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**Bank of Canada Governor Mark Carney discusses Challenges Posed by Globalization,
Proposes Global Code of Conduct for Capital Flows**

CALGARY, Alberta – Speaking at the Annual Meeting of the Inter-American Development Bank, Bank of Canada Governor Mark Carney called on global policymakers to work towards renewing the “rules of the game” of the international monetary system, while implementing short-term measures, such as a code of conduct for capital flows, to improve the functioning of the current system.

“Our long-term objective should be a well-functioning international monetary system that delivers sufficient nominal stability in exchange rates and domestic prices, with timely adjustment to shocks and structural change,” the Governor told the audience in Calgary. He noted that while these objectives will not be realised overnight, “informal commitments to improve the functioning of the current system could be implemented to guide current policy while maintaining momentum towards the longer-term vision.” Such commitments could include a code of conduct for capital flows comprised of four elements:

- A clear objective to promote a sustainable and effective flow of private capital;
- A decision framework that recognizes that capital controls should not be the first option;
- Principles to guide the design of temporary, targeted and transparent measures; and,
- Recognition of the responsibilities of capital-exporting countries to monitor risks.

The Governor also addressed the policy challenge of maintaining price stability in the face of a commodity boom driven by sustained demand from the emerging world. “The fundamental issue is that the relationship between U.S. economic activity and commodity prices has changed, and that this is complicating the policy response for exporters and importers alike,” noted the Governor. “Some countries are postponing monetary tightening in the hope that old relationships reassert,” he stated. “It is paramount that monetary policy everywhere acts to ensure that inflation expectations remain in line with medium-term policy objectives.”

The Governor concluded by encouraging IDB countries to help lead a co-operative approach to solving the challenges posed by globalization, citing the example they have set in transforming Latin America during the past decade. “The current dynamics of commodity prices and capital flows create major risks to financial stability and sustainable growth across our region,” he said, adding that avoiding them requires leadership, purpose and legitimacy. Although the G-20 is well suited to building global economic co-operation, “the perspectives of member countries of the Inter-American Development Bank (IDB) are essential.”