

**SPEECH BY MR HENG SWEE KEAT, MINISTER FOR FINANCE, AT THE OPENING CEREMONY OF ASEAN+3 MACROECONOMIC RESEARCH OFFICE (AMRO) AS AN INTERNATIONAL ORGANISATION ON 19 FEBRUARY 2016, 9.30 AM AT MONETARY AUTHORITY OF SINGAPORE**

ASEAN+3 Deputies

Excellencies

Dr Yoichi Nemoto, Director of AMRO

Distinguished Guests

Ladies and Gentlemen

**Introduction**

1. A very good morning to all of you and to our foreign guests, a very warm welcome to Singapore, and a very warm welcome to everyone to the opening ceremony of the ASEAN+3 Macroeconomic Research Office (AMRO).

2. I would like to extend my heartfelt congratulations to all ASEAN+3 members and AMRO, on the successful establishment of AMRO as an international organisation. As an international organisation, AMRO will be of the same standing as other institutions such as the International Monetary Fund (IMF).

3. I would also like to express my appreciation to ASEAN+3 Deputies and Central Bank officials for guiding AMRO's transition from a

company limited by guarantee to an international organisation. The hard work of our pioneer batch of AMRO colleagues have also helped to make this a reality, in particular that of Director Nemoto-san and former Director Mr Wei Benhua; their leadership was instrumental in achieving this important milestone.

### **Financial Volatility amid Stronger Interlinkages**

4. The start of this year has seen a marked rise in financial market volatility and, in general, uncertainty about the global and regional economic outlook. They reflect the underlying fragility and unevenness of the economic recovery post-Global Financial Crisis (GFC). In the advanced economies, the pace of recovery has been slow amid headwinds posed by the debt overhang and decline in productivity growth. In emerging economies, the end of the commodity super-cycle and the turning of the credit cycle have exposed fiscal and financial vulnerabilities, while the slow progress toward structural reforms has held back new productive investments.

5. The fairly widespread nature of the sell-off in markets in recent weeks brings into sharp focus the growing economic and financial interlinkages across countries. Cross-border capital flows and trade links have an increasingly large impact on domestic financial and economic conditions. Governments and policymakers need a deeper understanding of economic and financial interconnectedness, how they affect economic growth, and how they transmit financial risks and *in extremis*, how they propagate financial crises. It is here that AMRO can make a substantial contribution to mapping out the financial interconnectedness among the ASEAN+3 economies as well as between the region and the rest of the world.

6. **We know that financial markets sometimes over-shoot and over-react. But it is important that regulators and policymakers do not do likewise.** Now, this is an important point, a very seasoned policymaker once said to me, that when markets panic we must stay calm, and when markets become over-exuberant we must lean against it. **So policymakers and regulators must separate the noise from the trend, and focus on maintaining stability, and facilitating structural adjustments.** For the commodity exporters, some of the recent volatility in the markets reflects the transition challenges associated with adjusting to lower commodity prices. For many of the regional economies, some of the moderation in growth reflects ongoing efforts to rebalance towards domestic sources of demand. Notwithstanding transitional pains, the structural growth story in Asia remains intact.

7. Indeed, the integration of regional economies and markets will continue to underpin their medium-term growth prospects. Investors must not lose sight of the fact that a number of important initiatives, such as the Trans-Pacific Partnership and the ASEAN Economic Community, offer considerable investment and business opportunities over the medium term.

8. We must maintain the openness of our economies and financial systems so that we can reap the most out of the global marketplace. At the same time, we must guard against the risks involved. We need an effective regional financial safety net that complements the individual ASEAN+3 countries' efforts as well as multilateral support through the IMF. The Chiang Mai Initiative Multilateralisation (CMIM), which started out as the Chiang Mai Initiative in 2000, is an

important regional effort which aims to strengthen the resilience of our economies to balance of payments shocks or short-term liquidity constraints. With the CMIM, we will have three effective layers of the financial safety net—national, regional and multilateral—which will put us collectively in a stronger position to guard against spillovers and contagion risks and foster greater stability in the region.

### **Key Role of AMRO**

9. Let me say a few words on the key role of AMRO in this regard. As an independent regional surveillance unit that supports CMIM decision-making, AMRO plays a crucial role in monitoring the vulnerabilities and risks to our region by conducting comprehensive analyses of the macroeconomic risk areas and policy developments of ASEAN+3 members. As AMRO grows and develops its surveillance capabilities, it will establish an effective early warning mechanism for the region, and play a key role in providing robust policy recommendations to avert potential crises.

### **Building AMRO's Capacity and Capabilities**

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10. AMRO's establishment as an international organisation strengthens its legitimacy as an independent macroeconomic surveillance unit within the international financial community. I would like to highlight three essential areas of focus, as AMRO continues its journey to becoming a world-class surveillance organisation.

11. First, it is critical for AMRO to have a team of capable, highly qualified professional staff, recruited based on merit. I understand

that the recruitment process for senior management positions has commenced, and candidates with strong credentials and extensive experience have been shortlisted. It is important that we appoint the best professionals who will lead AMRO and strengthen its surveillance capacity in the years to come.

12. Second, it is important for AMRO to deepen its expertise in the core areas of economic monitoring and financial surveillance, for example through greater research collaboration with other international financial institutions like the IMF. We look forward to the increased publication of high-quality independent reports, data analyses and economic reviews by AMRO that will guide the policy actions of ASEAN+3 economies.

13. Last, AMRO should enhance cooperation with other international organisations, to complement existing efforts in identifying and assessing global and regional risks and vulnerabilities. Such close cooperation will enable AMRO to better assess potential spillovers to the region arising from external risks originating from other parts of the world. AMRO will also be able to make its own contribution to the international financial community.

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### **Singapore as Host Country of AMRO**

14. As an ASEAN+3 member and an international financial centre, Singapore needs to play our part to maintain regional financial and economic stability, which forms the foundation for the continued growth in Asia. We are deeply honoured to host AMRO, the first ASEAN+3 international organisation, here. Since AMRO's inception, the Singapore Ministry of Finance and the Monetary Authority of

Singapore have worked closely with ASEAN+3 members and AMRO, to support AMRO's transition to an international organisation. We remain fully committed to supporting AMRO, and deepening our engagement and collaboration within the ASEAN+3 community to promote regional stability.

### **Conclusion**

15. I look forward to AMRO's continued contribution to economic growth and financial stability of our region, and I wish AMRO every success.
  
16. Thank you.

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