Mohammed Iqbal Belath: Africa and the Indo-Pacific – the new economic mainspring

Welcome address by Mr Mohammed Iqbal Belath, Second Deputy Governor of the Bank of Mauritius, at the Second Meeting of the Official Monetary and Financial Institutions Forum (OMFIF) in Africa, hosted by the Bank of Mauritius, Port Louis, 5 November 2012.

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Governors
Deputy Governors
Members of the Management Board of OMFIF
Members of the Advisory Board of OMFIF
Distinguished Guests
Ladies and Gentlemen

A very good morning and warm welcome to you all!

I feel privileged to deliver this Welcome Address on the occasion of the 2nd ***Meeting of OMFIF in Africa***, which demonstrates the growing importance of the Dark Continent on the global map. The continent has come a long way from its ruthless, poverty-stricken and unstable political environment. Today, Africa is looked upon as the continent full of opportunities, the place where we may say the "*next big things to unfold*". The hosting of this Meeting in Mauritius is a *premiere* for the Bank and I will like to salute the vision of Governor Bheenick to put our Bank on the radar of Official Monetary and Financial Institutions Forum.

The 1st Meeting in Africa, the inaugural one, was held a year ago in Pretoria at the South African Reserve Bank, when the SARB was celebrating its 90th Anniversary. The 2nd Meeting is being held at the Bank of Mauritius, which is celebrating its 45th Anniversary this year. Perfect Symmetry? Sheer Coincidence? I'd rather not venture to know the venue for the 3rd Meeting in Africa!!! Leaving aside the perfect symmetry of these anniversaries, I believe that it is the ideal time to be in Africa and to deliberate of the topic of the Meeting: ***Africa and the Indo-Pacific: The New Economic Mainspring***.

The US Secretary of State, Hillary Clinton, first coined the term "Indo-Pacific" officially in October 2010, in Honolulu, in a geopolitical sense, to elucidate developments in the Asia Pacific region. Her husband, former President Bill Clinton, on one of his innumerable trips to Africa, declared and I quote "*We are living in the most interdependent time in history. The evidence is all around us. Wealth and talent now cross borders that are more like nets than walls but so do less positive forces. The financial crisis that started in the United States and swept the globe proved just how deeply our social and economic fates are intertwined — we can't escape each other anymore. The good news is that we have more power than ever to build a world of shared values and shared opportunities – and nowhere is this clearer than in Africa*."

The Indo-Pacific region covers a huge geo-strategic and geo-economic territory, covering the western Pacific Ocean to the western Indian Ocean along the eastern coast of Africa. As global economic power shifts from West to East, this region is rapidly gaining importance as the centre of trade, investment and cooperation. The Indo-Pacific contains close to half the world's population and draws Australia together with the rising powers of China and India, the dynamic sub-regions of Northeast Asia and Southeast Asia and the resource rich and sometimes volatile Middle East and Africa. Moreover the region provides several of the world's most important choke-points for global commerce. So, there could not have been a better theme for seminar.

This Meeting will dwell on a number of issues and I don't intend to elaborate thereon. But allow me to throw some thrusts on some of the topical issues. When we look at Asia, the growth of its intra-regional trade in the last decade has been quite inspirational and has helped in building new channels of growth. These have indeed helped Asia to sustain its growth momentum in these challenging times and contain the spillover effects of lacklustre economic performance in traditional markets. Africa, too, is gearing up its regional market, which has an immense potential. But Africa has a big infrastructural disadvantage – countries throughout the continent are not well-connected. Steady advances in regional integration and services will surely enable the move from overseas trade to trade between countries and across regions.

Increasingly, Africa is making use of available technology to make progress on inclusive growth. The use of mobile-banking, this single most innovative instrument, has created ripples by increasing outreach to many of the unbanked that were excluded due to high operation costs in establishing branch network around the continent. This broad example will set the path for inclusive growth but it raises concerns for policymakers for financial stability issues arising therefrom.

Africa has, in the past, been victim of what is referred to as the "*natural resource curse*". But today we are witnessing a new phenomenon with the surge in commodity prices. Commodity-exporting countries have experienced appreciation of their currencies owing to increasing capital flowing in those countries to take advantage of the rising commodity prices. Also, they have been following the trend in setting up Sovereign Wealth Funds. Unfortunately, these capital flows had made those countries vulnerable to the occurrence of Dutch disease, excessive capital and exchange rate volatility.

Today we are meeting for the ***5th Meeting of the World E-Money Council***. E-money is gradually becoming an important element of the infrastructure of a modern economy. There exists different synonyms and definitions of e-money, but anything where value is exchanged electronically and by contrast, not using physical form of money, is generally accepted as E-money.

All of us do very much appreciate the convenience of the ability to pay by plastic. Card payments as well as E-money transactions have systematically grown to account for a big slice of spending in the retail economy. The ability to make and receive payments with confidence is the centre stage of any commercial activity. The smooth functioning of the market infrastructure for enabling payment and settlement systems is essential for market and financial stability as well as for economic efficiency. The public policy objectives common to all stakeholders are to enhance public confidence, safety, integrity, access to finance and efficiency of payments systems. Consequently, to facilitate cross-border trade and investment flows, the appropriate payment instruments, clearing mechanisms and settlements systems must be in place.

Allow me here to talk of our own involvement in regional initiatives. The Bank of Mauritius is the settlement bank in the REPSS set-up, which enables for the cross-border payment settlement needs of COMESA countries. The Bank is actively pursuing discussions to extend this platform beyond COMESA. Another initiative of the Bank, which came into effect last September related to the Cheque Truncation System (CTS), which refers to the clearing of cheques based on digital images of cheques. This initiative ultimately attempts to eliminate potential fraud and forgery risks while ensuring faster clearing of cheques.

However, the advent of E-Money raises a number of challenges for central banks: Will e-money always be variants of the national currency of a country? Can central banks account for e-money in circulation? Will they still have the monopoly of money issuance and therefore dictate monetary policies? And what about the impact on regulation and anti-money laundering?

Ladies and Gentlemen, allow me to quote Elbert Hubbard, the philosopher (1856–1915), who said that "*The world is moving so fast these days that the man who says it can't be done is generally interrupted by someone doing it*." I will no further stand before the beginning of your sessions and, without much ado, I wish you all successful deliberations and a fruitful Meeting.

Thank you for your kind attention.