WELCOME REMARKS BY
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AT THE OPENING CEREMONY OF THE
SEACEN–CEMCOA/BOJ WORKSHOP ON
CAPITAL ACCOUNT LIBERALISATION AND CAPITAL FLOWS MANAGEMENT
Siem Reap, Cambodia, 25 – 5 August 2013

H.E. Dr. Chea Chanto
Governor, National Bank of Cambodia

Senior Officers, National Bank of Cambodia

Mr. Soichiro Mitsumo, Deputy Director
Balance of Payment Division, International Department, Bank of Japan

Distinguished Keynote Speaker and Resource Persons

Workshop Participants

Ladies and Gentlemen

Good morning.

On behalf of The SEACEN Centre, I would like to extend to all of you a cordial welcome to the SEACEN–CeMCoA/BOJ Workshop on Capital Account Liberalisation and Capital Flows Management.

Allow me to begin this ceremony, by thanking our gracious host, National Bank of Cambodia, for the excellent arrangements and warm hospitality in organising the Workshop. The SEACEN Centre is most grateful to H.E. Governor Dr. Chea Chanto for taking time from his busy schedule to officiate the Opening Ceremony. We also wish to thank the members of the Organising Committee under the guidance of Mr. Thai Saphear, Deputy Secretary General and Director of

Personnel. The Committee and secretariat have been working in partnership with SEACEN months before the Workshop starts to ensure that the learning event is well planned and well delivered.

I would also like to express my gratitude to our collaborator, the Center for Monetary Cooperation in Asia (CeMCoA), International Department of Bank of Japan for the financial support towards conducting this Workshop.

Let me also extend my deepest appreciation to Deputy Governor Diwa C. Guinigundo, Bangko Sentral ng Pilipinas, for his great support to deliver the keynote address.

Ladies and Gentlemen:

On this opening day of the SEACEN–CeMCoA/BOJ Workshop on Capital Account Liberalisation and Capital Flows Management, I would like to share some of the highlights and potential challenges that central bankers may face in this increasingly uncertain global economic environment.

Capital flows between the industrial and the emerging markets are on an increasing trend since some two decades ago, contributed mainly by globalization and more integrated economic activities. Emerging markets had benefited greatly from capital inflows in the form of foreign direct investments which had contributed positively to economic growth, boosting employments and the export sector. The region had also witnessed the negative side of capital flows during the Asian financial crisis as well as the current global financial crisis which has created volatility in our financial market.

From this summer, we are observing many signs that emerging market selloff is deepening. Major emerging markets in the SEACEN region are also experiencing relatively quick and massive reversal of capital flows despite diverse policy measures to mitigate these capital outflows.

During the era of post-2007 crisis of low rates, many emerging market economies had no trouble attracting capital to boost growth and investment. However, a prolonged period of global easy money since the outbreak of global financial crisis appears to be coming to an end, and concerns are growing among foreign investors that many of emerging economies look increasingly fragile.

Now, global investors appear to be betting the US Fed will soon start tapering off of its vast bond-buying program in line with growing signs of improvement in US employment market. Also recently, euro economies are showing signs of exiting from recession while Japan has finally recorded consecutive positive growths after one and a half decade long deflation. All these new features in the developed world are motivating a return of capital to home economies.

Meanwhile, as the Chinese economy began to decelerate its high growth trend which was buffeted by aggressive investment and export, the promising landscape in many emerging economies whose trade and investment have been closely connected with Chinese economy began to change its scenery.

Capital account liberalization in emerging market economies implies a lot of changes in the management of their macroeconomic policies and structural reforms. A full-fledged opening of their economies, including capital account, to this widely integrated and interconnected global economy accompanies a lot of challenges and opportunities. SEACEN economies need to share their experiences and expertise in this new economic paradigm so as to maximize their potential strength and minimize adverse impacts of volatile global financial markets on their domestic economies and markets.

Ladies and Gentlemen

These challenges reflect some of the fundamental issues in making policy decisions, namely the trade-off among conflicting policy objectives, the interconnectedness of economic and financial sectors, and the fact that a solution today could sow a seed for another problem tomorrow. Indeed, these issues are nothing new, but something to be expected from an inherent systemic instability arising from the pursuit of profit/utility maximisation of different groups of economic agents. In this light, while new theories and thinking are continuously emerging from new challenges and crises, we must not forget the importance of knowing well how the economy works and interlinks. For policy makers to be effective, new lessons must build on sound understanding of the fundamentals.

The Workshop on Capital Account Liberalisation and Capital Flows Management aims to help build on this foundation. It addresses the needs of middle-level central bank staff in strengthening their analytical capability and widening their perspectives on key consideration in liberalizing capital account to reap the benefits while managing the risks, with due consideration to country-specific conditions.

In the context of an emerging economy, participants will learn to analyse macroeconomic implications of capital account liberalization, based on a case study; and to identify pre-conditions, timing and sequencing of capital account. Furthermore, participants will also be given the opportunity to examine the various measures and policy tools required to safeguard monetary and financial stability post-liberalisation.

This serves as a reminder that we are far from mastering the art and science of central banking despite the advancement in economic theories and sophisticated quantitative tools. Our response to the changing circumstances will be through enhancement of the learning design and pedagogic materials towards enhancing technical knowledge in respect of national economic analysis to enhance financial stability.

Besides the presentations from the experts, participants would be given opportunities to share country experiences as well as discussions in the panel discussion. We believe this is the best approach for participants who have already learnt the concepts and theories in the universities. To achieve this objective, we are grateful to our distinguished resource persons from SEACEN members as well as advanced central banks for travelling near and far to share their expertise and experience with participants. Likewise, we wish to thank the other esteemed resource persons from the international financial institutions for enriching the discussion with their international perspectives.

These efforts are complemented by careful selection of faculty of resource persons who are experts in different sectors of the economic and financial system, including our member central banks, Bank of Japan, and IMF Representative Offices in Cambodia and Philippines, as well as Dr. Millan, international standard setters who were formerly from the IMF. With these strategic measures, the Centre aims to provide the participants with exposure to international best practice in central bank knowledge.

Judging from the overwhelming response received to our invitation for nomination, I believe that this Workshop addresses the urgent needs and interest of our member central banks.

As it is, the Workshop is participated by 31 well-qualified and suitable participants representing 14 central banks and relevant government agencies. I am confident that this 5-day Workshop will be a highly engaging time of learning and sharing of experience.

Ladies and Gentlemen,

Allow me to say a few words about The SEACEN Research and Training Centre. Our vision is "To be the Regional Learning Hub for Central Banks in the Asia-Pacific Region". As a Learning Hub, SEACEN aspires to drive central bank excellence in learning for the region, by providing a platform for collaboration for members to synergise efforts in central bank learning among themselves, and across SEACEN's network base. The vision would be achieved through SEACEN's mission in building capacity in central banking and fostering networking and collaboration. With strong commitments from our stakeholders as seen in this Workshop, we are confident that our vision will become a reality.

Coming back to this learning event, I am confident that participants will find it both fruitful and rewarding. Above all, the interaction among participants and with resource persons will provide an opportunity to learn from one another and strengthen the bond of friendship and cooperation. I also hope that you will be able to find time to enjoy the culture and beauty of Cambodia.

Allow me to conclude by once again thanking H.E. Dr. Chea Chanto, Governor, National Bank of Cambodia; senior officers from National Bank of Cambodia and resource persons for the valuable contributions and support, and all our member and invitee banks for nominating suitable participants to the Workshop.

I wish you a productive and rewarding learning experience.

Thank you.