



HITOTSUBASHI  
UNIVERSITY



REGIONAL OFFICE FOR  
ASIA AND THE PACIFIC

## *Managing Capital Flows: What Worked and Why?*

---

**Organized by  
Hitotsubashi University and  
the IMF Regional Office for Asia and the Pacific**

**March 14-15, 2013  
Tokyo, Japan**

Emerging markets, particularly in Asia, have been exposed to large inflows of capital over the past several years, intermittent with sudden slowdown in times of international financial instability. These large swings have posed difficult policy challenges for emerging markets in Asia. With the major advanced countries likely to continue aggressive monetary easing, and with the uncertainties in the euro-zone persisting, managing capital flows and coping with their effects on the economy will continue to be pressing policy issues.

The IMF has recently published an 'institutional view' that provides a framework guiding its policy advice and surveillance. The view provides a clear and consistent framework, whereby intervention, monetary and fiscal policies, and prudential/capital control measures are recommended depending on exchange rate over/undervaluation, the level of international reserves, and the cyclical position of the economy and other country specific circumstances. While macro-prudential measures are acknowledged to be useful in containing financial sector vulnerabilities, capital controls, while possible useful/necessary in certain circumstances, are discouraged to use as substitute for warranted macroeconomic adjustment, due to their distortionary effects and potential negative spillovers.

While intellectually clear-cut, the framework raises challenges in implementation. Whether the exchange rate is undervalued or not, whether there is excess accumulation of reserves, and whether the economy is overheated or not, are questions whose answers are subject to uncertainties. Moreover, while capital control measures are potentially distortionary, other measures also not free from problems: volatility in exchange rates, fiscal policies (in that it influences resource allocation), monetary policies (in influencing inflation and inflationary expectations), and macroprudential policies are all potentially distortionary and/or impose costs on the economy.

At the same time, individual policies, including foreign exchange market intervention, sterilization policy, monetary and fiscal policy, prudential and capital control policies may not always be effective in achieving their desired goals. Different institutional settings and external environment could also make the same measures more or less effective as well as more or less costly, depending on the country circumstance. Moreover, depending on whether the apparently excessive capital inflows are 'push' driven or result from domestic economy 'pull' factors, different responses could be required. Thus, the relevant policy question is what policies work best with minimal costs for a country at that specific point in time facing some specific circumstances.

Our understanding and the ability to make better judgment could be enhanced by learning from other countries' experiences. Thus, the seminar will focus on individual policies taken by Asian governments over the last several years to manage capital flows, in order to understand the motivations and considerations driving the choice of policies, and to determine whether they were effective in achieving intended policy goals, what were the factors that contributed to their effectiveness, and whether there were any side effects. The review of these experiences should help countries when considering policy options.

The one-and-half day seminar will begin with a short review of developments in capital flows and their impact, and a review of the IMF framework regarding the management of capital flows. It will then have an extensive discussion of the individual measures that were taken in various countries, focusing on the why and how the measures were designed, whether it had the intended effect, and what were the critical factors that affected its effectiveness or non-effectiveness. The country experience will highlight countries where some sort of macroprudential/capital control related measures were adopted, but the discussion should cover why alternative policies were not adopted (or were not effective/feasible, leading to the adoption of the measures), in order to understand the overall setting in which policy decisions were made. The seminar will end with a panel discussion to review the lessons from the country experiences and the applicability of the IMF capital flow management framework in the light of possible risks that the countries in the region now face.

# AGENDA

**Thursday, March 14, 2013**

9:00 am	<b><u>Registration</u></b>
9:30 am	<b><u>Welcome Remarks</u></b> Shogo Ishii, Director, Regional Office for Asia and the Pacific, International Monetary Fund
9:40 am	<b><u>Keynote Address</u></b> Tatsuo Yamasaki, Director-General, International Bureau, Ministry of Finance
10:15 am	<b><u>Session 1-1: Recent Developments in Capital Flows and Associated Challenges</u></b> Moderator: Shinji Asanuma, Visiting Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University Presentation: Giovanni Ganelli, Senior Economist, Regional Office for Asia and the Pacific, International Monetary Fund Presentation: Veerathai Santiprabhob, Former Chief Strategy Officer, Thai Stock Exchange <i>This session will review the recent developments in global capital flows and its implications for Asia.</i>
11:15 am	<b><u>Session 1-2: Managing Capital Flows:</u></b> Moderator: Shinji Asanuma, Hitotsubashi University Presentation: Marshall Mills, Deputy Division Chief, Trade, Institutions, and Policy Review Division, Strategy, Policy, and Review Department, International Monetary Fund Comments: Akira Ariyoshi, Director and Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University <i>The IMF will present the thinking behind the recently published 'institutional view', focusing on management of capital flows, followed by comments and general discussions.</i>
12:15 pm	<b><u>Photo Session</u></b>
12:30 pm	<b><u>Lunch</u></b>
1:45 pm	<b><u>Session 2: Country Experiences with Managing Capital Flows</u></b> <i>Participants from selected countries will be asked to give a brief initial explanation of the policies taken, touching on the reasons for adopting the measures, how the measures were implemented, and what were the effects, including any recognized side effects. A fifteen-minute presentation will be followed by Q&amp;A and open discussion.</i>
(1:45 pm)	Moderator: Akira Ariyoshi, Hitotsubashi University <b><i>2-1: Indonesia (2010~) [Minimum holding period for central bank paper]</i></b> Aida S. Budiman, Director, International Department, ASEAN Cooperation and Studies Group, Bank Indonesia

(2:30 pm)	<b>2-2 : Thailand (2006~2008) [Unremunerated reserve requirements for capital inflow]</b> Alisara Mahasandana, Senior Director, Financial Markets Department, Bank of Thailand
(3:15 pm)	<i>Coffee Break</i>
(3:35 pm)	Moderator: Shinji Asanuma, Hitotsubashi University <b>2-3: Korea (2009~) [Prudential measures to limit banks' foreign exchange liquidity risks]</b> Jun Il Kim, Deputy Governor and Chief Economist, Director of the Economic Research Institute, Bank of Korea
(4:20 pm)	<b>2-4: Malaysia [Non-internationalization policy for the ringgit]</b> Sukhdave Singh, Assistant Governor, Economic Sector, Bank Negara Malaysia
(5:05 pm)	Round up Discussions
5:30 pm	<b><u>End of First Day Seminars</u></b>
6:30 pm	<b><u>Cocktail Reception</u></b> ( <i>invitation only</i> )
7:00 pm	<b><u>Dinner</u></b> ( <i>invitation only</i> )
<b>Friday, March 15, 2013</b>	
10: 00 am	<b><u>Panel Discussion</u></b> Moderator: Shinji Asanuma, Hitotsubashi University Panelists: Akira Ariyoshi, Hitotsubashi University Jun Il Kim, Bank of Korea Marshall Mills, International Monetary Fund Veerathai Santiprabhob, ex-Thai Stock Exchange Sukhdave Singh, Bank Negara Malaysia  <i>The panel will begin with a review of the discussions of the previous day's session, in particular the country experiences, and will discuss the following issues, as well as any other important issues that are raised as a result of the discussions.</i>  <i>(1) Is the IMF policy framework applicable, and in what way?</i> <i>(2) What are the implications of the evolution of the structure of global capital markets on the policy choices confronting emerging market authorities? What are the main risks confronting Asian economies? What policies have recently been or should be implemented by Asian countries in response to the challenges posed by capital flows?</i> <i>(3) To what extent are experiences transferrable across countries?</i> <i>(4) Is there a role for a coordinated effort in Asian countries?</i>
12: 00 pm	<b><u>Concluding Remarks</u></b> Akira Ariyoshi, Hitotsubashi University
12:15 pm	<b><u>Lunch</u></b>
2:00 pm	<b><u>End of Seminar</u></b>