

## Vítor Constâncio: High-level policy dialogue of EMEAP central banks and the Eurosystem

Introductory remarks by Mr Vítor Constâncio, Vice-President of the European Central Bank, to the press conference on the occasion of the high-level policy dialogue of the Eurosystem and East Asia-Pacific central banks, Bangkok, 26 July 2014.

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Ladies and gentlemen,

Good evening to all of you. It is a great pleasure to be here in Bangkok today together with Governor Prasarn. I also welcome you to the press conference on the occasion of the high-level policy dialogue of the Eurosystem and East Asia-Pacific central banks. This dialogue was jointly organised by the Bank of Thailand, which currently holds the chair of the Executives' Meeting of East Asia-Pacific Central Banks, and the ECB. I would like to use this opportunity to thank Governor Prasarn for hosting this event in Bangkok.

This is the seventh time that the Eurosystem and East Asia-Pacific central banks have met. It is an important and useful platform for exchanging views on issues of mutual interest to the central banking community.

The crisis has subsided since we last met in 2011. However the euro area and the global economy still face challenges. In the euro area, the economy continued its moderate recovery in the second quarter, although rates of inflation remained too low. Growth rates in the East Asia-Pacific region are generally robust, but below their pre-crisis levels. Nevertheless, Asia has remained an engine of growth for the global economy, and our regions are increasingly interconnected through trade and finance. In this context, I very much appreciate the fruitful exchange of views with our counterparts here in the East Asia-Pacific region.

During our meeting today we focused on two topics:

- (i) *Monetary policy in advanced economies, implications and policy responses in the emerging market economies, and*
- (ii) *Lessons from the crisis in the euro area for monetary and financial integration.* Let me briefly highlight some of the issues we discussed.

Regarding monetary policy in advanced economies, we discussed the challenges faced by the major central banks during the financial crisis and the exceptional measures taken in response to those challenges. Today we can say with some certainty that the policies of central banks in advanced economies helped avert a more severe economic downturn in the wake of the crisis. Thus, those policies benefited the global economy as a whole. However, we also acknowledged spillovers, mainly in the form of capital flows to emerging markets, resulting from the highly accommodative monetary policies in advanced economies and the prospective exit from highly accommodative monetary policies. And we exchanged views on the policy responses in emerging markets.

In our discussions on the lessons from the euro area crisis we recognised the different approaches to regional integration in Asia and the euro area, for example, as regards objectives and the underlying institutions of cooperation and decision-making. A key lesson from our crisis is that institutions must take into account the degree of regional integration. In the euro area, we have made big advances in strengthening the institutional framework of our Economic and Monetary Union – with the banking union being the most important one. We have also seen significant progress as stressed countries have adjusted their policies at the national level. But there is no room for complacency. Policy efforts both at the national and the European level need to be sustained. We also exchanged views on the need for

regional financial safety nets when regional financial integration is high. Both regions have mechanisms in place, namely the European Stability Mechanism and the Chiang Mai Initiative Multilateralization, although they differ in terms of design and instruments.