

**WELCOME REMARKS BY  
MR HOOKYU RHU  
EXECUTIVE DIRECTOR, THE SEACEN CENTRE  
AT THE OPENING CEREMONY OF THE  
8TH SEACEN-BOJ INTERMEDIATE COURSE ON THE ANALYTICS  
OF MACROECONOMIC AND MONETARY POLICY MANAGEMENT  
*Incheon, Korea, 6 – 18 July 2014***

Mr. Seungje Hong  
Director General, Office of International Affairs  
The Bank of Korea

Ms. Sachiko Abby Suematsu  
Principal, International Coordination Division  
International Department  
Bank of Japan

Distinguished Resource Persons

Course 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 8th SEACEN-BOJ Intermediate Course on The Analytics of Macroeconomic and Monetary Policy Management.

I would like to begin this ceremony by thanking our gracious host, The Bank of Korea, for the excellent arrangements and warm hospitality in organising the Course. The SEACEN Centre is deeply grateful to Mr. Seungje Hong, Director General, Office of International Affairs 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. Baek Seungho, Head of International Cooperation Team, Office of International Affairs. The team has been working in partnership with SEACEN months before the Course starts to ensure that the Course is well planned and well delivered.

I would also like to express my gratitude to our collaborator, the Bank of Japan for the financial support towards conducting this Course. I also wish to thank Ms. Sachiko Abby Suematsu, Principal, International Coordination Division, International Department for being here with us to deliver the keynote address for the Course.

Ladies and Gentlemen:

On this opening day of the 8<sup>th</sup> SEACEN-BOJ Intermediate Course on the Analytics of Macroeconomic and Monetary Policy Management, I would like to share with you some of my thoughts on the potential challenges that today's central bankers may face in an increasingly uncertain global economic environment.

As we have observed quite closely, since the outbreak of global financial crisis, many advanced countries have held short term interest rates near zero and have taken non-traditional measures to keep their financial markets afloat and to lower long term interest rates. At first this monetary unorthodoxy was adopted in the U.S. to overcome the financial crisis and later to shore up economic recovery. With the euro-zone's sovereign debt crisis being escalated since 2010, some Euro-zone countries had to undergo various austerity measures, however, the Euro-zone economies are still grappling with the threat of deflation. Recently, the ECB has adopted a boldly unusual negative interest rate on banks' excess reserves deposited with the central bank. The BOJ also has been implementing an ambitious QQE as one of the three arrows to support Abenomics' recovery efforts aimed at expediting the exit from one and a half decade long deflation. On the other hand, the US Fed and BOE are in the process of exiting from the QE at a measured pace.

In this extraordinary circumstance, I believe that central bankers in this SEACEN region need to learn more about new policy experiences at home and abroad, pondering on the eventual consequences of unconventional monetary policies in advanced economies and their implications

on the future monetary policy regimes and trends in this region. Certainly, there are some macroeconomic policy issues that we at central banks in this region need to pay our keen attention.

First of all, with persistent concerns about the strength of the global economic recovery and about when the Fed and BOE might begin raising interest rates, cross-border capital flows may show unusually volatile movements, bringing about perilous impact on the regional economies.

Second, central bankers in this region should carefully monitor whether the prolonged trend of low rates is causing any sectors of credit and asset markets to overheat again. Central bankers need to acknowledge a credit-fueled asset bubble was perhaps the most important culprit for the current malaise in many countries. Otherwise, they may simply sow the seeds of the next crisis. Today's central bankers need to devise a good metric to assess when credit and asset prices have gone so far as to threaten the financial stability.

Another important policy issue is the potential danger of wide-spread competitive currency depreciation. From our past experience, we clearly understand that its end result was at best a zero-sum game. I believe that there are many policy tools to strengthen competitiveness of the economy and that among them the best is an economic overhaul in broad sectors of the economy. In many countries, this is certainly a daunting task both politically and socio-economically. Nevertheless, if central bankers take initiatives in moving toward more concerted efforts for bold reforms, the global economy will be back on the right track not far in the distant future. What is really needed at this juncture is courageous leadership and farsighted wisdom of central bankers.

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 maximization 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.

In order to provide effective support for the design and implementation of monetary policy it is important that central bank staff are able to identify shocks, to develop qualitative as well as quantitative understanding of their effects on the domestic economy and to assess the effects and effectiveness of alternative policy responses, the Intermediate Course on the analytics of Macroeconomic and Monetary Policy Management aims to help build on this foundation. It aims to provide the participants with analytical and technical tools required to carry out these tasks.

In addition to the use of workshop to simulate the real situation, a distinct feature of SEACEN Intermediate Course on the analytics of Macroeconomic and Monetary Policy lies in our approach to focus on applications of theories and methodologies as they practice in central banks. 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 speakers from the academics, 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.

We are pleased to inform that the Course is participated by 26 well-qualified and suitable participants representing 12 central banks and monetary authorities. I am confident that the next two weeks 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 Korea.

Allow me to conclude by once again thanking Mr. Seungje Hong, Ms. Suematsu and resource persons for the valuable contributions and support, and all our member and invitee banks for nominating suitable participants to the Course.

I wish you a productive and rewarding learning experience.

Thank you.