
Discussion of “Quest for a Regional Monetary Framework in East Asia” by Prof. M. Kawai

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General remarks

- Where is the crisis?
- Will the crisis strengthen or weaken the quest for an Asian monetary framework?
- Key exchange rate decisions in Asia will have to be taken already this year. Will this be done in a coordinated or an uncoordinated way?
- The suggested approach is rational and well structured, but at this stage what is needed is something quick and dirty. Can ASEAN+3 deliver on this?

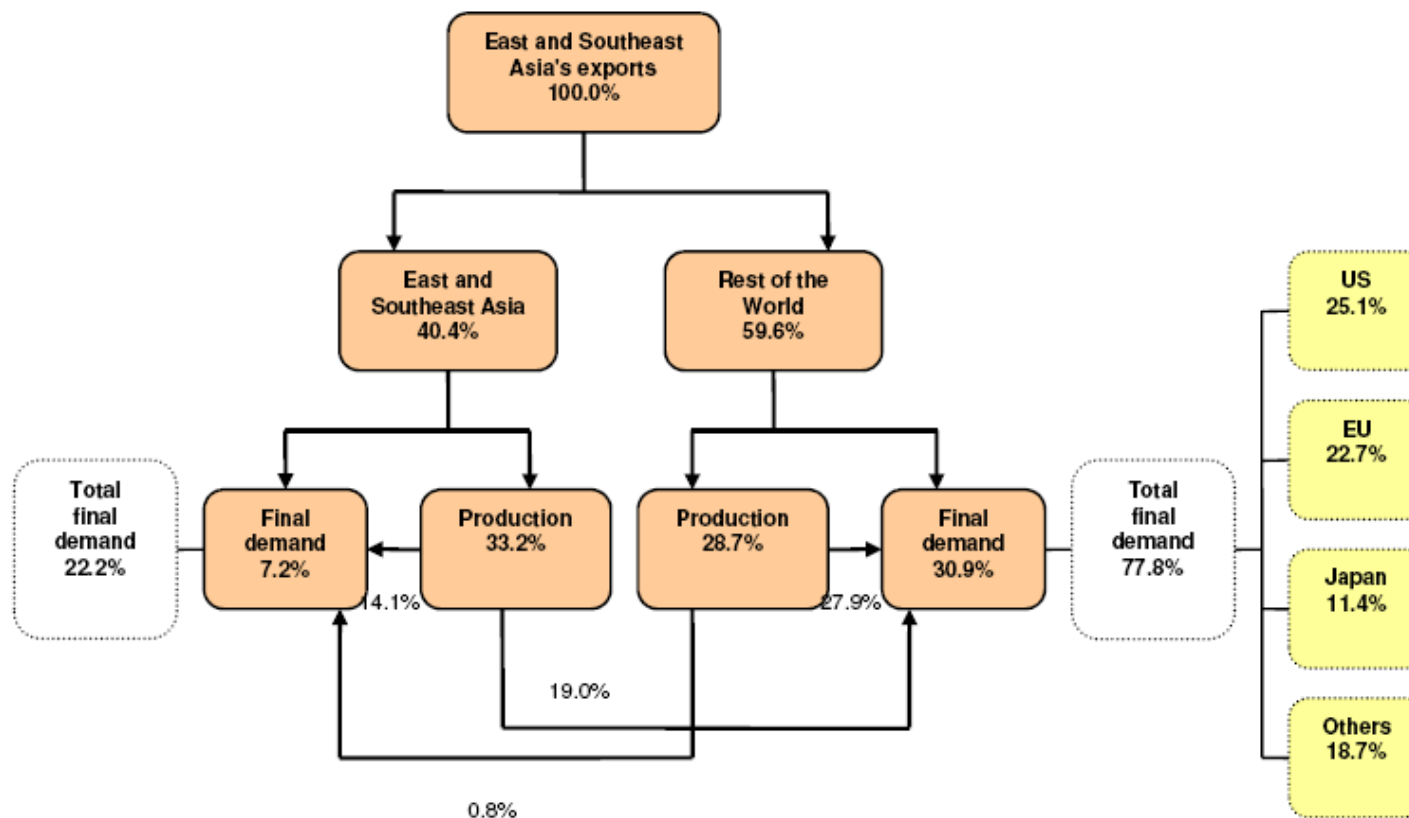


Comments on the five steps for closer exchange rate and monetary policy coordination

- Step 1 is fundamental. Unclear whether the conditions are in place for it
- Using in parallel ACU and SDR+ for surveillance may make thing unnecessarily complicated.
- ACU - There is an elephant in the china shop: China
- Why not to use instead a SDR+ basket only?



Breakdown of East Asia's Exports



Source: Kim, Lee and Park (2009), "The Ties That Bind Asia, Europe, and the U.S."



There is an elephant in the china shop: China

Table 2. AMU shares and weights of East Asian Currencies

(revised in 10/2009****, benchmark year=2000/2001)

	Trade volume* %	GDP measured at PPP**, %	Arithmetic average shares % (a)	Benchmark exchange rate*** (b)	AMU weights (a)/(b)
Brunei	0.33	0.14	0.23	0.589114	0.0039
Cambodia	0.15	0.17	0.16	0.000270	5.8666
China	26.08	44.97	35.52	0.125109	2.8395
Indonesia	5.27	5.61	5.40	0.000113	477.8761
Japan	23.12	29.76	26.44	0.009065	29.1705
South Korea	13.01	8.12	10.56	0.000859	122.9905
Laos	0.11	0.08	0.10	0.000136	7.0288
Malaysia	7.51	2.40	4.95	0.272534	0.1818
Myanmar	0.33	0.30	0.31	0.159215	0.0198
Philippines	2.37	1.99	2.18	0.021903	0.9964
Singapore	12.80	1.50	7.15	0.589160	0.1213
Thailand	6.59	3.51	5.05	0.024543	2.0580
Vietnam	2.33	1.45	1.89	0.000072	262.4862

Source: RIETI

* : The trade volume is calculated as the average of total export and import volumes in 2005, 2006 and 2007 taken from DOTS (IMF).

** : GDP measured at PPP is the average of GDP measured at PPP in 2005, 2006 and 2007 taken from the World Development Report, World Bank.

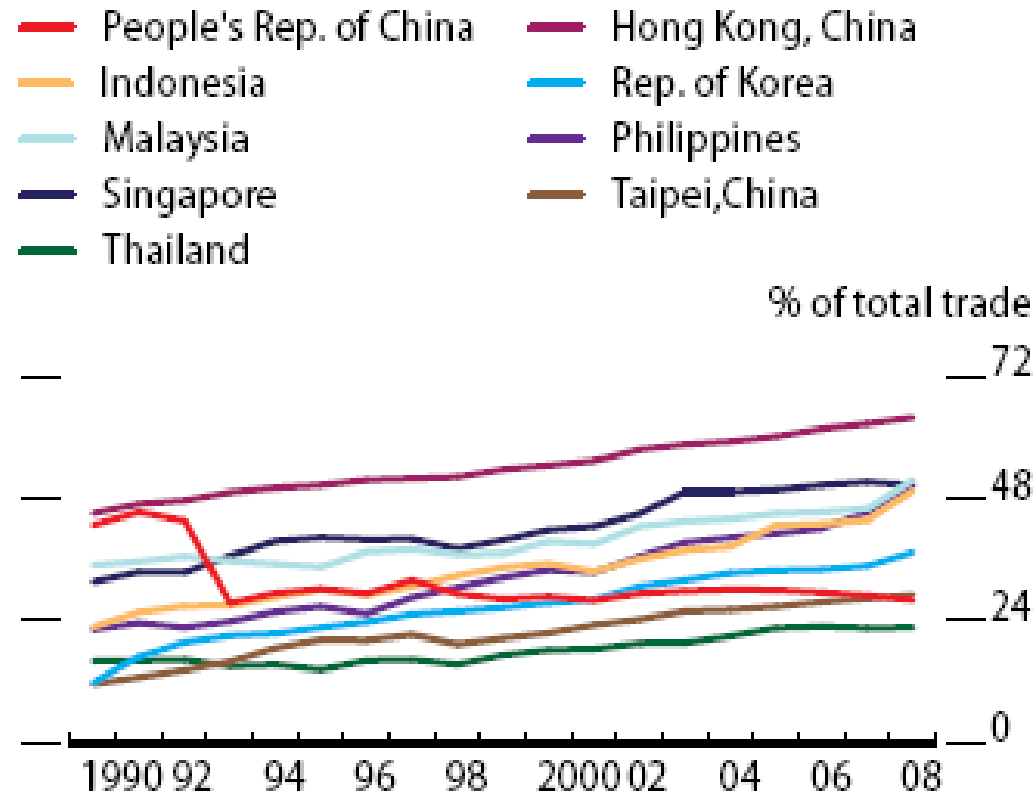
*** : The Benchmark exchange rate (\$-euro/Currency) is the average of the daily exchange rate in terms of US\$-euro in 2000 and 2001.

**** : AMU shares and weights were revised in Oct. 2009. This is the 5th version.



Significant increases in intra-regional trade

2.2.4 Intraregional trade, selected East and Southeast Asian economies



Source: ADB