

Bringing the BIS to Asia – and Asia to the BIS

Opening remarks by Agustín Carstens
General Manager, Bank for International Settlements

BIS Symposium on “New challenges for central banking” to mark the 20th anniversary of the BIS Representative Office for Asia and the Pacific

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Good afternoon. I join Yi Gang in thanking you all for coming to Hong Kong and accompanying us for this event marking the 20th anniversary of the BIS Representative Office for Asia and the Pacific. I would also like to thank Norman Chan for the Hong Kong Monetary Authority’s continued support for all the activities of the BIS Asian Office and for co-hosting this symposium.

At this type of occasion, historical references are often made. Let me start with an early one.

In 1565, an Augustinian friar, Andrés de Urdaneta, discovered the return route from the Philippines to Mexico – then New Spain. This discovery meant that galleons could do round trips between America and Asia in an efficient way. Chinese silk, porcelain, spices and other goods travelled from Manila to Acapulco. The merchandise was then transported to Veracruz on Mexico’s east coast, from where it was on-shipped to Europe. From Mexico to the Philippines, the galleons would carry mostly Mexican silver, a widely accepted means of payment at the time. This trade route lasted for approximately 250 years, up to 1810–15 when Mexico fought for its independence from Spain. I bring this up because that trade route could be considered an early manifestation of globalisation.

Reference to this historical passage is also appropriate for making another point. The galleons sailed both to and from Asia. When the BIS brought its operations and activities to Asia 20 years ago, Asia also started bringing its diversity and dynamism to the BIS. Asian central banks are now indispensable in the activities and the governance of the BIS – rather different from how things were two decades ago. It has indeed been a two-way route.

When the Asian Office opened its doors in July 1998, the world was quite a different place, just emerging from the tail end of the 1990s emerging market crises. Later today at the reception, Joseph Yam will tell us more about the role of my predecessor Andrew Crockett – how he had the foresight to recognise the region’s potential as a global economic and financial force. The establishment of the Asian Office – our very first representative office – was a very natural step towards making the BIS a genuinely global institution.

It’s worth looking back at how far the region has come in the past two decades.

- In 1998, the 12 economies represented in the BIS’s Asian Consultative Council accounted for 23% of global trade in goods. Today, they account for 32%. It should come as no surprise that among the 10 busiest container ports in the world, nine are in Asia.
- This region is also home to two of the banking systems that lend the most internationally in US dollars. According to the latest BIS banking statistics, the largest lenders in US dollars are Japanese banks, the second largest are US banks and the third largest are Chinese banks.

This economic and financial openness is important because it allows prices to steer resources towards more productive uses. At a time when this openness is at risk and tensions abound, mutual understanding and cooperation among central banks have never been so critical.



Even more impressive than the region's role in globalisation has been how it has catapulted itself into the frontlines of technological innovations in finance. In terms of new developments in big tech and distributed ledger technology, as well as the applications of machine learning and big data, Asia is at the cutting edge.

Our Asian Office, for its part, has been running at a furious pace to keep up with this fast-moving region. Here are some of the things we have done together:

- In 2003, to help the Asian Office stay in tune with developments in the region and its stakeholders' interest, the BIS formed the Asian Consultative Council. Ten Governors from the region have presided as Chair of that Council, with the Chief Representative serving as the Council's Secretary. The benefits to the BIS of the Council's advice have been tremendous.
- In 2007, the Asian Office organised the Asian Research Network to connect researchers at the 12 BIS shareholding central banks in the region. This network has now held 12 workshops around the region. At the same time, the Asian Office has been undertaking a succession of two-year research programmes, the outcomes of which have been shared through yearly research conferences. Together the network and the research programmes have produced interesting results.
- The Asian Office has also taken part in initiatives that serve to both develop the local currency bond markets in the region and widen investment opportunities for central banks. In 2005, the BIS participated in creating the Asian Bond Fund 2, a fund that has been investing in eight local bond markets. Since then, the BIS has launched a fund that invests in the renminbi bond market and another fund that does the same in the Korean won bond market.

All these activities have helped bring the BIS to Asia and Asia to the BIS.

But by no means are we done yet. We are now in the process of preparing the next medium-term strategic plan for the BIS. In this plan, we can envision an Asian Office that plays an even more prominent role, reaching out more actively to the region's central banks, to identify opportunely and precisely the areas where the BIS could maximise the effectiveness of its support to all of them – whether in research, cooperative activities or banking services. We want to shift some of the decision-making from Basel to Hong Kong, in a context of enhanced inter-office coordination.

In line with this aspiration, the symposium this afternoon will not only celebrate the achievements of the Asian Office so far, but also help us shape our work going forward. Hence, the topic of the symposium is "New challenges for central banking".

The first of two sessions will be on "Globalisation and monetary policy". Time and time again, we have seen how cross-border linkages have been of critical significance to understanding the impact of monetary policy. Even in the face of trade protectionism, the financial linkages that tie together the actions of monetary policymakers may very well increase in importance going forward. Early identification of potential spillover effects is of the essence to determine the best policies to contain adverse externalities.

The second session will be on "Technology, the financial system and central banks". This topic is particularly apropos given Asia's position at the vanguard of financial innovation. I am amazed at the work of most of the central banks present here today. They have fostered further innovation, while increasing their awareness of the risks and the need for state-of-the-art risk management. We are convinced that the BIS can, with your guidance, add value in these areas, so that it can play a more effective role in central bank cooperation in these unusually exciting times.

I look forward to today's discussions.

Thank you.