

## **Zeti Akhtar Aziz: Central banking in the 21st century – implications of economic and financial globalisation**

Opening remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at Central Bank of Malaysia's High Level Conference 2009 "Central Banking in the 21st Century: Implications of Economic and Financial Globalisation", Kuala Lumpur, 10 February 2009.

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Honourable Governors,

Distinguished guests,

Ladies and Gentlemen,

It is my pleasure to welcome you to the Bank Negara Malaysia Conference on "Central Banking in the 21st Century: Implications of Economic and Financial Globalisation" that is being held in conjunction with the 50th Anniversary of Bank Negara Malaysia. Indeed, the conference takes place at a time when we need to reflect on the many issues that are emerging from the current global financial and economic crisis and the new challenges and lessons it brings to central banks.

We are most honoured by the presence of central banks from more than 50 countries who have come to be with us on the occasion of our 50th Anniversary. This gathering has also brought together distinguished speakers not only from the central banking community but also outstanding scholars and senior practitioners from the financial services industry. It is hoped that this conference will contribute to a greater understanding to the issues confronting central banks in the 21st century.

Indeed, we are now in a world that is fundamentally different, a world that calls for a greater appreciation of the changes that need to be made to the systems and structures, to the institutional arrangements and mechanisms, and to the manner in which we operate in this new environment. The international dimension of these changes calls for an outcome in which the international financial system is less prone to disruptions and failures and in which economic progress is a shared prosperity among nations.

Globalisation has had a deep impact on the way modern economies function. The benefits of globalisation have accrued to diverse communities and regions but it has also brought with it significant risks. While the Asian Crisis showed the effects of globalisation, it also showed that Asia was able to rapidly rebound and continue to benefit from increased international trade and financial flows. The rapid restoration of stability and resumption of growth had confined the crisis to Asia.

As the current financial crisis is translated into an economic crisis, its repercussions are now being felt on a global scale. While the turmoil had its origins in the developed economies, its continued escalation has extended the effects of the crisis to the rest of the world.

Economic and financial globalisation thus not only calls for policy responses at the national level but also at the international level. It also calls for the consideration that such policy responses may have implications that extend beyond the domestic borders. Benefits may also be derived from cross border coordination of policy responses to increase the prospects of achieving the desired outcomes.

Our conference today focuses on the impact of economic and financial globalisation on the role of central banks, as well as to assess how central banks can effectively contribute to promote stability in this environment. In particular, the conference will be looking at the implications and challenges that globalisation brings to the mandate of the central banks in preserving monetary and financial stability. The pace and nature of globalisation has also

brought significant stress to the international financial architecture. The current financial crisis has highlighted the vulnerabilities in the international financial architecture, leading to renewed thinking about the reform of the global financial system. Tonight, Joseph Stiglitz will be speaking on "Strong Institutions for Growth and Crisis Management".

Tomorrow, we will address some of the specific management challenges central banks face in a globalised environment. We will discuss some recent developments of central banks' cooperation and the areas for reform of the international financial architecture.

Ladies and gentlemen,

The crisis presents an opportunity for us to re-evaluate, promote and embrace sustainable long terms solutions. Our focus is for the discussion to contribute to the means through which central banks can contribute more effectively in promoting stability and economic growth. This conference will provide an opportunity to reassess our traditional views on many of the issues before us. On this note, I wish you a very engaging and substantive conference.