

Enhancing Cross-region Collaboration in Economic Surveillance and Crisis Management to Better Safeguard Global Financial Stability

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SINGAPORE, September 7, 2017 - Stronger cooperation among the different layers of the Global Financial Safety Net (GFSN) is crucial to prevent and contain future crises and safeguard global financial stability, participants at an international research seminar held today in Singapore highlighted.

Jointly organized by ASEAN+3 Macroeconomic Research Office (AMRO), the European Stability Mechanism (ESM), and the Fondo Latinoamericano de Reservas (FLAR) - the 1st Joint Regional Financing Arrangements (RFAs) Research Seminar is an annual event aiming at bringing academics and institutions together to discuss key issues pertaining to global and regional financial stability. Topics included economic surveillance, crisis prevention and management. Among the discussants and speakers were renowned academics and experts, representatives from international, regional and national organizations, and the private sector.

“Expanding the role of RFAs in the Global Financial Safety Net (GFSN) can contribute to safeguarding regional and global financial stability,” said Dr Junhong Chang, AMRO Director. *“As most of the RFAs are in the early stages of development, exchanging views on best practices, enhancing our capacity and building stronger collaboration between the IMF and RFAs, as well as among RFAs ourselves are fundamental.”*

Klaus Regling, Managing director of the ESM said: *“Financial crises happen in our*

modern economies, and the tools that we have available to fight and to prevent them need to be in optimal shape. Today's conference in Singapore is an important commitment to that end. Collaboration between RFA is important for crisis prevention and each institution must find its own working relationship with the IMF."

Participants agreed that in crisis management, prevention was better than cure. Therefore, sound economic surveillance was key to identify main risks that could potentially lead to a crisis. To strengthen the capacity of RFAs and collaboration among them and with the IMF in this field, panellists and participants exchanged views on the methodology, best practices, and challenges pertaining to economic surveillance, both at the country and regional levels.

In particular, the panellists looked at the best practice of early warning toolkits, which include indicators to monitor individual economies, and discussed how to further enhance these toolkits. RFAs were also encouraged to better collaborate to develop their own surveillance frameworks to prevent possible crises in the future. The IMF's risk assessment frameworks can provide a useful reference.

Experience shows that different regions, including East Asia, Latin America and Europe, have gone through crises of different types. These include currency crisis, bank runs, and sovereign debt crises, all of which required a variety of instruments to deal with. In fact, different RFAs were set up to deal with different crisis types. The seminar discussed how to deal with large economic shocks of different types and contain regional spillovers based on past crises in Asia, Latin America and Europe.

In times of crises, a swift reaction is quite important for crisis resolution. At the same time, as external liquidity insurance providers, RFAs should encourage the implementation of proper and timely measures to correct macroeconomic imbalances, contain moral hazard risks, and prevent facility shopping in case of multiple financing available. This represents an important challenge for the global financial safety net. The seminar discussed on how to address this challenge, through conditionality and other instruments.

On behalf of Dr. José Darío Uribe, FLAR's Executive President, Carlos Giraldo, FLAR's Economic Studies Director, stated: *"From the standpoint of the emerging and developing economies, strengthening the Global Financial Safety Net is a crucial element for macroeconomic stability and wellbeing, as these economies are exposed*

to major changes in financial and commercial conditions. Today's conference was very productive and allowed us to clarify the main elements to be researched and discussed in future events, in order to bolster the Global Financial Safety Net."

The 2nd High-Level RFA Dialogue will take place in October in Washington, D.C., which will focus on the cooperation among RFAs and between RFAs and the IMF.

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