



XXVI MEETING OF THE LATIN AMERICAN NETWORK OF CENTRAL BANKS AND FINANCE MINISTRIES

October 16 - 17, 2007
Cecilio Morales Room – 12 Floor
1300 New York Avenue, N.W., Washington, DC

TUESDAY, OCTOBER 16

11:00 am – 12:30 pm Opening by Santiago Levy, Chief Economist, Inter-American Development Bank (IDB)

SETTING THE STAGE

International capital markets have been highly volatile due to events in the US mortgage market and the effects on credit markets more generally. Analysts differ as to whether this will plunge the US into recession and whether the effects on emerging economy asset prices will be severe and long lasting or merely a correction in the price of risk from the historically low spreads witnessed at the end of last year. The answers to these questions have significant implications for Latin America that will be the focus of this session and much of the meeting to follow.

Moderator: Santiago Levy, Chief Economist, IDB

Presentations:

“International Capital Markets: Repricing of Risk or Serious Credit Crunch?”
Michael Dooley, Professor, University of California, Santa Cruz & Cabezon Capital

“Global Financial Turmoil: Is Latin America Sheltered?”
Ernesto Talvi, Executive Director, CERES, Uruguay

12:30 – 2:00 pm **LUNCH** - Executive Dining Rooms, 7th Floor (By Invitation Only)

Moderator: Santiago Levy, Chief Economist, IDB

LUNCHEON ADDRESS: CURRENT ISSUES IN U.S. CREDIT MARKETS

Keynote Speaker:

Randy Kroszner, Governor, Federal Reserve Board

“Parallels to Credit Markets in LAC”

Augusto de la Torre, Chief Economist for Latin America, The World Bank

2:15 – 3:30 pm **MONETARY POLICY IN THE U.S.: WAS IT TOO LOOSE? HAVE HOUSING PRICES BEEN IN A BUBBLE? HOW FAR IS THE DROP-OFF FROM THE FED’S CURRENT TIGHTROPE WALK?**

There has been much debate as to whether US monetary policy was too loose, whether this prompted a bubble in US real estate prices and a consumer boom on the back of easy credit and whether the Federal Reserve should have acted earlier to constrain the rise in asset prices? In this special presentation Professor Cecchetti will review these issues, the current policy dilemma for the Fed and the risks going forward.

Moderator: John Hauge, General Manager & CFO, Finance Department, IDB

Presentation:

Stephen G. Cecchetti, Professor, Brandeis University

3:30 – 3:45 pm **COFFEE BREAK**

3:45 – 5:15 pm

PANEL
ASSET PRICE INCREASES IN LAC: WHAT CAN OR SHOULD MONETARY POLICY DO?

As in the US, asset prices have also risen significantly in Latin America. In particular stock markets have boomed and real estate prices have risen substantially. The question then emerges whether and if so how central banks should respond? In this session country experiences will be reviewed and the nature of the policy responses discussed.

Moderator: Carlos Hurtado, Vice President, IDB*

Panelists:

Adrián Armas, Chief Economist, Central Bank of Peru
Luis Gustavo Mansur Siqueira, Senior Advisor and Deputy Director, Central Bank of Brazil
Daniel Chiquiar, Research Manager, Central Bank of Mexico
Hernando Vargas, Chief Economist, Central Bank of Colombia

WEDNESDAY, OCTOBER 17

9:30 – 11:15 am

SPECIAL SESSION: RESPONDING TO SUDDEN STOPS

The Research Department of the IDB has been conducting a special project on the policy responses to Sudden Stops in Latin America. In this session the general project will be outlined, specific case studies will be discussed and the general lessons will be drawn.

Moderator: Eduardo Fernández-Arias, Regional Economic Advisor, IDB

Presentation:

Ernesto Talvi, Executive Director, CERES, Uruguay
Alejandro Izquierdo, Senior Research Economist, IDB
Rodrigo Valdés, Head of Research, Central Bank, Chile

Discussants: Hernan Lacunza, Head of Research, Central Bank, Argentina
José Antonio Licandro, President of the Commission of Bank Saving Protection, Central Bank, Uruguay

11:15 – 11:30 am

COFFEE BREAK

11:30 am – 1:00 pm

PANEL
EMERGING MARKETS AND LAC: HOW VULNERABLE TO LIQUIDITY SQUEEZES?

Financial markets in the US have seen sharp increases in indicators of risk aversion, an increased price for illiquid assets and several markets have suffered acute liquidity squeezes. In particular illiquid credit derivatives and other instruments where valuations are problematic have seen a dramatic curtailment in trading activity. Emerging economy assets have typically suffered very significantly from these types of episodes and yet to date these markets appear to be weathering the storm reasonably well. How have emerging asset markets escaped so lightly? Are these markets still vulnerable to a potential liquidity squeeze? In this panel three leading private sector analysts from the buy-side, the sell-side and from an independent think-tank will consider these questions and the implications for Latin America.

Moderator: Andrew Powell, Lead Research Economist, IDB

Panelists:

Michael Gavin, Emerging Market Economist, Citadel Investment Group
Guillermo Mondino, Head of Latin America Research, Lehman Brothers
Claudio Loser, Senior Fellow, Inter-American Dialogue

1:00 – 2:15 pm

WORKING LUNCH - Executive Dining Rooms, 7th Floor

Discussion of research topics for future meetings

2:30 – 3.45 pm

**PANEL
REAL EFFECTS OF THE U.S. SLOW DOWN ON LATIN AMERICA**

The slow-down in the US economy will surely have an impact on Latin America through trade and possibly through other links such as the flow of remittances. These effects are likely to be more pronounced on Central America and Mexico although export sectors are likely to be affected across the region. Moreover an open debate is whether the rest of the world has truly decoupled from the US? If not slower growth in the world will be a negative force on commodity prices with potential effects on all of the region. In this session presenters will consider country cases and the more general questions regarding the effects of the US slow-down.

Moderator: Hugo Beteta, Secretary of the Bank, IDB

Panelists:

Luis Aquino, Chief Economist, Central Bank of El Salvador
Jeromin Zettelmeyer, Assistant to the Director, Western Hemisphere Department, IMF

3.45 – 4.00 pm

COFFEE BREAK

4:00 – 5:15 pm

**PANEL
DEBT MANAGEMENT IN TIMES OF TURBULENCE:
HOW SHOULD POLICYMAKERS PREPARE?**

The recent market turbulence has affected emerging markets to differing degrees. Casual observation suggests that some smaller and less liquid markets have been affected more than larger, more liquid ones and relative spread increases do not appear to be consistently in relation to indicators of credit quality. How can we best interpret what happened and how should policy makers respond to the current turbulence? Should regular auction dates be respected or should policy makers be prepared to use flexibility in debt management programs to seek the most convenient market timing. Should policy makers be preparing for further turbulence, if so, how?

Moderator: Jonathan Davis, Executive Director, IDB

Panelists:

Juan Carlos Barboza, Undersecretary of Finance, Ministry of Economy, Argentina
Betty Sotelo, Director Public Debt Management, Ministry of Economy, Peru*
Carlos Steneri, Director Debt Management, Ministry of Economy and Finance, Uruguay

5:15 – 5:30 pm

Closing Remarks: Guillermo Calvo, Professor, Columbia University

(*) To Be Confirmed