

30 June 2010

PRESS RELEASE

EUROSYSTEM AND GCC CENTRAL BANKS AND MONETARY AGENCIES HOLD SECOND HIGH-LEVEL SEMINAR

The Eurosystem – comprising the European Central Bank (ECB) and the 16 national central banks of the euro area – and the central banks and monetary agencies of member states of the Gulf Cooperation Council (GCC)¹ held their second high-level seminar on 29-30 June 2010 in Rome. The seminar, hosted by the Banca d'Italia, was attended by governors and high-level representatives of the Eurosystem and the GCC countries' central banks and monetary agencies, as well as representatives of the European Commission and the GCC Secretariat General.

The seminar further strengthened the dialogue and enhanced relations between the Eurosystem and the central banks and monetary agencies of the GCC. The main issues addressed at the seminar pertained to recent economic and financial developments in the GCC countries and the euro area and to the lessons from the global financial crisis for financial stability and monetary policy.

Welcoming the seminar participants, ECB President Jean-Claude Trichet emphasised the relatively benign economic performance of the GCC countries during the global financial crisis and recession, especially when compared with advanced economies and many other emerging markets.

In the opening remarks, Banca d'Italia Governor Mario Draghi stressed that the GCC region has emerged as a major player in international financial markets and is involved in the international community's efforts to reform the global framework for financial stability and banking supervision.

The seminar discussions focused on the following main topics:

¹ The GCC member states are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Recent economic and financial developments in the GCC countries and the euro area

The seminar participants reviewed economic developments in the GCC countries in the wake of the global financial crisis, which caused a sharp drop in oil prices and a slowdown in growth in the region. They noted that forceful counter-cyclical fiscal policies helped to cushion the impact of the crisis on GCC economies by supporting non-oil economic activity. The seminar participants exchanged views on the sources of inflationary pressures in GCC countries in the years before the global crisis and on the outlook for price developments. They also discussed economic developments in the euro area.

Lessons from the financial crisis for financial stability and banking supervision

The seminar participants agreed that the key lesson from the crisis is the need to make financial systems more resilient. They also agreed that the core of the financial sector reform rests on improving the strength of capital and liquidity and discouraging excessive leverage. They exchanged views on international initiatives to strengthen financial and banking regulation and supervision and to improve international cooperation in that area. They also discussed the main policies being pursued to enhance financial stability and banking supervision in the EU and the GCC countries. It was noted that an upgrading of tools for macro-prudential analysis is essential to complement the monitoring of financial risks at the micro level.

Current challenges in the area of monetary and exchange rate policy in the GCC

The participants also discussed current challenges for monetary and exchange rate policies in the GCC. It was noted that the global financial crisis has reinforced the focus of GCC central banks to financial stability and macroprudential policies. The participants also exchanged views on GCC countries' experiences with fixed peg exchange rate regimes and reviewed the progress in the monetary integration process among the GCC countries.

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