that member countries could learn from one another. In this respect, he highlighted the importance of the SEACEN Research and Training Centre, in providing an invaluable service to countries in the region by training the staff of central banks, and raising their effectiveness as advisor and regulators in a dynamic global environment.

In his welcome remarks, Mr. A. S. Jayawardena noted that monetary authorities today faced a challenging task in responding to external shocks, brought about by higher levels of global financial integration. This has given prominence to central banks’ role as guardians of macroeconomic and financial stability. The SEACEN forum will enable members to share experiences and learn from one another. Mr. Jayawardena noted the assistance provided by international financial organisations such as the BIS, IMF, ADB and World Bank to emerging market economies to withstand external shocks and prevent crisis.

In the response address of Governor Rafael Buenaventura, delivered by Mr. Amando M Tetangco, Jr., Deputy Governor, Bangko Sentral ng Pilipinas, it was noted that the global economy was recovering faster than expected, although some risks remained, including the global current account imbalances and their impact on exchange rates. Accordingly, the main task for central banks was to support the economic recovery with the appropriate monetary policy response and financial sector reforms. Structural reforms should continue to provide a sound basis of sustained economic growth and poverty reduction. He highlighted the importance of regional cooperation to exchange information and expertise among central banks and monetary authorities.

Dr. Anne O. Krueger, First Deputy Managing Director, IMF, in her video recorded address on “Lessons from the Asian Crisis” noted that the relative calm in the global economy provided an ideal opportunity for policy makers to explore ways of preventing disturbances wherever possible and responding to shocks when they occur. Well-judged and well-timed reforms could ensure that economies are less vulnerable to future downturns. Commenting on the action taken by Asian economies since the Asian financial crisis, she observed that most economies now had sound macroeconomic frameworks, more focused monetary policy and more flexible exchange rate regimes. She emphasised the need to seize the opportunity, which this period of economic expansion offers, for pursuing the necessary reforms with renewed vigor.

Mr Malcolm D Knight, General Manager of the Bank for International Settlements spoke on “Responding to External Shocks: What Has Changed Since the Crisis in the Mid 1990s?” He said that the vulnerabilities that beset Asian economies in the 1990s have been largely removed and the macroeconomic policy framework is much more robust than it was before the 1997/98 crisis. He spoke on three issues: the changes since the mid-1990s, whether the exchange rates had been sufficiently flexible and the challenges created by the accumulation of large international reserves. It was agreed that in considering these issues, it was important to take into account the circumstances and conditions of individual countries.

Mr. Michael Callaghan, Executive Director of the IMF, spoke on “Progress in Efforts to Strengthen Fund Surveillance and Programs”. In addition to the core areas of exchange rate, monetary and fiscal policies, Mr. Callaghan noted that there has been a series of initiatives over the past few years to strengthen Fund surveillance and program effectiveness and bring a “fresh perspective” to Article IV consultations. Mr. Callaghan stated that in order to make surveillance effective, it is necessary to tailor the surveillance process to suit the circumstances of each country.

Dr. Sri Mulyani Indrawati, Executive Director, IMF, presented the recent economic developments in major industrial countries and the future outlook and risks, focusing on the Asia Pacific region. She also drew attention to some issues relevant to SEACEN economies, such as exchange rate flexibility, reserve accumulation and international trade. She indicated that economic recovery should be supported by appropriate monetary and fiscal policies, strengthening of public and private sector balance sheets, as well as improved corporate governance, accounting and audit standards.

During the discussion, Governors concurred with the view that the US twin deficits and global current account imbalances are major risks to global economic recovery. Governors also discussed measures needed to address the imbalances in the world economy. They noted that the adjustment in the current global imbalances would require concerted efforts of major economies.

Dr. Subarjo Joyosumarto, Executive Director, the SEACEN Centre, presented the economic developments and outlook for the SEACEN region. He stated that the SEACEN economies began to recover in 2003 in an environment of low inflation and easing monetary policy, although the economies continued to face several challenges. He indicated that domestic demand would become an increasingly important engine of growth, although external sector stability is expected to be maintained, while intra regional trade is expected to continue to grow.

Governors discussed the topic “National Institutional Arrangements for Banking Supervision” and agreed that there was no single formula appropriate for all economies. The meeting noted that the separation of the conduct of monetary policy and banking supervision is not appropriate for many Asian economies represented at the meeting. Governors also agreed that where monetary policy and banking supervision were conducted separately, close consultation and cooperation between the

two functions were essential.

Governors also discussed the topic "Domestic Demand-Led Growth: Challenges to Monetary Policy". Governors noted that the global slowdown that began in 2001 had varying adverse effects on most SEACEN economies, some of whom adopted domestic demand-led growth strategies to compensate for the fall in external demand. Governors shared the view that strengthening domestic demand and expanding intra-regional trade would be mutually reinforcing.

The Board of Governors ratified the SEACEN Centre's programme of activities and the budget for Operating Year 2004.

At the 23rd Meeting of the Board of Governors of the SEACEN Research and Training Centre, the Board of Governors unanimously agreed to admit and welcome the Reserve Bank of Fiji as the thirteenth SEACEN member.

Governors accepted with thanks the offer of the Central Bank of China, Taipei, to host the 40th Conference of the SEACEN Governors and the 24th Meeting of the SEACEN Board of Governors in 2005.

Governors expressed their appreciation to the Central Bank of Sri Lanka for its warm hospitality and excellent arrangements for the Conference.

¹ The SEACEN members are Brunei's Ministry of Finance, 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 National Bank of Cambodia, Reserve Bank of Fiji, Bank of Papua New Guinea and National Reserve Bank of Tonga.