

The 45th Policy Plenary Meeting (The 3rd CEAC-ISAC Joint Study Meeting) on “Necessity and Possibility of Common Currency in East Asia”

March 11, 2011

Taking advantage of the occasion of the 45th Policy Plenary Meeting of the Council on East Asian Community (CEAC), which was held on March 11th at the conference room of the Japan Forum on International Relations, the 3rd CEAC-ISAC Joint Study Meeting cosponsored by CEAC and the International Academic Society for Asian Community (ISAC) was held. The topic of the Joint Study Meeting was "Necessity and Possibility of Common Currency in East Asia." The Meeting was attended by 10 members of CEAC and 9 members of ISAC. Prof. KONDO Takehiko, Professor of Meisei University made a keynote report, which was followed by an active exchange of views among members of both CEAC and ISAC. The gist of Prof. KONDO's keynote report is as follows.

Amidst ongoing trend of globalization in the financial sector, financial cooperation is becoming increasingly important among nations in the international community. President Sarközy of France, for example, is reported to define the G20 summit meeting to be held in France this November as a "Currency Summit." In this G20, Japan could propose establishment of Asian Currency Unit (ACU), as a currency basket of Asian version.

There are approximately three schools of thought in Japan concerning the necessity of ACU. The first school attaches importance to prevention of recurrence of the Asia currency crisis in 1997. It solely pays attention to "disaster management" or introduction of foreign currency swap system, such as Chiang Mai Initiative, at a time of currency crisis, while neglecting the importance of a currency fluctuations in the daily operation. The second school pays most of their attention to introduction of a Euro type regional single currency in Asia. The last school, centering on the experience of 1985 Plaza Accord, advocates that instead of adopting a currency such as Euro, it would be better if the practice of European Currency Unit (ECU) would be followed that all nations keep their

own currency while using ECU as a way to reduce exchange rate risks. That is to say, an Asian version of ECU should be devised so as to cope with daily problems of exchange risk alleviation.

ACU should function rather as measure of value than as reserve asset. For that purpose, not only U.S. dollar but also Chinese RMB need to be included in framing ACU. Even if U.S. dollar is added to ACU, as long as Asian currency proportion rises in the composition of ACU in the future, ACU could still be regarded as a property belonging to Asia. In the long run, ACU might as well be evolved to be a common currency in Asia. To achieve a mature ACU framework, China's participation is indispensable. Therefore, it is necessary to get China realize the merits of joining ACU.