

Brief Report on the Outcomes of the Seminar on “A Single Currency for East Asia—Lessons from Europe”

On the occasion of ADB's 37th Annual Meeting in Jeju, Republic of Korea, ADB organized a seminar on “A Single Currency for East Asia: Lessons for East Asia”. The speakers at the seminar were Roberto de Ocampo, President of the Asian Institute of Management, Manila, and former Secretary of Finance, Philippines; Haruhiko Kuroda, Special Advisor to the Cabinet, Japan; and Tommaso Padoa-Schioppa, Member of the Executive Board of the European Central Bank. Mr. de Ocampo also acted as the Moderator for the seminar. ADB President Tadao Chino gave the opening remarks at the seminar.

In his opening remarks, President Chino said that from a global perspective, two sets of factors are likely to encourage countries to adopt common currencies --- first, the increased number of countries in the world, and, second, the trend toward globalization. At the end of World War II, there were only 76 independent countries; today there are about 200. For many of the growing number of countries, the costs of maintaining separate currencies and floating exchange rates are likely to be high. Moreover, in an increasingly globalized world, there will be greater synchronization of business cycles, and hence the benefits of having fewer currencies to conduct cross-border business, especially at the regional level, are likely to increase. President Chino said that, against this backdrop, the key issue is whether East Asia should be part of this possible trend toward currency consolidation. He then encouraged the speakers at the seminar to address this issue drawing upon the European experience and see what transitional steps would be required in East Asia's long road towards exchange rate coordination and single currency.

In his presentation, Mr. de Ocampo gave a brief summary of the postcrisis initiatives at regional monetary and financial cooperation and then urged the region to strengthen these initiatives over the next several years. However, he cautioned that future initiatives should fully take into account the substantial diversity in the level of economic development across countries in East Asia. According to him, this is crucial not only to build political consensus across the region but also to sustain whatever exchange rate coordination is undertaken at the regional level. He also said that in East Asia's long journey towards exchange rate coordination and adoption of single currency, the first few steps are crucial; if you get them right, the ultimate destination becomes easy to reach.

Mr. Kuroda said that the conditions and necessary steps to introduce a single currency in East Asia are many and daunting, but they should and could be carried out in the long run. Mr. Kuroda then outlined the five major steps to be taken toward a single currency for East Asia --- strengthening of the Chiang Mai initiative that was put in place by the ASEAN+3 finance ministers in May 2000; greater regional bond market development; trade cooperation through free trade areas; intra-regional exchange rate stability; and finally, the application of policy convergence across countries. Mr. Kuroda also said that in the long run, there may be more countries, such as India which might want to increase trade and investment integration with East Asia, that could join the single currency.

In his presentation, Mr. Padoa-Schioppa said that based on European experience, there are various forms of monetary cooperation and integration, ranging from loose consultation among peers to permanent policy coordination or even monetary union. The crucial quantum leap along this range is the one between permanent coordination and a single currency. Because it requires an enormous political, cultural, legal, technical and institutional leap, looked at from this

perspective, he said, Asia is far from introduction of a single currency, but given the increasing importance of economic relations within the region and the noticeable advancements in regional cooperation, some adjustments in the region's monetary order may become helpful at not too distant future so that it could pave the way for the adoption of a single currency at a much later stage when the other conditions required for a single currency are achieved.

Overall, there was a general consensus among speakers as well as the commentators in the open discussion that East Asia should intensify its various initiatives at monetary and financial cooperation over the next several years, to achieve over the long run – perhaps the very long run --- the objective of adopting a single currency.

There was also wide coverage of the seminar in a number of newspapers. Most importantly the seminar seemed to have prompted the Asian Wall Street Journal to invite the ADB President to write an Op-Ed on single currency for Asia. The ADB President's Op-Ed appeared in the Asian Wall Street Journal dated 1 June 2004. The 1 June issue also included an editorial by the newspaper editor on Asian monetary union, which, among others, makes several references to the ADB Annual Meeting Seminar and Mr. Kuroda's presentation. The editorial also makes a case for single currency in Asia.

The seminar provided ADB with very useful inputs in pursuing one of its key agenda --- promoting regional economic cooperation in Asia.

Prepared by:

Srinivasa Madhur
Principal Economist, REMU

More on [A Single Currency for East Asia—Lessons from Europe Seminar](#)