CAPITAL FLOW MANAGEMENT AND LIBERALISATION: THE ROLE OF INTERNATIONAL CO-OPERATION

HIGH-LEVEL SEMINAR

DRAFT PROGRAMME

9 October 2012
Paris, France

Background

The seminar will bring together high-level officials, experts and private sector stakeholders from OECD and non-OECD countries. Its objective is to advance shared understandings on policies to make the most of cross-border capital flows in support of growth and development and on the value of international co-operation, including the OECD Codes of Liberalisation, in the current context of serious global financial turbulence.

International capital flows have increased considerably over time, notwithstanding a temporary retrenchment during the global crisis. Cross-border flows bring many benefits, supporting growth through a better allocation of savings and investment internationally. In recognition of these benefits, many countries, including non-OECD countries, have progressively liberalised their capital accounts over the past decades.

In recent years, however, a vigorous debate has developed over the associated risks of large volatile capital flows for emerging markets in particular and the appropriate policy response. Risks include exchange rate misalignment, rapid international transmission of shocks and credit and asset boom-and-bust cycles. Several countries with open capital accounts, including OECD members, have recently taken or are considering measures to limit capital inflows. At the same time, some large emerging economies with a restrictive capital regime have announced plans to continue to liberalise capital inflows and outflows progressively over time. These developments call for renewed policy dialogue and international co-operation.

For fifty years, the OECD has hosted a forum for discussing capital flow management and liberalisation. Its Codes of Liberalisation of Capital Movements and of Current Invisible Operations have provided a framework for promoting transparency and mutual accountability, sharing experiences with progressive liberalisation, and supporting countries in circumstances of economic difficulties. These discussions include the potential impact of capital flow measures on the interests of the adherent's economic partners. The Codes have now been opened for adherence by non-OECD countries willing and able to meet their requirements and enjoy their benefits, including full participation in decision-making.

The seminar will review findings of new research, discuss OECD and non-OECD country approaches to capital flow management and liberalisation, and consider the role of international co-operation instruments including the Codes of Liberalisation.

Contacts

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High-level Seminar hosted by the OECD

<table>
<tr><th colspan="2">Draft Programme
Tuesday 9 October 2012</th></tr>
<tr><td>8.00-9:00</td><td>Registration</td></tr>
<tr><td>9:00-9:30</td><td>Welcome address: Angel Gurría, Secretary-General, OECD

Keynote speech: Stanley Fischer, Governor of the Bank of Israel, former First Deputy Managing Director of the IMF</td></tr>
<tr><td>9:30-11:00</td><td>Session I. Making most of capital flows: what does the evidence tell us?</td></tr>
<tr><td></td><td>The first session will take stock of recent developments in global capital flows and review policies affecting capital flows in the current context of international financial turbulence.

Moderator: Stanley Fischer, Governor of the Bank of Israel

Questions:
What are the recent trends in global capital flows? What new risks and opportunities do they create, in particular for emerging economies?
What macroeconomic, structural and other policies are best suited to make the most of cross-border capital flows in support of sustained growth and to increase economies’ resilience to capital flow volatility?
Do policies affecting capital flows have multilateral implications? Is international co-operation important to avoid unfavourable collective outcomes from individual country measures?
Presentations:
International capital mobility: which structural policies reduce financial fragility?
Presentation by Jørgen Elmeskov, Deputy Chief Economist, OECD;
Multilateral aspects of policies affecting capital flows.
Presentation by Ratna Sahay, Deputy Director of the Monetary and Capital Markets Department, IMF
Discussants:
Hidehiko Sogano, Deputy Director-General, Bank of Japan and Vice-Chair, OECD Committee on Financial Markets
David Gruen, Executive Director, Macroeconomic Group, Australian Treasury
Marcel Fratzscher, Head of International Policy Analysis Division, European Central Bank
General discussion</td></tr>
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11:00-11:15	Coffee break
11:15-12:45	**Session II. Tailoring capital flow management and liberalisation strategies to national circumstances: country approaches**
	This session will provide an opportunity to share national experiences with capital flow management and liberalisation strategies among OECD and emerging economies. **Moderator:** Erdem Başçı, Governor of the Central Bank of the Republic of Turkey **Questions:** • What factors have been driving liberalisation efforts? • Which pre-conditions for orderly liberalisation? • Short-term versus long-term capital flows, interest-bearing instruments versus equity investments, capital inflows and capital outflows. How to sequence liberalisation? • In the event of reintroduction of restrictions, how to make them least disruptive on normal business operations? **Country presentations** Countries will be invited to present their experiences and future plans in light of their special circumstances (open economies, economies in process of liberalisation, small and large economies, advanced and emerging economies). **Speakers:** • **South Africa:** Brian Kahn, Advisor to the Governor, South African Reserve Bank • **China:** Zhang Bin, Head of Department of Global Macroeconomics, Institute of World Economics and Politics, Chinese Academy of Social Sciences • **Colombia:** Pamela Cardozo, Head of the Monetary and International Reserves Department of the Bank of the Republic (Colombia) • **Turkey:** Erdem Başçı, Governor of the Central Bank of the Republic of Turkey **Discussants:** • Malcolm Edey, Assistant Governor of the Reserve Bank of Australia and Chair of OECD Committee on Financial Markets • Tae Soo Kang, Deputy Governor of the Bank of Korea • Sujatha Prasad, Chief General Manager of the Foreign Exchange Department, Reserve Bank of India • Manuel Ramos Francia, Deputy Governor, Banco de México **General discussion** **Closing remarks:** Governor Erdem Başçı
12:45-14:15	Lunch break

14:15-15:45	Session III. The OECD Codes of Liberalisation as instruments of international co-operation
	This session will discuss the principles and procedures of the OECD Codes of Liberalisation, including provisions for promoting transparency and mutual accountability, facilitating peer learning from each other experiences with liberalisation, and supporting countries at times of economic and financial disturbance. **Moderator**: Már Guðmundsson, Governor of the Central Bank of Iceland **Questions:** • What are the benefits of the Codes for adhering countries and international co-operation? • How do they contribute to increased transparency? • How is mutual accountability being achieved? • How much space for pursuing domestic policies under the Codes? • How do the Codes accommodate different levels of development? • What are the terms and conditions for adherence by new countries? **Presentation** by Carolyn Ervin, OECD Director for Financial and Enterprise Affairs **Commentators:** • Már Guðmundsson, Governor of the Central Bank of Iceland • Ugo Bassi, Director for Capital and Companies, DG Internal Market and Services, European Commission • Gerardo Hernandez, Head of the Financial Superintendency, Colombia • Sungwook Park, Research Fellow, Korea Institute of Finance • Nadia Rendak, Senior Counsel, Legal Department, International Monetary Fund **General discussion** **Closing remarks:** Michael Williams, Chair of the OECD Advisory Task Force on the Codes
15:45-16:00	Coffee break
16:00-17:45	**Session IV. Looking ahead – Roundtable discussion**
	Moderator: William White, Chair of the OECD Economic and Development Review Committee There are a range of international agreements relevant to international co-operation on cross-border flows. The EU Treaty provisions have much in common with the OECD Codes but the membership is regional. They require free capital movements among EU countries and between EU countries and third countries. The investment chapters of many regional free trade agreements (FTAs) and bilateral investment treaties (BITs) use a broad definition of inward international investment. However, unlike the Codes, they do not cover capital outflows by residents. In addition, while the Codes provide for liberalisation of entry of new investments, most BITs protect only existing investments. The GATS includes some elements of capital movement liberalisation, but only insofar as a capital movement is needed for the effective delivery of a service. The IMF has jurisdiction over current payments, but not capital flows; it nevertheless engages its members in policy dialogue on capital flow issues under Article IV consultations and can require its members to impose capital controls as a condition for their use of the Fund's resources.

	Questions: • Is there a need for improving clarity and consistency in the international architecture governing capital flows? What can be done? • Is the network of international agreements robust enough to avoid a possible destructive escalation of capital controls and counter-measures in the event of serious shocks affecting the global economy, such as contagion of debt crises and currency wars? • What are the implications of a system with adherents and non-adherents to the Codes? **Panelists:** • Carol Bertaut, Chief of the Global Financial Flows Section, Division of International Finance, Board of Governors of the Federal Reserve System • Gabriel Makhlouf, Secretary and Chief Executive, New Zealand Treasury • Sujata Prasad, Chief General Manager-in-Charge of Foreign Exchange Department, Reserve Bank of India • Manuel Ramos Francia, Deputy Governor of the Banco de México • Ratna Sahay, Deputy Director of the Monetary and Capital Markets Department, IMF • Xu Weigang, Director of the Legal Division, Policy and Regulation Department, State Administration of Foreign Exchange, China • Pierre Wunsch, Director, National Bank of Belgium **Concluding remarks:** William White, Chair of the OECD Economic and Development Review Committee
18:00-19:30	**Cocktail**