

# Prospects for Monetary Cooperation and Integration in East Asia

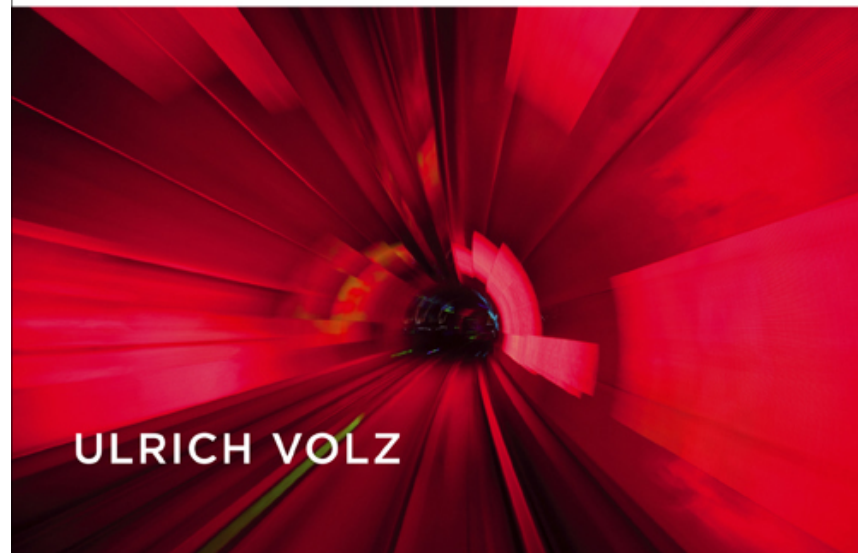
**Ulrich Volz, German Development Institute**

**12 July 2010, ADB, Manila**

**New book!**



PROSPECTS FOR  
MONETARY  
COOPERATION  
AND INTEGRATION  
IN EAST ASIA



ULRICH VOLZ



- 1. Introduction**
- 2. The interest in regional monetary integration in East Asia**
- 3. Costs & benefits of monetary integration**
- 4. Strategies for monetary integration in East Asia**
- 5. Reflections on East Asian monetary integration: past, present and future**

# Overview



## 1. Introduction

- 2. The interest in regional monetary integration in East Asia**
- 3. Costs & benefits of monetary integration**
- 4. Strategies for monetary integration in East Asia**
- 5. Reflections on East Asian monetary integration: past, present and future**



- **Questions:**

- To what extent are different forms of regional monetary cooperation and integration promising options for the East Asian countries?
- What are the costs and benefits of monetary integration?
- What is a sensible strategy for regional monetary integration in East Asia?

- **East Asia:**

- China, Hong Kong, Japan, the Republic of Korea plus the ten member states of the Association of Southeast Asian Nations (ASEAN)



- **Broad definition of international monetary cooperation:**
  - Includes consultations among policy makers regarding the choice of monetary and exchange rate regimes and the exchange of information among monetary authorities
  - Lower forms of monetary cooperation may provide the basis for an active coordination of monetary and exchange rate policies
- **Definition of monetary integration:**
  - Comprises all forms of coordinated currency stabilization
  - Besides monetary union (currency union), monetary integration comprises also less far-reaching forms such as coordinated pegging to the same anchor currency or currency basket, and the establishment of a common exchange rate system



- From this definition it follows that an analysis of the prospects for monetary cooperation and integration should not focus solely on the feasibility of and perspectives for an East Asian monetary union
- Talk of East Asian monetary unification is premature at this point in time—not because the economic conditions prohibit it but because the political determination to see through such a demanding project has not developed yet



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## **4. Strategies for monetary integration in East Asia**

## **5. Reflections on East Asian monetary integration: past, present and future**



# The interest in regional monetary integration in EA



- **The instability of the international monetary system**
  - Non-system at the global level
  - Regional monetary integration as a way to achieve stability at least at the regional level (European bloc floating as example)
  - Worries about the long-term stability of the USD
  
- **The Asian financial crisis**
  - Highlighted the interconnectedness of East Asian economies and the lack of a regional financial architecture to cope with financial and currency crises
  - Caused resentment at the international community's response to the crisis and created a feeling of “being alone together”
  - Desire to reduce dependency on USD and on Western financial intermediation (reinforced by the global financial crisis!)

# The interest in regional monetary integration in EA



## ▪ The rise of China

- Challenge as well as opportunity for neighboring countries
- ASEAN countries in particular see a need for further economic integration to put counterweight on China
  - aim to create ASEAN Economic Community by 2015
  - such a single market would require some form of exchange rate coordination among ASEAN countries
- Rivalry between China and Japan for regional leadership

## ▪ Increasing real economic ties

- Rising intra-regional trade shares
- Extensive trade-production networks

# The interest in regional monetary integration in EA



## Trade of East Asian countries as a percentage of total trade, 2009

	US	EU	China	HK	China+HK	Japan	Korea	ASEAN	ASEAN+3	ASEAN+4
<b>Brunei</b>	1.43	1.16	2.51	0.18	2.69	30.69	11.45	38.16	81.53	81.71
<b>Cambodia</b>	17.84	7.66	9.21	4.81	14.02	2.30	2.68	44.05	58.24	63.05
<b>China</b>	14.48	14.00		11.14	11.14	10.09	6.56	8.57	25.21	36.36
<b>Hong Kong</b>	8.32	7.78	48.67		48.67	6.69	2.83	9.87	68.06	68.06
<b>Indonesia</b>	7.84	8.48	10.07	1.96	12.03	13.09	5.58	29.74	55.67	57.62
<b>Japan</b>	13.75	9.55	20.48	2.91	23.39		6.11	13.97	40.56	43.47
<b>Korea</b>	9.86	9.19	20.24	2.63	22.86	10.38		11.40	42.01	44.64
<b>Lao</b>	1.54	5.81	12.70	0.50	13.20	2.59	2.24	63.30	80.82	81.32
<b>Malaysia</b>	11.06	9.36	11.14	3.57	14.71	9.98	3.96	29.04	54.11	57.68
<b>Myanmar</b>	7.00	2.22	22.04	68.00	22.72	4.46	2.74	50.46	79.70	80.38
<b>Philippines</b>	13.07	8.65	10.70	5.89	16.59	14.81	4.89	21.96	52.36	58.25
<b>Singapore</b>	9.08	9.42	10.12	6.57	16.69	6.01	5.15	27.24	48.52	55.08
<b>Thailand</b>	8.76	8.20	11.59	3.90	15.49	15.24	2.88	19.97	48.70	52.60
<b>Vietnam</b>	11.28	9.60	12.68	3.49	16.17	9.97	5.72	19.11	47.48	50.97
<b>Mean ASEAN</b>	9.57	8.90	10.86	4.46	15.31	10.22	4.62	26.08	51.36	55.82
<b>Mean ASEAN+3</b>	12.39	11.10	9.57	6.60	16.17	8.16	5.13	14.90	37.64	44.24
<b>Mean ASEAN+4</b>	11.97	10.75	13.66	5.91	19.57	8.00	4.89	14.37	40.82	42.8

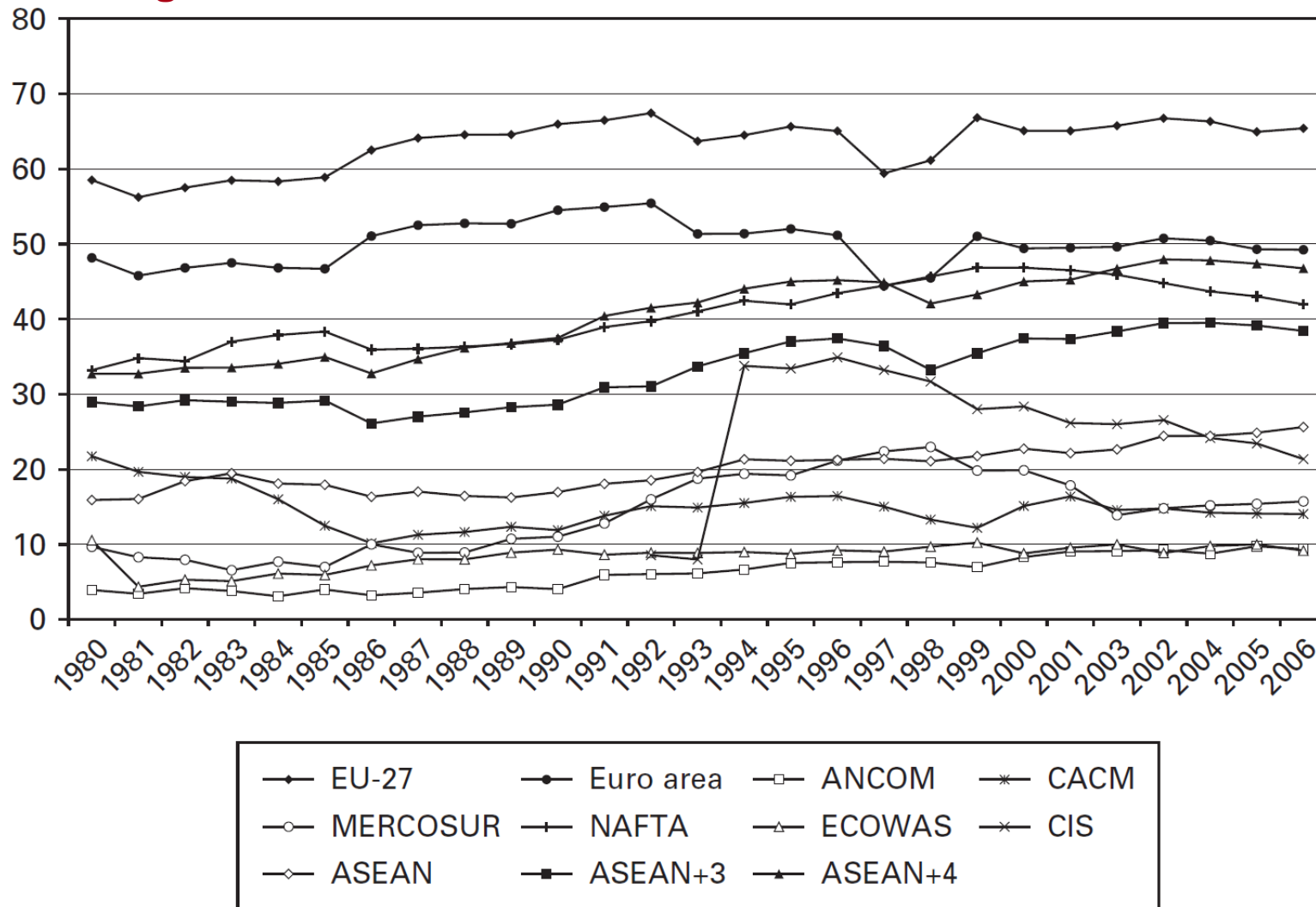
Source: Own calculations with data from DTS

Note: Mean ASEAN, ASEAN+3, ASEAN+4: unweighted average

# The interest in regional monetary integration in EA



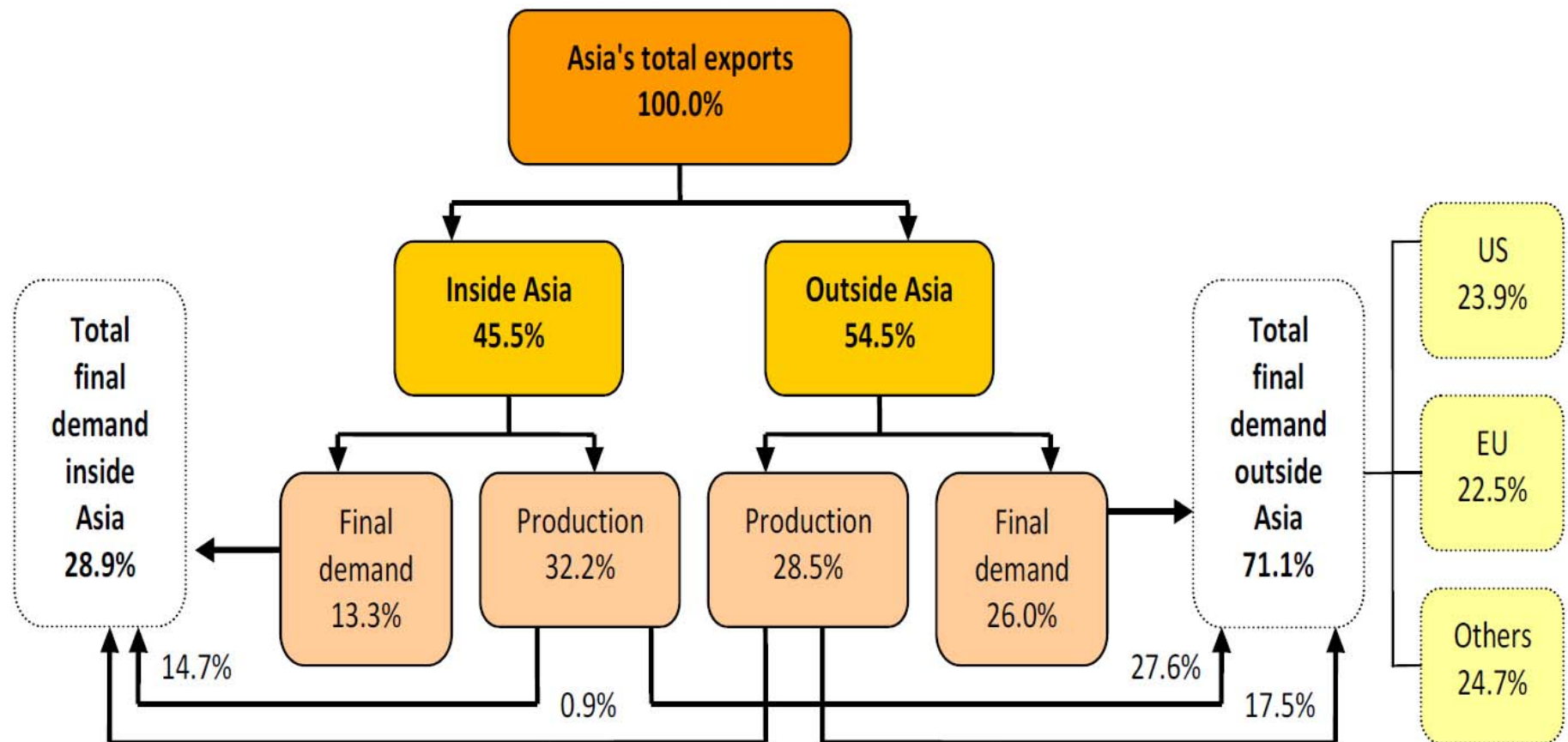
## Intra-regional trade, as % of total trade



# The interest in regional monetary integration in EA



**Final demand for Asian exports still dominated by global demand, but regional demand is becoming increasingly important**

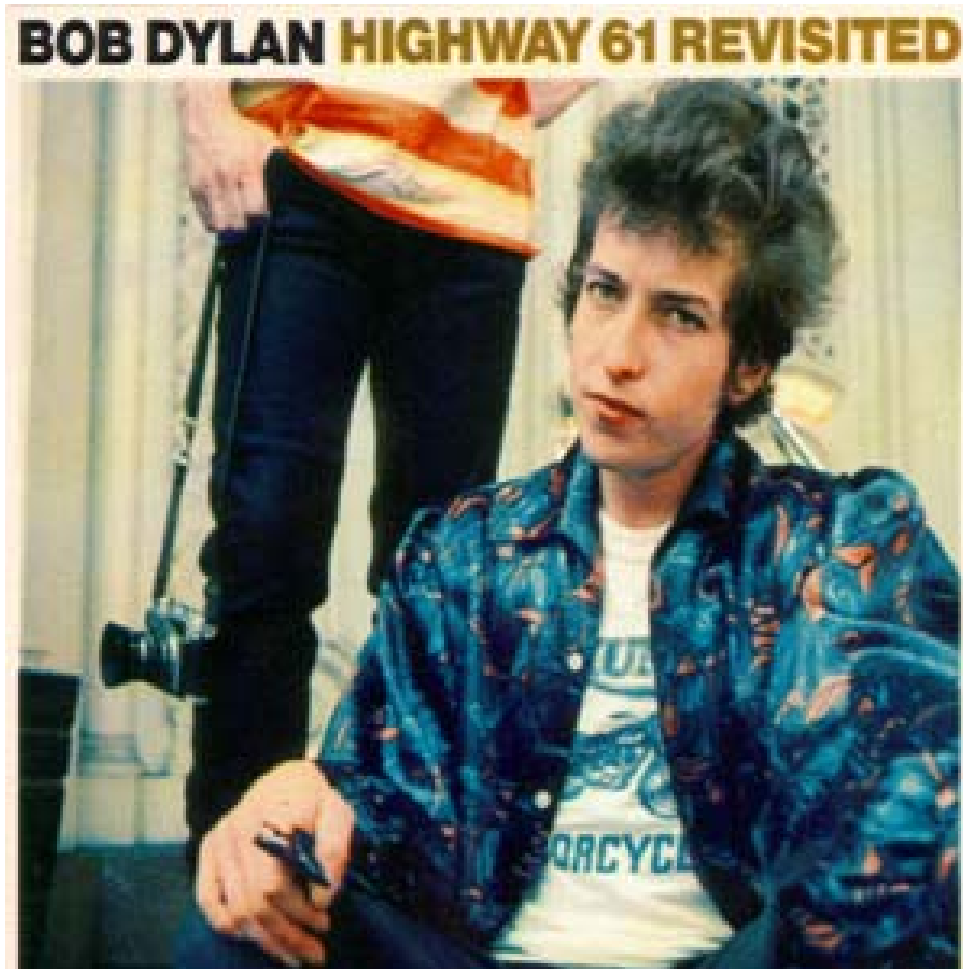


Source: ADB (forthcoming), *Institutions for Asian Integration*



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# Costs & benefits of monetary integration



**“When you got nothing, you got nothing to lose.”**

Bob Dylan in “Like a Rolling Stone”, from the album *Highway 61 Revisited* (1965)

# Costs & benefits of monetary integration



- **Costs of monetary integration have to be seen relative to the costs inflicted by the prevailing exchange rate regime**
- **Current system: East Asian Dollar Standard (McKinnon) or Bretton Woods II (DFG)**
  - Pegging or soft pegging of virtually all East Asian countries (except Japan) to the USD
  - Downside: exchange rate targets constrain the independent conduct of monetary policy
  - Upside: common dollar-pegging provides intra-regional exchange rate stability → implicit form of exchange rate cooperation!



# Costs & benefits of monetary integration



## De jure and de facto exchange rate regimes in East Asia

	IMF classification	Estimated weight of the USD in hypothetical basket (%)
Brunei dollar	Currency board arrangement(vis-à-vis the Singapore dollar)	72.64
Cambodian riel	Managed floating with no pre-announced path for the exchange rate	98.36
Chinese yuan	Crawling peg: daily fluctuations in the RMB-USD exchange rate are limited to +/-0,3%, against other currencies +/-3%	98.60
Hong Kong dollar	Currency board arrangement(vis-à-vis the US dollar)	98.85
Indonesian rupiah	Managed floating with no pre-announced path for the exchange rate	86.69
Japanese yen	Independently floating	66.07
Korean won	Independently floating	81.35
Lao kip	Managed floating with no pre-announced path for the exchange rate	95.75
Malaysian ringgit	Managed floating with no pre-announced path for the exchange rate	98.88
Myanmar kyat	Managed floating with no pre-announced path for the exchange rate (officially pegged to SDR)	99.18
Philippine peso	Independently floating	90.16
Singapore dollar	Managed floating with no pre-announced path for the exchange rate	73.16
Thai baht	Managed floating with no pre-announced path for the exchange rate	79.08
Vietnamese dong	Managed floating with no pre-announced path for the exchange rate	100.68

Estimates are for the  
period Jan1999-Aug2008

# Costs & benefits of monetary integration

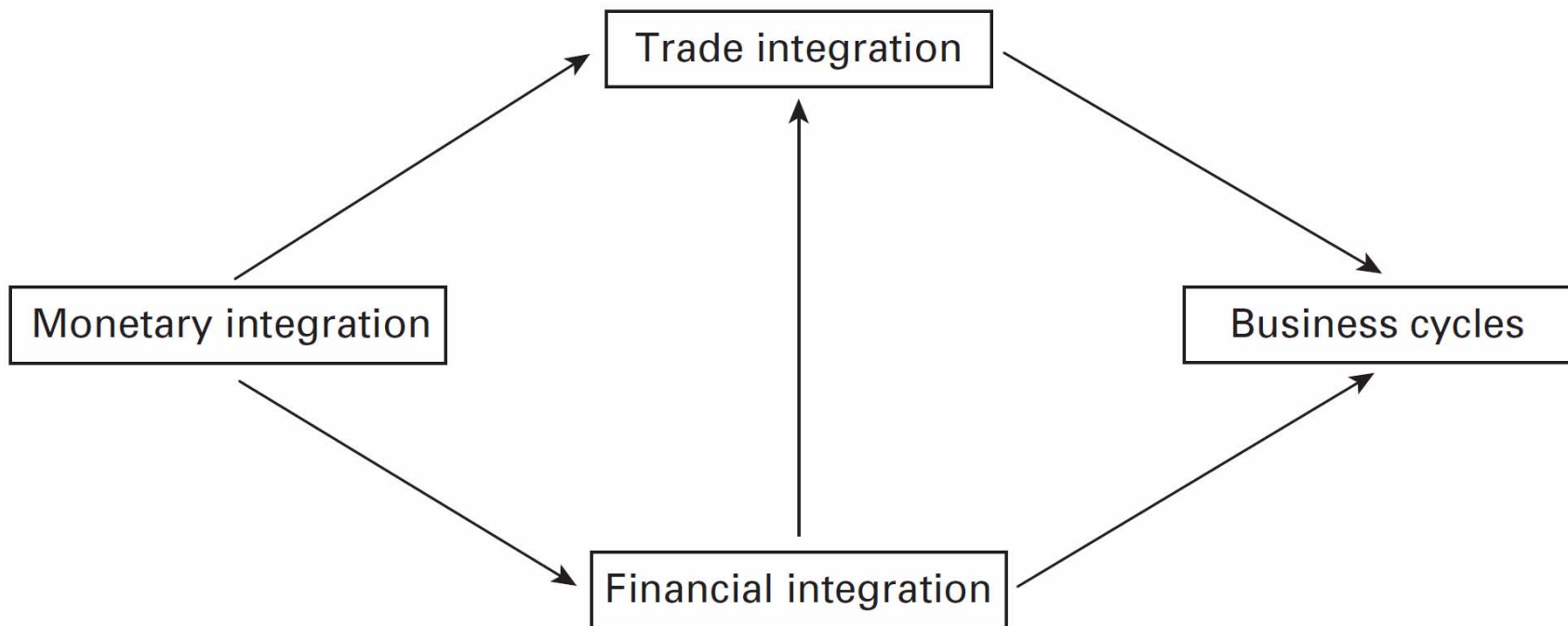


- **What about OCA theory? Is East Asia an optimal currency area?**
  - No! (Europe isn't either!)
  
- **Can it become one?**
  - Possibly: endogeneity of OCAs (Frankel & Rose 1998)

# Costs & benefits of monetary integration



- **Effects of monetary integration on business cycles**
  - Estimates suggest that both trade and FDI integration have a positive direct impact on the co-movement of output fluctuations in East Asia



# Costs & benefits of monetary integration



- **Trade-creating benefits of monetary integration**
  - East-Asian trade-production network developed under dollar standard
  - Positive trade-creating estimates of currency stabilization in East Asia
  
- **Monetary integration as a strategy to overcoming weak currency status**
  - Problems of “original sin” (Eichengreen & Hausmann 1999) and “conflicted virtue” (McKinnon 2005) related to weak currency status
  - International use of currencies is a function of relative country size and degree of international economic integration (Matusyama, Kiyotaki & Matsui 1993)
  - Original sin related to size of the currency area (Eichengreen, Hausmann & Panizza 2005)
  - Monetary integration could be employed as a strategy to overcome weak currency status (ACU...)

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# Strategies for monetary integration in East Asia



- **At least three exchange rate options for East Asian countries**
  - Freely floating exchange rates (or managed floating without cooperation between East Asian countries)
  - Continuation of the current East Asian dollar standard, either on an informal or formal basis
  - Coordinated exchange rate stabilization: management of intra-regional exchange rates while floating freely against outside currencies like the USD and the EUR (“bloc floating”)

# Strategies for monetary integration in East Asia



- **Several strategies for exchange rate cooperation aimed at stabilizing intra-regional exchange rates (besides continuation of the dollar standard):**
  - Pegging to a single regional currency such as the yen or yuan
  - Pegging to a currency basket consisting of external currencies
  - Pegging to a currency basket consisting of regional currencies
  - Regional currency system
  - Monetary union with a single currency

→ Focus on currency baskets in the following

# Strategies for monetary integration in East Asia



- **Rationale for currency baskets (I)**
  - In general, the purpose of a currency basket regime is to stabilize a country's effective exchange rate rather than the bilateral rate to a single currency
  - The nominal effective exchange rate (NEER) is the weighted average of a country's currency relative to an index or basket of other currencies (with weights usually chosen to reflect the pattern of trade)
  - A basket peg with weights that reflect a country's trade structure is especially interesting for countries whose trade is diversified geographically
    - a basket regime would help reduce volatility in the NEER compared to a single currency peg, in the case of exchange rate variations among the main trading partner's currencies
  - Such fluctuations are usually exogenous to a country's own policies and can seriously alter its effective exchange rate and disrupt its macroeconomic balance (Williamson 2009)





## ▪ **Rationale for currency baskets (II)**

- Currency baskets have particular appeal if the geographic distribution of trade points to no single currency area as an optimal anchor, or if the likely currency is not a good choice as an anchor
- This is the case for virtually all East Asian countries
- Thus, from the point of view of the literature on the “optimum peg”, no single currency would be a perfect anchor for East Asian countries  
→ Currency baskets would thus be a superior alternative
- A common basket peg would offer the advantage of ensuring that the exchange rates of East Asian countries in relation to each other are not destabilized by shocks to the dollar/yen/euro rates (Williamson 2001)



## ▪ **Rationale for currency baskets (III)**

- Because trade structures are broadly similar for most East Asian countries, individual country baskets to stabilize NEER would in most cases include the same currencies with relatively similar weights
- Even if all countries in the region adopted baskets tailored to their individual trade structures, the result would be a relatively homogenous exchange rate policy throughout the region, which in effect would result in relative exchange rate stability between East Asian currencies
  - A regional basket peg would offer “the advantages of the dollar peg without its disadvantages” (Williamson 2001: 104)
- A currency basket could thus be a substitute for a peg to an international or regional anchor currency

# Strategies for monetary integration in East Asia



- **Calculation of three different currency baskets**
  - Basket consisting of regional currencies consisting of the ASEAN+4 currencies: Asian Currency Unit (ACU)
  - Currency baskets consisting of dollar, euro & yen (DEY)
  - Individual country baskets (ICBs), tailored to the trade structure of each individual country

# Strategies for monetary integration in East Asia



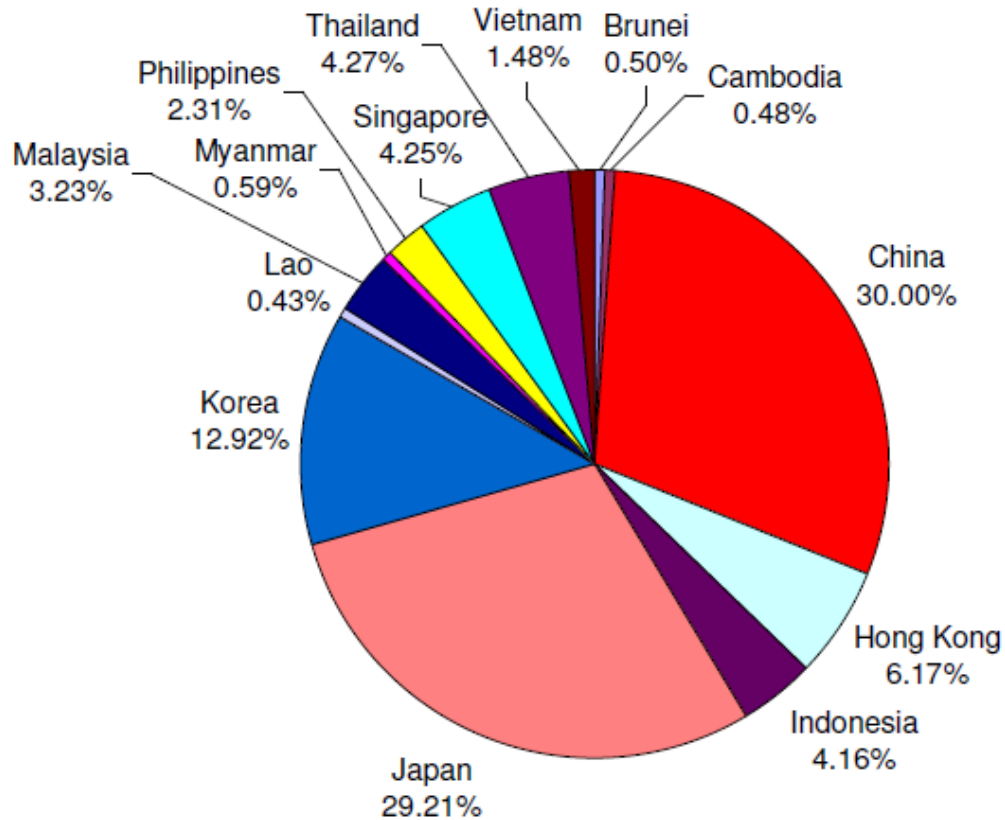
## Construction of ACU weights

	(Trade + GDP + CMI shares)/3	Regional trade share	Regional GDP share (PPP terms)	CMI share <sup>a</sup>
<b>Brunei</b>	0.50	0.24	0.13	1.12
<b>Cambodia</b>	0.48	0.16	0.16	1.12
<b>China</b>	30.00	25.79	45.66	18.54
<b>Hong Kong</b>	6.17	15.49	1.90	1.12
<b>Indonesia</b>	4.16	4.79	5.44	2.25
<b>Japan</b>	29.21	17.08	27.86	42.70
<b>Korea</b>	12.92	10.74	7.80	20.22
<b>Lao</b>	0.43	0.08	0.08	1.12
<b>Malaysia</b>	3.23	5.68	2.33	1.69
<b>Myanmar</b>	0.59	0.25	0.39	1.12
<b>Philippines</b>	2.31	2.75	1.95	2.25
<b>Singapore</b>	4.25	10.14	1.48	1.12
<b>Thailand</b>	4.27	4.94	3.37	4.49
<b>Vietnam</b>	1.48	1.87	1.44	1.12
<b>Sum</b>	100.00	100.00	100.00	100.00

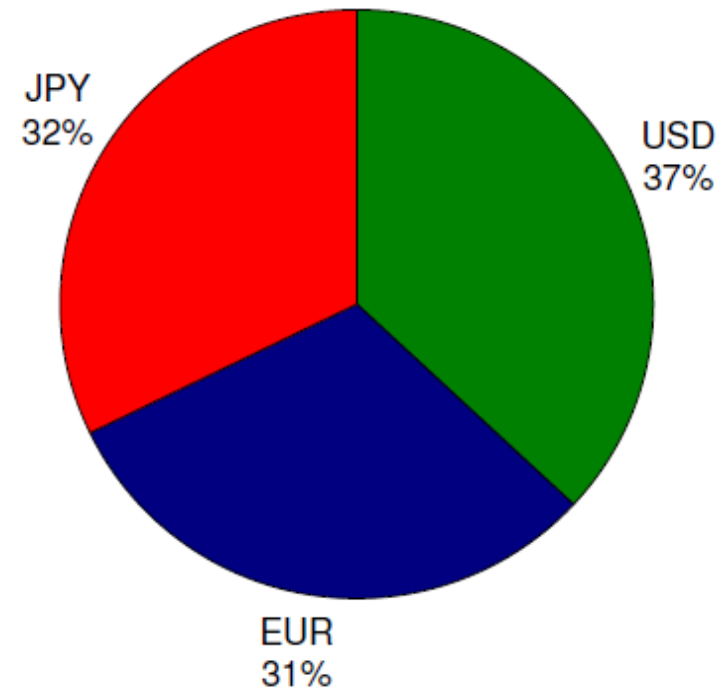
# Strategies for monetary integration in East Asia



**ACU weights**



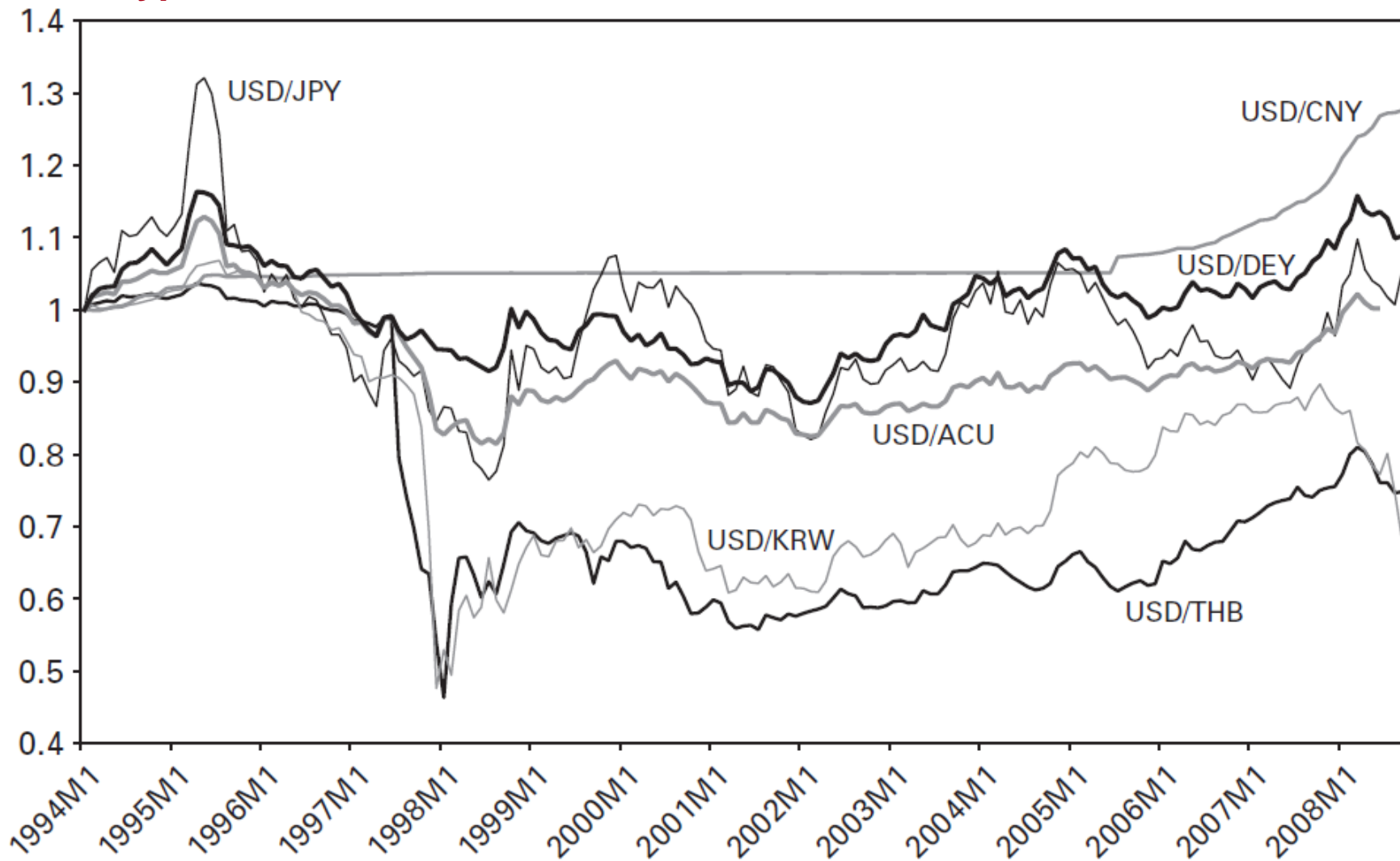
**DEY weights**



# Strategies for monetary integration in East Asia



## Hypothetical DEY and ACU rates vis-à-vis the USD



# Strategies for monetary integration in East Asia



## Standard deviation of NEERs, January 1994 – September 2008

	NEER under actual policy	NEER if ASEAN+4 countries had used individual trade weighted baskets	NEER if ASEAN countries and China, Hong Kong and Korea had used the DEY	NEER if ASEAN+4 countries had used the ACU
<b>Brunei</b>	0.0639	0.1655	0.0114	0.0209
<b>Cambodia</b>	0.1979	0.0180	0.0143	0.0397
<b>China</b>	0.0624	0.0105	0.0035	0.0382
<b>Hong Kong</b>	0.0284	0.0042	0.0015	0.0193
<b>Indonesia</b>	1.3278	0.0107	0.0073	0.0246
<b>Japan</b>	0.0777	0.0508	0.0740	0.0422
<b>Korea</b>	0.2106	0.0073	0.0051	0.0343
<b>Lao</b>	3.9262	0.0171	0.0059	0.1201
<b>Malaysia</b>	0.1261	0.0546	0.0060	0.0303
<b>Myanmar</b>	0.0705	0.0236	0.0151	0.0167
<b>Philippines</b>	0.3579	0.0098	0.0068	0.0238
<b>Singapore</b>	0.0353	0.1031	0.0068	0.0278
<b>Thailand</b>	0.1920	0.0491	0.0051	0.0304
<b>Vietnam</b>	0.1774	0.0119	0.0075	0.0329

# Strategies for monetary integration in East Asia



## Standard deviation of NEERs, January 2000 – September 2008

	NEER under actual policy	NEER if ASEAN+4 countries had used individual trade weighted baskets	NEER if ASEAN countries and China, Hong Kong and Korea had used the DEY	NEER if ASEAN+4 countries had used the ACU
<b>Brunei</b>	0.0389	0.0101	0.0103	0.0246
<b>Cambodia</b>	0.0741	0.0058	0.0131	0.0419
<b>China</b>	0.0476	0.0104	0.0060	0.0427
<b>Hong Kong</b>	0.0308	0.0054	0.0037	0.0215
<b>Indonesia</b>	0.1172	0.0054	0.0053	0.0287
<b>Japan</b>	0.0722	0.0075	0.0692	0.0466
<b>Korea</b>	0.0831	0.0069	0.0097	0.0380
<b>Lao</b>	0.1490	0.0038	0.0063	0.1414
<b>Malaysia</b>	0.0371	0.0075	0.0045	0.0350
<b>Myanmar</b>	0.0323	0.0020	0.0035	0.0160
<b>Philippines</b>	0.1085	0.0049	0.0124	0.0260
<b>Singapore</b>	0.0306	0.0081	0.0035	0.0322
<b>Thailand</b>	0.0500	0.0077	0.0094	0.0340
<b>Vietnam</b>	0.1251	0.0065	0.0048	0.0377



# Strategies for monetary integration in East Asia



- **A possible basket scenario**

- The DEY and ACU currency baskets are not necessarily incompatible
- A currency basket composed of ASEAN+4 currencies would be equivalent to a G-3 currency basket (or DEY), if each East Asian country uses the G-3 currencies as reference for its exchange rate policy (Kawai, Ogawa, and Ito 2004)
- A strategy of regional monetary integration could make use of both kinds of baskets

# Strategies for monetary integration in East Asia



## ▪ **A possible basket scenario**

- Currency baskets would provide an elegant way out of the dollar dependency: dollar weights could be gradually reduced while the weights of other currencies could be increased  
→ Diversification of risk without unsettling currency markets
- Require little (or no) political commitment, as basket regimes could be maintained by each country individually (although some coordination would be beneficial so as to avoid unintended beggar-thy-neighbor policies)
- A virtual basket currency—especially one consisting of regional currencies—could be used as a “parallel currency” for regional trade invoicing and indexing of regional bond issues

# Strategies for monetary integration in East Asia



## ▪ **A possible basket scenario**

- A first step of such a strategy could be a coordinated move of East Asian countries, including Japan, to adopt currency baskets in line with their trade structures (“ICBs”)
- This would create a situation where the East Asian dollar standard would be replaced by an “East Asian basket standard”
- While such a basket standard would mark a departure from the current regime, the advantage is that it would not require a dramatic change of course
  - Dollar weights could be gradually reduced while the shares of other currencies in the baskets could be increased
- Each country could administer such a reorientation individually, although a coordinated move would facilitate adjustment
- The only country for which the adoption of a basket regime would mean a substantial shift from its current exchange rate policy is Japan, but it could converge gradually

# Strategies for monetary integration in East Asia



## ▪ **A possible basket scenario**

- If countries wish to reap the benefits of relative intraregional and effective exchange rate stability but are reluctant to adhere strictly to a currency basket regime because they want to avoid the risk of pegging and maintain more flexibility than under a basket regime, they could adopt a managed float regime guided by the use of a common basket as numéraire as suggested by Williamson (2009)
- Basket option compares would allow for a considerable degree of flexibility  
→ Would not only reduce the risk of currency speculation, but also grant participating countries certain independence in conducting national economic policies
- Over time, the composition of baskets could be harmonized, and cooperation could be increased

# Strategies for monetary integration in East Asia



## ■ A possible basket scenario

- A second step—which could be made parallel to the adoption of regionwide currency basket regimes—could be the introduction of the ACU as a virtual basket currency
- The ACU could fulfill several functions (Kawai 2009)
  - Could be used as a *statistical indicator* summarizing the collective movement of East Asian currencies against external key currencies such as the dollar and the euro
  - As a *regional benchmark index*, it could help to monitor regional foreign exchange market developments and help identify the degree of divergence of each component currency from the regional trend
  - Could serve as a *monitoring device*, without requiring any automatic policy reactions such as foreign exchange market interventions
  - Could also be used as a regionwide “*parallel currency*” (Eichengreen 2006) to circulate alongside national currencies
- Because it would be more stable than any national currency in terms of aggregate regional production and trade, it would be interesting for private corporations and investors to use the ACU for invoicing and settling intraregional trade as well as for regional investment

# Strategies for monetary integration in East Asia



- **A possible basket scenario**

- Parallel to increasing exchange rate cooperation, authorities would need to intensify monitoring and surveillance of financial markets, for example under the framework of ASEAN+3's EPRD
- Exchange rate coordination would also need to be flanked by financing facilities, such as those under the multilateralized CMI, which could at some point be transformed into a full-fledged regional monetary cooperation fund as in the EMS

# Strategies for monetary integration in East Asia



- **The advantages of such a strategy (I):**
  - Currency baskets would help to stabilize NEERs and prevent negative effects of gyrations between major currencies, especially the dollar and the yen
  - No radical reorientation of exchange rate policies would be required, as most countries in the region have already allowed for more flexibility vis-à-vis the dollar
  - A gradual reduction of the dollar's weight in region-wide currency baskets would reduce the risk of a dollar crash
  - At the same time, the ACU could be introduced as a virtual parallel currency to be used for trade invoicing and settling and for developing financial products on a regional capital market

# Strategies for monetary integration in East Asia



- **The advantages of such a strategy (II):**
  - In the early stages political commitment would be very limited, which would make cooperation easier to realize
  - Choosing currency baskets and the ACU to guide exchange rate policy circumvents the problem of selecting a regional currency to act as an anchor
  - Countries could gain experience with regional cooperation and develop trust before moving to more formal cooperation that would require sacrifices to a country's sovereignty
  - A gradual approach to monetary integration in East Asia would allow East Asian countries to get to know their partners more closely and develop a sense of community
  - Basket system could be transformed into a formal exchange rate system if experiences with close monetary and exchange rate cooperation are positive





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# Reflections on East Asian monetary integration



## **It's not only about economics...**

“It has often been argued that the conditions under which monetary integration might reasonably be expected to succeed are very restrictive. In fact, these conditions appear no more restrictive than the conditions for the establishment of a successful common market. The major, and perhaps only, real condition for the institution of either is the political will to integrate on part of the prospective members.” (Mintz 1970: 33)

## **What about the political will in East Asia?**

# Reflections on East Asian monetary integration



## **There's considerable skepticism regarding prospects for East Asian integration**

“[T]he region exhibits none of the historical, cultural, or religious commonalities that characterize Europe or North America. . . . Contrary to the claims of some political leaders in the region, there is no “Asian way” that draws these nations together, no common point of view that is intrinsically different from that of the West.” (Lincoln 2004: 251)

“Proponents of European integration can trace their antecedents back for hundreds of years. . . . The ideal of European integration is intimately connected with the liberal and democratic principles of the European Enlightenment and has roots in centuries of European history. East Asia, in contrast, lacks a comparable tradition of political solidarity. It lacks a Jean Monnet or Paul Henri Spaak to speak for regional integration. In part this reflects the ideological distance between China’s communist government and market-oriented regimes elsewhere in East Asia. By contrast, in postwar Western Europe, variants of the social market economy were embraced by virtually all the members of the present-day European Union. At a deeper level, East Asia lacks a Benthamite–Rousseauian–Saint Simonian heritage of collective democratic governance through integration.” (Eichengreen 1997: 34–35)

# Reflections on East Asian monetary integration



- **However, there's a long history of (monetary!) integration in East Asia, dating back to ancient times...**
  - Close cultural and economic interchange has existed in East Asia under Chinese tribute-trade system, which stretched from Northeast to Southeast Asia for almost a millennium
  - From the Tang (618–907) through Qing (1644–1911) dynasties of China, the tributary system provided the framework in which the states and other entities of the region operated their relations with China
  - The history of East Asian tribute-trade relations is not only intriguing because it shows the cultural and economic interconnectedness of the region, it also sets the present rise of China and the emergence of East Asian economic regionalism in a historical perspective
  - China's central role in ancient East Asia was reflected in the monetary sphere, with Chinese currency circulating all over the region and at times being the main means of payment or even legal tender in other East Asian countries

# Reflections on East Asian monetary integration



- **Monetary integration was reality!**

- Von Glahn (1996: 89) records that from the twelfth century onward “Chinese coin had become the common currency of the maritime trading world of eastern Asia and served as the domestic currency in a number of foreign lands, including Japan, the Ryukyus, and Vietnam
- Japan, for instance, had not minted coins of its own since the tenth century and relied solely on imports of Chinese coin for its medium of exchange for several centuries
- Because of the role of Chinese money as “the international currency of eastern Asia” (Von Glahn 1996: 83), the whole region adopted an East Asian silver standard in the early fifteenth century, with Chinese silver coins as the predominant instrument of exchange in East Asian commerce
- The steady expansion of tribute trade and the increasing circulation of silver also led to the absorption of silver from Europe and the Americas, with the tribute-trade zone developing into “an integrated ‘silver zone’” (Hamashita 1994: 96)

# Reflections on East Asian monetary integration



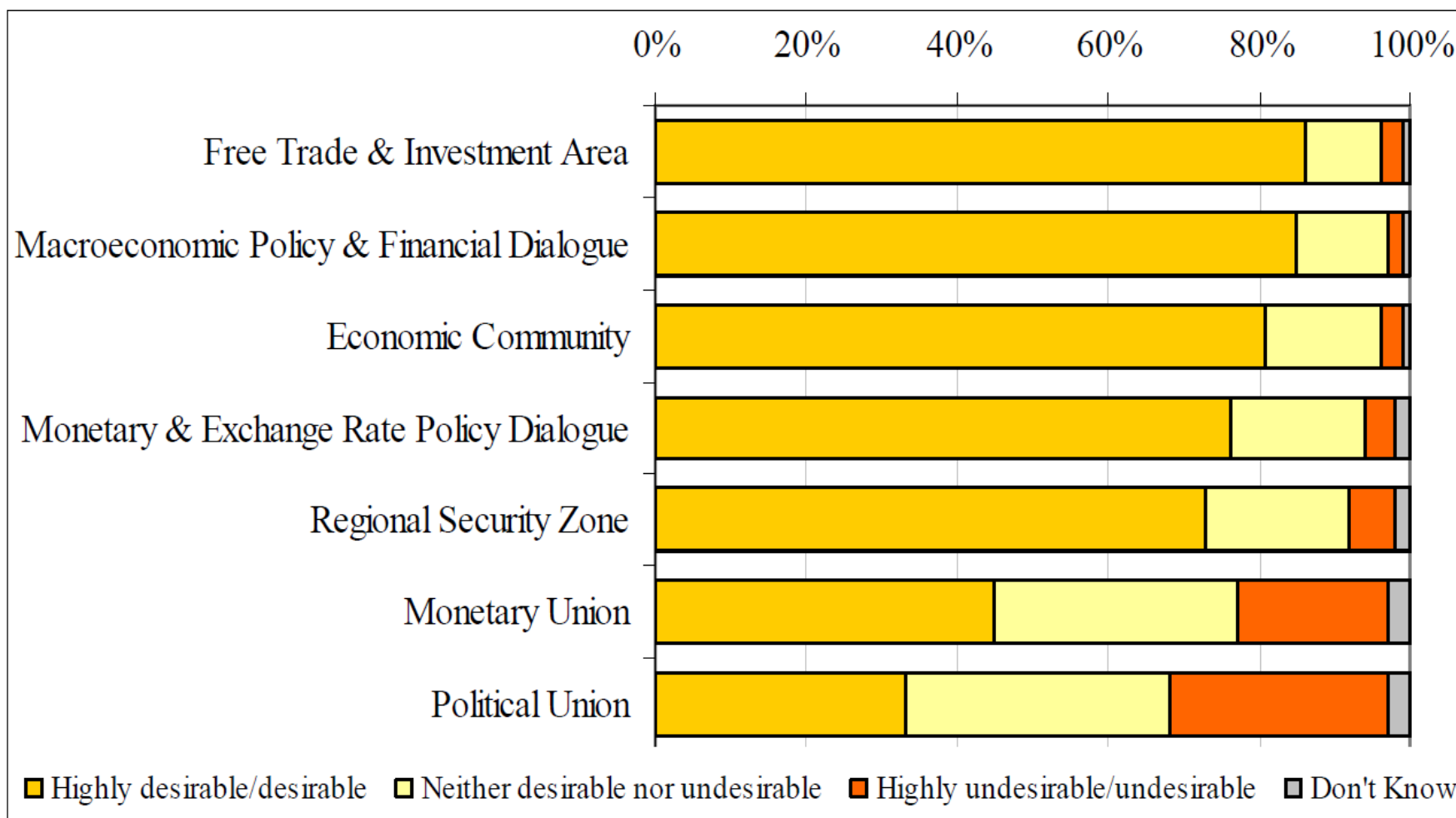
- **From the past to the future?**

- The existence of a common monetary standard in East Asia's past, of course, gives no reason to expect a similar arrangement in East Asia's future
- But it would be wrong to dismiss the prospects for monetary cooperation and integration in East Asia because it allegedly lacks "the historical, cultural, or religious commonalities that characterize Europe or North America" (Lincoln 2004: 251)

# Reflections on East Asian monetary integration



## ADB survey: desirability of regional integration objectives



Source: ADB (forthcoming), *Institutions for Asian Integration*

# Reflections on East Asian monetary integration



- **Continuation of the dollar standard unlikely for long time**
  - The East Asian dollar standard has served the region well, but the continued growth of the regional economy, the humiliation of the Asian crisis, US accusations of currency undervaluation against China and other East Asian countries, and uncertainties about the future international value of the dollar have all eroded the appeal of the dollar standard
  - Even though an “Asian way” may not exist as yet, the region is eager to build one



# Reflections on East Asian monetary integration



## ▪ **What comes after Bretton Woods II?**

- The economic potential of the region and the shared desire since the Asian crisis to reduce dependency on Western financial markets will make it increasingly unlikely that the countries of emerging East Asia will continue to bind their currencies to the US dollar
- To draw an analogy to Europe, it is worthwhile remembering that the main impetus for European monetary integration was the collapse of the Bretton Woods system
- If we have a Bretton Woods II system today, it will be interesting to see how long the dollar will be able to provide stability to East Asia and if and when the region will emancipate itself from the dollar the way Western Europe did several decades ago

d.i.e



Deutsches Institut für  
Entwicklungspolitik

German Development  
Institute



# Thank you for your attention!

[ulrich.volz@die-gdi.de](mailto:ulrich.volz@die-gdi.de)