

The 20th Policy Plenary Meeting on “Possibility and Prospect of Financial Cooperation in East Asia”

April 24, 2007

The 20th Policy Plenary Meeting was held on April 24, 2007 under the theme of "Possibility and Prospect of Financial Cooperation in East Asia," in the Conference Room of the Japan Forum on International Relations. The report was given by Mr. UTSUMI Makoto, President and CEO of the Japan Credit Rating Agency, former Vice Minister of Finance for International Affairs.

After stating his impressions of the NEAT WG meeting on financial cooperation in Shanghai on April 7-8, Mr. UTSUMI emphasized that it is not realistic for East Asian countries to explore the possibility of a single currency and a unified monetary policy conducted by only one central bank. He argued that we should start by studying the example of European Monetary arrangement known as "Snake," in which EC member countries tried to keep their internal fixed exchange rate system and adopted a joint float system vis-à-vis currencies outside the system. However, it is also unrealistic to expect to achieve such an arrangement in one bound. Those countries with greater economic similarities could produce coordinated approaches as sub-groups and agree to stabilize the exchange rates among them. During the following phase, each sub-group would then be expected to allow a wider band of exchange rate to be applied to each other or to newly participating countries. Through a sequencing of changing exchange rate arrangements at both the group level and the newly participating country level, experience would accumulate in both policy coordination and the group's institutional mechanism. Mr. UTSUMI stated that this would be the most realistic approach towards broader currency cooperation.

In response to the report, the 18 participants present actively discussed the future of financial system in East Asia.