42nd SEACEN Governors’ Conference
and 26th Meeting of the SEACEN Board of Governors

1. The 42nd South East Asian Central Banks (SEACEN) Governors’ Conference and 26th Meeting of the SEACEN Board of Governors were hosted by the Bank of Thailand during 28-29 July 2007 in Bangkok, Thailand. The Minister of Finance, Mr. Chalongphob Sussangkan, officiated the opening ceremony while the Conference and Meeting were chaired by Ms. Tarisa Watanagase, Governor of the Bank of Thailand. Governors of sixteen SEACEN member central banks, and two observer central banks1, together with the Managing Director and Executive Directors of the International Monetary Fund (IMF), Deputy General Manager of the Bank for International Settlements (BIS), and Executive Director of the SEACEN Centre participated in the Conference. The theme of the Conference was “Living with Volatilities: Managing Exchange Rates and Capital Flows in SEACEN Economies”.

2. In his opening speech, Mr. Chalongphob Sussangkan highlighted various issues and challenges to policy makers arising from exchange rate volatilities and fluctuations of capital flows. In this regard, Mr. Sussangkan emphasized the importance of regional cooperation and financial market development and expressed that the Conference would provide an opportunity for policymakers to exchange views and ideas on how to respond to these challenges.

3. In the conference, Governors emphasized that, while most of the member economies have benefited from increasing cross-border capital flows, there are risks associated with greater financial globalization. These risks include disorderly correction of global imbalances, abrupt change in risk appetite and unwinding of carry trade activities.

4. In managing these risks, Governors recognized that the key focus should be on enhancing economic and financial resilience in response to the evolving global economic and financial environment at the national level and strengthening regional surveillance and cooperation. In addition, it is crucial to employ an

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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. Governors, however, noted that the appropriate measures undertaken by central banks in the SEACEN economies may differ depending on individual country’s economic structure and macroeconomic situation.

5. Governors noted the IMF’s efforts in evolving its role in response to the changing needs of emerging market members in light of increasing financial globalization. Governors also urged the IMF to continue working on its governance reforms, particularly, in relation to better representation of emerging market economies.

6. On the outlook of the world economy, Governors noted that the global economy is expected to continue its expansion in 2007 and 2008 with increasing contributions by emerging market economies. Notwithstanding the favorable economic outlook, downside risks remain, which need to be closely monitored. These risks include the potential for an economic slowdown arising from the US housing markets correction, inflationary pressures arising from supply constraints and commodity prices and increasing financial market volatilities.

7. Governors expressed their gratitude to the Bank of Thailand for its excellent arrangements and warm hospitality in hosting this year’s SEACEN Governors’ Conference and SEACEN Board of Governors’ Meeting.

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