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I would first like to thank the organisers of this Banque de France international symposium for their invitation to chair this panel on "Stylised facts of globalisation and world inflation". I am particularly glad to have the opportunity to participate in this panel, as discussions regarding the conduct of monetary policy in a global economy are a constant feature of our policy analysis and research at the ECB.

We are fortunate to be joined today by Professor Kenneth Rogoff, who will be talking about globalisation and monetary policy, providing a general overview and looking at some recent issues. Professor Rogoff has produced remarkable research in the area of international macroeconomics and monetary policy and is therefore the ideal speaker for this morning's presentation. Kenneth Rogoff started his career at the Federal Reserve, was Chief Economist and Director of Research at the IMF and is now a Professor at Harvard University.

Richard Fisher will be the first discussant. Richard Fisher was Deputy US Trade Representative from 1997 to 2001 and is now President of the Federal Reserve Bank of Dallas. Our second discussant will be John Lipsky, who was Chief Economist and Vice Chairman at JPMorgan before being appointed First Deputy Managing Director of the IMF. And Professor Philippe Martin will be our third discussant. Philippe Martin, whose research in the field of international macroeconomics has been published in numerous leading journals, is a Professor at the University of Paris I – Panthéon-Sorbonne and a *Membre de l'Institut*.

I look forward to listening to the contributions of this very distinguished panel to the ongoing debate regarding the links between globalisation and inflation. Over the last 15 years the world has witnessed a substantial and continuous decline in the level of inflation that has coincided with the advent of the global economy. The natural question to ask is therefore whether globalisation has been one of the main factors driving price moderation. With the development of international trade, competitive pressures from low-cost countries have indeed helped to control prices and wages, especially in the manufacturing sector. Pressure to innovate has probably also boosted productivity, with beneficial effects for inflation.

The question is therefore whether these channels have indeed given rise to the recent moderation in prices and, if so, whether they are likely to continue to perform this stabilising role in the future. The current surge in commodity prices, including food more recently, which is resulting, in particular, from supply being unable to match higher demand from emerging markets, reminds us that globalisation can also lead to upside risks to world inflation. Furthermore, global events could become so important in driving inflation that they affect the conduct of monetary policy. For instance, it could be that the traditional links between inflation and "domestic" variables –particularly the level of unemployment– have become obsolete in a world where emerging Asia as well as previous communist countries provide such a large amount of labour at low cost.

Although it remains difficult to reach firm conclusions on the overall effects of globalisation, the most recent developments in manufacturing import prices suggest that globalisation continues to have a dampening effect on inflation of manufactured goods prices. First, extra-euro area manufacturing import price inflation originating from low-cost countries remains lower than average import price inflation from other euro area trade partners. Second, with price levels of imports from low-cost countries remaining substantially lower than those of imports from high-cost countries, the size and persistence of the dampening effect on euro area import prices depends predominantly on the "share effect". Although there are some signs that this effect is weakening, the share of imports from low-cost countries in the euro area has continued to increase.

A number of other challenges can be mentioned. Globalisation is associated with possibly epochal changes of demand and supply, the structural part of which is difficult to assess. The progressive completion of global financial integration has created a set of sophisticated networks that link the fortunes of markets, asset classes and financial institutions around the world. We, in the Eurosystem, are very closely monitoring the ongoing significant market correction we have experienced since the middle of last year, taking into account all their possible consequences including on inflation. Over time, globalisation may have complex indirect effects on inflation beyond the more traditional links I have just mentioned.

I look forward to listening to your views about all of these issues.