

**Dr. Tarisa Watanagase, Governor, The Bank of Thailand,
at the 43rd Governors' Conference**

Jakarta, Indonesia

21 March 2008

Honourable Coordinating Minister for Economic Affairs, Dr. Boediono
Honourable Governor, Bank Indonesia, Dr. Burhanuddin Abdullah,
Governors of SEACEN Central Banks,
Distinguished Guests and Delegates,
Ladies and Gentlemen,

It is indeed a great honour for me as the previous host of the SEACEN
Governors' Conference to deliver this Response Address on behalf of fellow
Governors gathered here today.

I would like to begin by expressing our deep appreciation to Governor
Burhanuddin Abdullah and Bank Indonesia for hosting this conference and for
all the excellent meeting arrangements they have made. I am certain that other
Governors and delegates would agree with me on the warm hospitality
extended to us since the time of our arrival at the Soekarno-Hatta Airport. I
have no doubt that our stay in Jakarta for the next few days will be a pleasant
one.

As you know, last year we celebrated the 25th Anniversary of the SEACEN
Centre. And although 25 years of history is rather young for any respectable
institution, SEACEN has been growing and developing towards the vision of
being the premier regional training centre for central banks in the Asia-Pacific

region. Besides the training and research activities at the SEACEN Centre, all central banks also look forward to this annual conference where valuable experiences on topical issues are shared.

Last year in Bangkok, SEACEN Governors discussed the topic of “Living with Volatilities: Managing Exchange Rate and Capital Flows in SEACEN Countries”. We emphasized that, while most of the member economies have benefited from increasing cross-border capital flows, there are risks associated with greater financial globalization. In managing these risks, we recognized that the key focus should be on enhancing economic and financial resiliency in response to the evolving global economic and financial environment at the national level. Thus, strengthened regional surveillance and cooperation will greatly assist us in managing these risks.

In addition, it is crucial to employ an appropriate policy mix in dealing with the negative impact of volatile exchange rates and capital flows, in particular strong and credible monetary policy framework together with proactive prudential regulations. However, the appropriate measures undertaken by central banks in the SEACEN economies may differ from country to country, depending on individual country’s economic structure and macroeconomic situation.

This year conference can be considered a continuation of last year theme. Uncertainties stemming from rapid developments in the financial markets pose great challenges to the SEACEN countries. While the necessity to deepen our financial markets to support monetary stability and sustainable

growth is clear, with greater financial globalization, financial sector becomes more exposed to external shocks as well as risks associated with more sophisticated financial products and wider financial service coverage. Of particular concerns are the potential shortcomings arising from asymmetric information, and the general lack of understanding in these advanced products. Prudential measures and sound supervision are therefore necessary to prevent future instabilities that may arise as the financial development progresses and the market deepens.

To the extent that risks from global imbalance adjustments create reversals in capital flows and further contribute to instability in the financial markets, the inevitable task falls upon us central bankers to vigilantly monitor developments in the market so that appropriate actions could be undertaken in a timely manner.

We do hope that this forum will continue being a useful platform for SEACEN countries to share their experiences and exchange views candidly in Financial Deepening of our economies, supporting monetary stability and sustainable growth.

In conclusion, let me, on behalf of my fellow governors and delegates, once again thank Governor Burhanuddin Abdullah and the staff of Bank Indonesia for their excellent arrangements and warm hospitality. I also would like to take this opportunity to thank Dr. A.G. Karunasena and his team at the SEACEN Centre for the arrangement of the conference and the meeting.

Thank you.