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**Opening Remarks
by**

**H.E. Chea Chanto, Governor of the National Bank of Cambodia
7th SEACEN CeM-CoA/BOJ Intermediate Course on
Macroeconomic and Monetary Policy Management**

Siem Reap, 26 March 2013

- Mr. Hoo-Kyu Rhu, Executive Director, the SEACEN Centre,
- Dr. Karunasena, Former SEACEN Executive Director,
- Excellencies, Distinguished Resource Speakers, Ladies and Gentlemen,

Good morning!

Today on behalf of the National Bank of Cambodia I am very honored and pleased to be the host of the 7th SEACEN CeM-CoA/BOJ Intermediate Course on Macroeconomic and Monetary Policy Management, in collaboration with the SEACEN Center and the Center for Monetary Cooperation in Asia of the Bank of Japan from 25 March to 5 April 2013 in Siem Reap Province.

Firstly, I would like to warmly welcome our guests and honorable speakers to Cambodia and especially to the Ancient Angkor City in Siem Reap Province. I would like also to express my sincere gratitude to the SEACEN Center and to the Center for Monetary Cooperation in Asia of the Bank of Japan for making this course possible and for providing excellent opportunities for SEACEN Member Central Banks, not only to improve technical skills, but also to exchange knowledge and experiences on the recent global economic and financial developments and on the current and future challenges in managing macroeconomic and monetary policy in emerging market economies.

Our topic today is very important for us. It will be an excellent opportunity to discuss the implications for SEACEN Member Countries as well as the steps forward in formulating and managing policies to maintain dual stability in prices and financial markets, in a context of economic growth.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

This two-week course takes place in a very challenging period. As a foreword, let me say a few words with regard to the last developments in global economic landscape and the main lessons that SEACEN Member Countries have already learnt. Indeed, all Member Countries have to sustain economic growth in a low and stable inflation environment, to upgrade the regional integration and to continue their efforts for developing their own economy, whereas the global economy remains subdued.

According to IMF's recent note, "*decisive actions in the euro area and the United States have contained the most immediate threats to the global recovery. Financial markets have rallied and equity price volatility has fallen to pre-crisis levels*". However, real activity will strengthen only gradually, as easier financial conditions take time to transmit to the broader economy. Significant downside risks remain possible for delayed policy implementation in the euro area, unsustainable public finances in the United States and Japan, and slower growth in emerging economies.

These developments pose policy challenges for Asia and emerging market economies. So far, policy responses vary across countries, but we learnt about the common challenges that the Asian and emerging countries are facing. These challenges include: 1). the need for sufficient fiscal space in order to better respond to external shocks; 2). strong and volatile capital inflows or still-elevated credit growth which pose greater risks for financial stability and inflationary pressure; 3). continuing structural reforms required to ensure sustainable and strong medium-term growth; and 4). the need to push further financial integration and at the same time greater efforts in regional cooperation and developing financial safety net.

Therefore, the most expected economic targets of the post-crisis period should be higher growth, lower debt and more stable financial conditions. Of course, in order to achieve these targets, it will take time and closer policy coordination. The monetary policy framework will have to interact better with macro-prudential policy, while fiscal policy will be largely targeted towards fiscal consolidation. Structural reforms to alleviate widening income inequality and rebalancing the growth away from export-driven towards domestic demand-driven growth will help promote economic growth in the long term. Also, each country has to cope with its specific challenges. As an illustration, Cambodia has a highly dollarized economy and should cope with this issue.

Excellency, Distinguished Guests, Ladies and Gentlemen,

You perfectly understand that, facing these challenges and these stakes, our responsibility now is to define appropriate policy priorities and actions. I will not deliberate on this because our highly experienced resource speakers including Dr. Karunasena, Mr. Abenoja, Mr. Bernabe, and other resource speakers, will help guide you through the conceptual design of what policy priorities will be appropriate for your respective central bank. To this respect, I strongly believe that this two-week course will represent a very important step for our respective central bankers and that it will produce fruitful discussions. I have no doubt that, by the end of the course, all of you will have obtained a better understanding of monetary policy, financial stability and their interaction, as well as of macroeconomic implications and policy responses.

For these reasons, I would like to take this opportunity to highlight our deep appreciation for your effective support and your kind cooperation in participating in this course.

Last but not least, I am convinced that all of you enjoyed yesterday's half-day social program and welcome dinner and took pleasure in our Angkor Museum. This Saturday we will have another full day tour to visit temple complex including Angkor Wat Temple, surrounded by soaring towers and exquisite bas-reliefs, which are ranked among the World's Wonders and registered as a UNESCO's world heritage site. There are many other interesting places that we intend to show you during the tour program. Even though you have a tight schedule in Siem Reap, I hope you will find time to visit these places, do some shopping and get to know more about our people, history and culture.

Finally, I wish you all good luck and I sincerely hope that you will have a very pleasant stay in our ancient capital city of Siem Reap Angkor. Now, let me wish you again an active, interesting, productive and successful discussion!

I thank you very much for your kind attention.