



HITOTSUBASHI
UNIVERSITY



Regional Office for
Asia and the Pacific

The Future of International Monetary System for Asia

(Annual Seminar on Macroeconomic and
Financial Policy Issues)

Jointly organized by
Hitotsubashi University and the IMF Regional Office for
Asia and the Pacific

March 8-9, 2017, Tokyo

Concept Note

Asia has long been a 'US dollar zone', where the US dollar is the dominant currency for invoicing, private international and intra-regional transactions, and serves as the reference currency for exchange rate policies and as reserve currency.

The Asian Financial Crisis of the late 1990s highlighted the risks of sudden stops in capital flows and lack of access to the dollar. This severely limited its ability to import and to fulfil its debt obligations, causing a balance-of-payments crisis. Emerging market countries in Asia are not unique in that they suffer from the 'original sin' of not being able to borrow in domestic currencies, but Asia's reliance on a currency from outside the region, the issuer of which may be less willing to act as the lender of last resort, potentially raises vulnerabilities.

In response, Asian countries, individually and collectively, sought to increase their security against liquidity shortages through building up of dollar reserves and creating a mechanism to provide dollar liquidity among each other in times of need including through bilateral SWAP agreements and the Chiang Mai Initiative.

The global financial crisis (GFC) highlighted a further dimension to the risks of relying on the dollar, as the financial crisis in the U.S. constrained U.S. banks to supply cross-border credit, resulting in a sudden drying up of international dollar liquidity. Unlike in the previous crisis episodes, the liquidity shortage stemmed from the supply side, and affected international dollar users irrespective of their creditworthiness. While the Federal Reserve's swap operations with (mainly) advanced country central banks eased the problem for these countries, the operation did not extend to Asian emerging market countries.

To address these issues, some have proposed reducing the reliance on the dollar. Over the last three decades, Japan has made intermittent attempts to 'internationalize' the yen, with limited success. More recently, China is actively seeking to promote the international use of RMB, possibly positioning itself as an alternative to the dollar as the predominant international currency for Asia. The importance of RMB in international transactions has been increasing, and has led to the recent inclusion of the RMB in the SDR basket. Now, the yen and the RMB are two of the five constituent currencies of the SDR, with a combined weight of over 19 per cent. China has also been making bilateral efforts to increase the use of RMB through the creation of swap lines and encouraging the development of RMB markets in key financial centers.

This seminar will attempt to engage regional policymakers in a conversation about the future form of the international monetary system for Asia, focusing particularly on the issue of access to international currency, including in particular the possible expansion of the role of regional currencies. Questions that may be addressed are:

- * Would recent policies in the region lead to a less vulnerable system for Asia? Will the existence of a set of regional key currencies reduce risks, and if not, what needs to be done?
- * Will the regional insurance arrangements that have been constructed over the last two decades lead to reduced risks of financial crises? Given the role of the financial system in supplying international liquidity, does regional cooperation in financial regulation and supervision need to be expanded further?
- * How should regional initiatives mesh with or be complementary to global efforts?
- * What would be the future role of SDR, and could it be used more widely?
- * What would be the IMF's roles in ensuring global monetary stability?

AGENDA

Wednesday, March 8, 2017

8:30 a.m.	Registration [Prominence II, B1F, ANA InterContinental Hotel]
9:00 a.m.	Welcome Remarks Professor Akira Ariyoshi , Asian Public Policy Program (APPP), Hitotsubashi University
9:05 a.m.	Opening Remarks Mr. Mitsuhiro Furusawa , Deputy Managing Director, International Monetary Fund (IMF)
9:20 a.m.	Session 1: International Money and International Monetary System The session sets the background for discussion on the international monetary system and the state of current international debate on the direction of reform of the international monetary system. It will also look at the possible role that the SDR may play as an international currency. Chair: Mr. Giovanni Ganelli , Deputy Head of Office, Regional Office for Asia and the Pacific (OAP), IMF
	Presentation 1-1: International Money and the International Monetary System as an International Public Good (25 minutes) This presentation will suggest a framework for understanding and evaluating the international monetary system. Presenter: Professor Akira Ariyoshi , Hitotsubashi University
	Presentation 1-2: Challenges and Reforms to the International Monetary System (35 minutes) This presentation discusses the challenges facing the current international monetary system and recent reform efforts to address these challenges. Presenter: Mr. Alfred Kammer , Deputy Director, Strategic, Policy and Review Department, IMF
	Comments and Discussions Lead Discussant: Mr. Nirwan Noh , Deputy Undersecretary (Macroeconomics), Fiscal and Economics Division, Ministry of Finance, Malaysia (max 15 minutes)
10:45 a.m.	Coffee Break
11:00 a.m.	Session 2: Internationalization of regional currencies This session will discuss the possibilities and the potential merits and costs of moving away from the reliance of the dollar, by reviewing the state of the current use of currencies in international transactions, and examining past and current attempts by regional authorities to expand the use of their currencies in international transactions. It will discuss whether the development of regional key currencies beneficial for Asia, and how the internationalization of regional currencies may affect the management of Asian countries' foreign exchange policies.

Session 2 continued...

Chair: Professor Akira Ariyoshi, Hitotsubashi University

Presentation 2-1: Use of dollar and regional currencies in international transactions. (25minutes)

Presenter: Dr. Eli Remolona, Chief Representative, Representative Office for Asia and the Pacific, Bank for International Settlements

Presentation 2-2: Internationalization of the yen – where has it gone? (25 minutes)

Presenter: Professor Junko Shimizu, Faculty of Economics, Gakushuin University

Presentation 2-3: Internationalization of the RMB – where will it go? (25 minutes)

Presenter: Professor Haihong Gao, Institute of World Economics and Politics, Chinese Academy of Social Sciences (CASS)

(Brief factual/clarifying Q&A may follow each presentation.) (max 5 minutes each)

12:35 p.m.

Photo session

12:45 p.m.

Lunch [Restaurant Unkai, 3F]

1:45 p.m.

Session 2 (Continued) Comments and Discussions

Lead Discussants:

Mrs. Chantavarn Sucharitakul, Assistant Governor, Corporate Strategy and Relations Group, Bank of Thailand (15 minutes)

Mr. Dalyono, Head of International Economic Analysis and Investor Relation, Fiscal Policy Agency, Ministry of Finance, Indonesia (15 minutes)

2:30p.m.

Session 3: Regional Cooperative Arrangements to Enhance the International Monetary System

This session will discuss the progress so far in enhancing regional cooperation, and the possible need to expand cooperation beyond reserve pooling to regional exchange policy coordination and maintenance of financial stability. What would be the role of international organization, both regional and global, in this context?

Chair: Mr. Kenichiro Kashiwase, Senior Economist, OAP, IMF

Presentation 3-1: Regional liquidity support arrangement (25 minutes)

Presenter: Dr. Hoe Ee Khor, Chief Economist, ASEAN+3 Macroeconomic Research Office (AMRO)

Presentation 3-2: Regional cooperation to safeguard financial stability (25 minutes)

Presenter: Mr. Shigeto Nagai, Director-General, International Department, Bank of Japan

Comments and Discussions

Lead Discussants:

Mrs. Chanthana Neav, Deputy Governor, National Bank of Cambodia (10 minutes)

Mr. Hai An Ha, Deputy Director-General, International Cooperation Department, State Bank of Vietnam (10 minutes)

Day 1 continued...

4:00 p.m.

End of first day

6:00 p.m.

Pre-dinner cocktails [Glory Room, B1F]

6:30 p.m.

Keynote Address

Mr. Masatsugu Asakawa, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan

Dinner following the Keynote Address

Thursday March 9, 2017

10:00 a.m.

Panel Discussion [Prominence I, B1F]

The wrap-up panel discussion will draw on previous day's discussions, and could address the following topics:

- Should Asia attempt to have a key international currency (or currency basket/currency arrangement) within the region?
- What institutional mechanisms are needed to ensure monetary stability in the region?
- Should the regional focus expand beyond ASEAN+3 to encompass South Asia and Oceania?
- How should the regional architecture relate to global architecture?

Moderator: Professor Akira Ariyoshi, Hitotsubashi University

Panelists:

Professor Junko Shimizu, Gakushuin University

Professor Haihong Gao, CASS

Mr. Alfred Kammer, IMF

Dr. Hoe Ee Khor, AMRO

Dr. Diwa Contreras Guinigundo, Deputy Governor, Bangko Sentral Ng Pilipinas

12:00 p.m.

Concluding Remarks

Mr. Chikahisa Sumi, Director, OAP, IMF

12:15 p.m.

Lunch (Optional) [Lounge MIXX, 36F]

End of Seminar