



**THE 9th ANNUAL CONFERENCE ORGANIZED BY
THE CENTRAL RESERVE BANK OF PERU AND
THE REINVENTING BRETTON WOODS COMMITTEE**

AGENDA

NEW CHALLENGES FOR GLOBAL ECONOMIC INTEGRATION

Cusco, Peru, July 24-25, 2017

Venue: *Hotel Libertador*

Sunday, July 23, 2017

14:00 – 18:00 **Cusco sightseeing tour**
Organized by the Central Reserve Bank of Peru

20:00 – 21:30 **Cocktail reception**
Offered by the Governor of the Central Reserve Bank of Peru

Monday, July 24, 2017

8:30 – 09:00 **Welcome coffee and registration**

8:45 – 09:00 **Opening remarks**
Julio Velarde, Governor, Central Reserve Bank of Peru
Marc Uzan, Reinventing Bretton Woods Committee

9:00 – 10:45 **SESSION I – GLOBALISATION: SLOWDOWN OR REVERSAL? HISTORICAL PERSPECTIVE AND CURRENT EVIDENCE**

- **Chair: José Darío Uribe**, Executive President, FLAR

Speakers:

- **Alan Taylor**, Professor of Economics, University of California, Davis
- **Tao Zhang**, Deputy Managing Director, IMF
- **Eric Monnet**, Senior Researcher, Banque de France
- **Nouriel Roubini**, Professor of Economics, NYU School of Business

Three fundamental factors have influenced the pattern and pace of economic integration through all its important dimensions: (1) migration; (2) trade in goods and services; and (3) capital movements and integration of financial markets.

- *History has shown that the interactions between the three components of globalization (trade, capital, and people) can produce positive but also negative feedback loops, with amplified effects on growth and welfare. How can such a negative spiral be avoided today?*

Contemporary globalization is underpinned by technology and the development of global value chains with cross-border production processes. These are extremely sensitive to trade and regulatory barriers. Will they become disorganized and destabilized once frictions emerge in trade and investment flows?

- *How can policy manage or alleviate the tension between the technical and economic requirements of contemporary trade (which push for further integration) and domestic political dynamics (which resist it)?*
- *This session will discuss these issues and their consequences for the global economic order and architecture, in particular: the prospects for integration or segmentation of the global capital market; the future of existing or envisaged trade agreements; and lessons learned from past de-globalization episodes.*

10:45 – 11:00 **Coffee break**

11:00 – 12:45 **Session II – LONG-TERM INTEREST RATES, PRODUCTIVITY, AND GLOBAL GROWTH**

Chair: **Pilar L’Hotellerie**, Associate Director General International Affairs, Bank of Spain

Speakers:

- **Il Houg Lee**, Member of the Board, The Bank of Korea
- **Luiz Pereira Da Silva**, Deputy General Manager, BIS
- **Felipe Larraín**, Professor of Economics, Catholic University of Chile
- **Domingo Cavallo**, Partner, Global Source Partners

After several years of decline, long-term interest rates have recently increased in a number of major economies (U.S., UK). Several factors may have contributed to this development: higher inflation expectations (and, consequently, greater likelihood of tighter monetary policy); stronger growth forecasts (partly fueled by looser fiscal policies), and higher term premiums. At this stage, it is difficult to tell whether these developments are permanent or temporary. Do higher long-term rates result from a temporary spike or a "one-off" adjustment; or do they mark the beginning of a new trend?

Assessing the future path of long-term rates is important: equilibrium LT rates drive monetary policy LT rates and have consequences on the balance sheets of financial intermediaries and overall financial stability. If LT rates stay as correlated in the future as in the recent past, the global impact on capital flows, exchange rates, and financial conditions in emerging market economies (EMEs) will likely be significant.

Ultimately, however, the equilibrium interest rate will be driven by the interaction of demographic forces and productivity. Disentangling those "real" determinants from the short-run financial cycle is essential but difficult. The purposes of this session are, therefore, (1) taking stock of existing debates (on the future evolution of productivity and growth); (2) drawing potential implications for future long-term rates, domestic financial systems, and global capital flows.

13:00 – 14:30 **Lunch**

14:30 – 16:15 **Session III – MONETARY AND FISCAL POLICY INTERACTIONS IN THE CURRENT ENVIRONMENT**

Chair: Jorge Sicilia, Chief Economist, BBVA

Speakers:

- **Lawrence Schembri**, Deputy Governor, Bank of Canada
- **Carlos Costa**, Governor, Bank of Portugal
- **Guillermo Ordóñez**, Professor of Economics, University of Pennsylvania
- **Joaquín Vial**, Member of the Board, Central Bank of Chile
- **Andrew Powell**, Economist Principal Advisor, IADB

Two legacies of the crisis are worth considering from a monetary policy perspective: (1) an elevated level of public debt; and (2) an unprecedented expansion of central banks' balance sheets. Together they have the potential to blur the divide between fiscal and monetary policies, change their interaction, modify their transmission channels, and affect their relative efficiency. Once advanced countries escape from the zero lower bound environment, several questions will need to be considered:

- *Will monetary policy still be effective in the next downturn?*
- *Is there a risk of fiscal dominance of monetary policy?*
- *Safe assets and fiscal authorities.*
- *Should central banks have large balance sheets for an extended period?*
- *Does monetary policy need "fiscal backing" to achieve the goal of price stability?*

16:15 – 16:30 **Coffee break**

16:30 – 17:15 **Session IV –EMERGING MARKET ECONOMIES IN A NEW GLOBAL CYCLE : CENTRAL BANK PERSPECTIVES**

- **Chair:** Carlos Fernández-Valdovinos, Governor, Central Bank of Paraguay

Speakers:

- **Daniel Mminele**, Deputy Governor, South African Reserve Bank
- **José Antonio Ocampo**, Member of the Board, Bank of the Republic - Colombia
- **Javier Guzmán**, Deputy Governor, Bank of Mexico
- **Denny Kalyalya**, Governor, Bank of Zambia

17:15 – 18:15

Session V – EMERGING MARKET ECONOMIES: END OF THE GOLDEN ERA?

Chair : Marc Uzan, Executive Director, Reinventing Bretton Woods Committee

Speakers:

- **Alejandro Werner**, Director Western Hemisphere Dpt., IMF
- **Diego W. Pereira**, Chief Economist for Latin America, J.P. Morgan
- **Carlos Végh**, Chief Economist, Latin America and the Caribbean

The “great transition” from unorthodox to orthodox monetary policy, from fiscal austerity to stimulus, and from traditional politics to populism. Will these major shifts benefit EMEs?

Zero interest rates in advanced countries have had a significant effect on capital flows and on EMEs. The authorities have put in place policies to reduce capital inflows via capital controls and limit the effect on exchange rates by engaging in heavy interventions in foreign exchange markets. The increasing risk of shock propagation and policy spillovers resulting from greater interconnectedness requires effective domestic policies and coordinated global policy action. Will the G-20 and other fora be effective in achieving this process in a context of globalization reversal? There is talk about a “great transition” from unorthodox to orthodox monetary policy, from fiscal austerity to stimulus, and from traditional politics to populism. Can countries rely on the IMF if the membership shifts towards a more inward-looking approach? Should countries enhance regional financing arrangements?

20:00 – 22:30 Dinner

Hosted by the Central Reserve Bank of Peru

Tuesday, July 25, 2017

08:30 – 09:00 Welcome Coffee

09:00 – 10:40 Session VI – THE FUTURE OF MONEY AND FINANCE

Chair: Marc-Olivier Strauss-Kahn, Director General, Banque de France

Speakers:

- **José Manuel González-Páramo**, Executive Board Member, BBVA
- **Kairat Kelimbetov**, Governor, Astana International Financial Centre
- **Yide Qiao**, Secretary General, Shanghai Development Research Foundation
- **Shahin Vallée**, Director, SFM UK Management LLP
- **Demian Reidel**, Vice-President, Central Bank of Argentina

Modern financial markets would not exist without the advances achieved, in the last two decades, in communications, data processing and modeling. Technology already shapes many financial activities: trading, settlement, pricing (derivatives), and arbitrage. Consequences on the efficiency and stability of financial markets have been extensively studied and debated (especially after the "flash crashes" that have occurred even in the most liquid markets: Treasuries and foreign exchange).

Those advances pale, however, in comparison with the changes expected in the near future as a result of increased computing power, big data, and artificial intelligence. Possible evolutions include: the development of virtual currencies (the bitcoin); the blockchain; peer-to-peer lending and crowd-funding; mobile payment systems and robotization of advisory services. In turn, these developments have the potential to reshape the financial system, with the entrance of new (non-financial) actors, increased

competition and broader access to financial services. Is there a real possibility of central bank-issued digital currencies in the foreseeable future?

Regulators are well aware of the challenges posed by fintech. They will try and find the proper balance between enhancing the efficiency of the financial system and protecting its stability and integrity. Central Bankers are confronted with the possible emergence of new forms of money that may challenge their ability to fulfill their price stability mandate and financial stability functions.

10:40 – 11:00 Coffee break

11:00 – 12:45 Session VII– THE PEAK OF GLOBAL FINANCE?

Chair: Julio Velarde, Governor, Central Reserve Bank of Peru

Speakers:

- **Chatib Basri**, Senior Fellow Harvard Kennedy School, Former Finance Minister, Indonesia
- **Jean-François Perrault**, Global Chief Economist, Scotiabank
- **Guillermo Ortiz**, Chairman Latin America, BTG Pactual
- **Martín Redrado**, Director General, Fundación Capital
- **Jonathan Ostry**, Deputy Director, Research Department, IMF

Making growth "inclusive" has been a priority of policy-makers in EMEs for several decades. It has now become relevant to advanced countries as well. Increased inequality and economic insecurity threaten social cohesion and weaken the pre-crisis consensus in favor of pro-growth and pro-globalization domestic policies. Promoting "inclusive growth" is high in the G-20 agenda.

Are the causes and symptoms of economic malaise converging or diverging between advanced countries and EMEs?

What new ways are there to manage the impact of globalization, particularly for improving living standards? What are the guidelines for designing better policies in this field? Do we need new approaches to cushion disruptive blows? How to integrate politics and economics? What are the implications for global governance (regional vs. global integration)? What are the consequences for the international monetary system? How will the global financial architecture be affected?

13:00 – 15:00 Lunch and conclusion