Special Remarks

*C.N.O. Mordi **

Deputy Governor, Economic Policy
Director, Human Resources Department
Branch Controllers
Distinguished Resource Persons and Participants
Ladies and Gentlemen

It is my honour and privilege to make this special remark at the opening ceremony of the 14th edition of the annual in-house Executive Seminar organized by the Research and Statistics Department, in collaboration with the Human Resources Department. This annual event was conceived as a forum to enhance the intellectual and professional competence of the staff in the executive cadre of the Research & Statistics Department and their colleagues from within and outside the Policy Directorate of the Bank. Indeed, the expectation was that, by so doing, they would be better placed to impact more positively on policy making process and content.

The theme of this year's seminar, '***Capital Account Liberalization: Issues, Problems and Prospects***' is particularly apt because the greatest challenge facing our country today is how to grow the economy and reduce poverty. Meeting this challenge is particularly difficult if we have to rely solely on domestic resources, given the low rate of savings and, hence, the attendant savings-investment gap. Against this background, it becomes crucial to try and attract foreign resources into the economy to fill the gap. The imperative for attracting and retaining external resources, either by external borrowing or investment inflows, is to formulate a consistent and an appropriate mix of financial, monetary, trade, fiscal and exchange rate policies, etc,. Given the country's recent experience with external debt burden, external borrowing has

** Mr. Mordi is the Ag. Director of Research and Statistics, Central Bank of Nigeria, Abuja*

become a 'hard-to-sell' option. It is within this context that the significance of the theme of this year's seminar can be situated. In other words, we recognize that if we are to meet the objectives of the Millennium Development Goals (MDGs), we must be part of the global competition for investment climate-sensitive capital inflows. Indeed, the prospects of attaining the MDGs can be boosted through the liberalization of our capital and financial transactions.

However, while capital account liberalization could make our economy more competitive in the global arena, it could also increase the country's susceptibility to external shocks in the event of any crisis. The cases of the financial crisis in Mexico and Asia in the mid-1990s are all too familiar. In our own peculiar context, the mono-cultural and import dependent nature of the economy calls for some measure of caution in pursuing a policy of full capital and financial account liberalization.

From the foregoing, and typical of all economic decisions, we are faced with a choice. But in view of the current trends around the globe, it is clear that we cannot continue to maintain restrictions on our capital transactions, more so, as we are now among the league of emerging economies. Therefore, our task in this seminar will include among others, how to appropriately sequence capital account liberalization so as not to unduly expose our economy to external shocks, and put in place strategies to deal with problems that may arise. Fundamental to this process are issues of macroeconomic stability, adequate prudential supervision and regulation of domestic financial markets and institutions, adequate disclosure practices, corporate governance, as well as avoidance of measures that encourage excessive and unsustainable capital inflows.

There are a number of posers that I charge this seminar to try and provide answers to. These include: is capital account liberalization a choice for a developing country like Nigeria? What is the roadmap to capital account liberalization? In particular, what are the necessary reforms, policies and preconditions for capital account liberalization? How do we sequence current and capital account liberalization? What are the conditions necessary for an orderly liberalization of the capital account? What fiscal, monetary, stabilization, and exchange rate policies do we need to adopt? How do we handle issues relating to prudential and supervisory concerns? What is the nature of the relationship between capital account liberalization and economic crises? Do free capital flows lead to further long-term economic growth, which may compensate for the crises and the economic instability associated with capital account liberalization? Should a developing country like Nigeria opt for full capital account liberalization and does the composition of capital flows matter when considering capital account liberalization? And related to this, is whether some forms of capital controls are desirable. Answers to these posers are very important because capital account liberalization was once seen as an inevitable step along the path to economic development for poor countries, although theoretical analysis and empirical evidence have not corroborated this.

To this end, we have carefully selected seasoned professionals in the relevant fields to lead our discussions. I would urge participants to take full advantage of their expertise and participate very actively in this seminar. It is my hope that the outcome of our deliberations would serve as an input to producing a roadmap for capital account liberalization in Nigeria.

In conclusion, we wish to acknowledge the tremendous support of our Deputy Governor for not only honouring our invitation to grace this occasion, but also electing to lead our discussions. We also express our gratitude to the Human Resources Department for the collaboration in organizing this seminar series over the years.

The Special Guest of Honour, Distinguished Participants, Ladies and Gentlemen, I thank you for your attention and wish all of us a very fruitful deliberation.