

Opening remarks
at the Bank of Thailand International Symposium 2010 on
“Challenges to Central Banks in the Era of the New Globalization”
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Professors, Fellow Central Bankers, Distinguished Participants,
Ladies and Gentlemen,

It is a great pleasure for me to welcome you to the Bank of Thailand International Symposium 2010 on **“Challenges to Central Banks in the Era of the New Globalization”**. This event is the fourth in a series of International Symposiums organized by the Bank of Thailand, which have been a forum for prominent academics, policy makers and market practitioners to meet and discuss current issues related to central banking and monetary policy, especially from an international perspective.

As the world begins to recover from the global financial crisis, a new stage of globalization has emerged and brought along a transformation of the economic and financial landscape. The meeting today will again be an opportunity for us to share views and address key challenges facing central banks during this time of change. I will highlight three of them.

First, the global financial crisis has brought to the fore **the importance of financial stability** as a necessary condition for economic stability. The need to fulfill this objective will forever

change the way central banks conduct their policy. The most important question is how the central bank can embrace this objective without impairing price stability and without creating unrealistic expectations about what it can and cannot do given limited tools at its disposal.

Second, with the global financial crisis revealing many regulatory gaps, especially in advanced economies, many new proposals have, understandably, been made to **reform international financial regulations**. However, it is important to note that attempts to fix the last crisis may not prove effective in preventing the next one, as crises always come in different shapes and forms. In addition, some proposed new standards, such as Basel III, appear to mainly address the problems of banking systems in developed countries whose business models and risk-taking behaviour may well be very different from those of emerging markets. Therefore, the key challenge for policymakers in these countries, going forward, is how to adapt the global standards to best suit local needs, bearing in mind the enormous economic costs of over-regulation.

Third, differential growth outlook between advanced and emerging markets in the aftermath of the global financial crisis is inducing **large and persistent capital flows to emerging markets** with implications for the exchange rate, inflation, and the risk to financial stability. In light of this, policymakers in

emerging markets would find it more difficult to use traditional instruments to achieve domestic objectives. They must be more wary of the buildup of financial imbalances and may even have to rethink the exchange rate management strategy. On a larger scale, uncertainties pertaining to the post-crisis international monetary and reserve currency system—the one in which dominant currencies are likely to grow weaker and newly emerging currencies grow stronger—will also pose important challenges to monetary, exchange rate, and reserve management policies.

Ladies and Gentlemen,

To tackle some of these challenges, we are very fortunate to have with us today many distinguished speakers from both academia and central banks. In the morning sessions, we will hear from the academic point of view the implications of the changing financial and regulatory landscape. During lunch time, our keynote speaker will share his insights on the future of the international monetary system and what implications entail for policymakers. Later in the afternoon, we hope to bridge academic thinking with practical policy considerations.

Let me conclude by saying that it is impossible to have answers to all the big questions in a one-day conference like this. But I am sure we can contribute to the better understanding of many difficult issues and come up with useful policy

recommendations. Most of all, I hope that this forum will be followed by continuing discussions and cooperation among all participants, which would be a true measure of success of the conference.

I wish you all a fruitful meeting and memorable stay in Bangkok. Thank you.