



SPEECHES

Opening Address

Hon K N Choksy, P.C., M.P.
Minister of Finance
39th SEACEN Governors' Conference
12th February 2004, Colombo, Sri Lanka

Governor of the Central Bank of Sri Lanka, Secretary, Ministry of Finance, Members of the Monetary Board, Governors and Heads of Delegations of SEACEN member and observer nations, Mr Knight, Managing Director of the Bank for International Settlements, Mr Callaghan, Dr Indrawati and Mr. Jayatissa, Executive Directors of the IMF, Dr Joyosumarto, Executive Director of the SEACEN Centre, distinguished invitees, ladies and gentlemen.

It gives me much pleasure to Inaugurate the 39th Conference of SEACEN Governors. As you are aware, two decades ago, several Central Banks in South East Asia banded together to form a joint forum to consider matters of mutual interest, share information, and undertake joint training and research. Sri Lanka was a founder member of this group. I am glad to note that the group has expanded to 12 full members and 6 observer countries. I am told that several other countries in the region have expressed a desire to join this group; which is a clear indication of the relevance and dynamism of the group. The gathering of several distinguished Central Bankers today demonstrates the emphasis and importance given to co-operation by Central Banks in the region. This, I believe, is the core strength of the SEACEN group.

Many countries represented here have learnt the hard way that our economies are very closely linked. The East Asian crisis and its aftermath are still too fresh in our minds to require further elaboration. If nothing else, this experience has taught us the need for regional cooperation. Even though the rest of the world sometimes perceives this region as a homogeneous group, we know that we have many distinctive features. Our economies are not at the same stage of development; further, we follow policies that are locally different. The challenges we face, though similar, are not identical. This diversity, in a sense, is another reason for the existence and the importance of SEACEN. Precisely because we are different, we can learn from each other. We can share each other's experiences and perhaps, thereby, avoid repeating the same mistakes. I believe that this is an important reason for the existence of the most prominent feature of the SEACEN group - the SEACEN Centre for Research and Training.

The financial world is one of great dynamism, where change, and rapid change at that, is an inherent feature. These changes are brought about by a variety of both international and local situations as also new business concepts coming into financial transactions, and investments. Central Banks are called upon to be advisors and regulators in such an environment. This implies that the staff of these banks must be up to date in their training and thinking, if they are to be effective. The SEACEN Centre can therefore perform an invaluable service to the countries in the region by strengthening the training of staff of the Central Banks.

As Finance Minister of Sri Lanka, I am happy to say that our Government has put in place policies that have stabilized our macro-economic conditions and made our economy better able to withstand external shocks and maintain sustained growth. Despite the slow growth of the World Market economy last year, we nevertheless achieved a 5.6% growth. The fiscal deficit has been reduced and monetary expansion has been contained. Inflation which was as high as 14% was brought down to 7%. Combined with low inflation expectations, interest rates have declined across the board.

The Government has mapped out its medium-term and long-term development programmes in a comprehensive policy document entitled "**Regaining Sri Lanka**". This programme has been welcomed by International institutions and also from bilateral donors in Tokyo last May.

I now wish to consider the theme of your Conference "**How Central Banks in emerging markets can respond to external shocks**". This, in my view, is a most appropriate and timely theme. Sri Lanka, as a small, open, island economy, is directly influenced by developments outside our shores. We, like most countries, have had to deal with the consequences of international conflicts, rising fuel and food prices, and most recently, an almost synchronized downturn in the world's major economies, resulting in a deflationary environment worldwide. Often in my discussions with the international financial institutions, I have had to stress the fact that many of the challenges we face in economic management are not generated internally. Nevertheless, irrespective of where such forces emanate from, we have to cope with them. Hence, I believe that it is extremely important to consider how we could meet such challenges. I trust that your deliberations will yield some useful insights and practical suggestions that could be of benefit to all our countries. In addition to leading Central Bankers, I see that you have world-renowned experts who will be sharing their ideas with you during the course of this Conference. This is excellent, as the greater spread of experience pooled together, the more likely we are to identify viable solutions

There is one final area that I would wish to touch upon. That is the importance of the SEACEN group in building up personal relationships and understanding. We in this region face many similar problems. These can be dealt with more effectively if we understand each other and build a common cause. Such understanding can usually only be achieved through social interaction and shared understanding. I believe that gatherings of this nature can be a powerful force to achieve these ends.

I trust that during your stay in Sri Lanka you will have the opportunity to see a little of our country, meet our people, and develop a better understanding of what Sri Lanka is. Let me wish you a very productive Conference and an enjoyable stay in our country.