

## AMU and AMU Deviation Indicators for East Asian Currencies

“AMU (Asian Monetary Unit) and AMU Deviation Indicators” are calculated by Eiji Ogawa, Faculty Fellow of RIETI and Professor of Graduate School of Commerce and Management at Hitotsubashi University and Junko Shimizu, Associate Professor of School of Commerce at Senshu University, as a part of the Project on “The Optimal Exchange Rate Regime for East Asia” headed by Takatoshi Ito, Faculty Fellow of RIETI and Professor of Economics at the University of Tokyo. The AMU is jointly organized by RIETI and Global COE project “Research Unit for Statistical and Empirical Analysis in Social Sciences” of Hitotsubashi University.

The monetary authorities of East Asian countries have been strengthening their regional monetary cooperation since the Asian currency crisis of 1997. This monetary cooperation after the crisis resulted in the Chiang Mai Initiative (CMI), which was established by the ASEAN + 3 (Japan, South Korea, and China) as a network of bilateral and multilateral swap arrangements to deal with currency crises in member countries. Under the CMI, the monetary authorities conduct surveillance to prevent currency crises in the future.

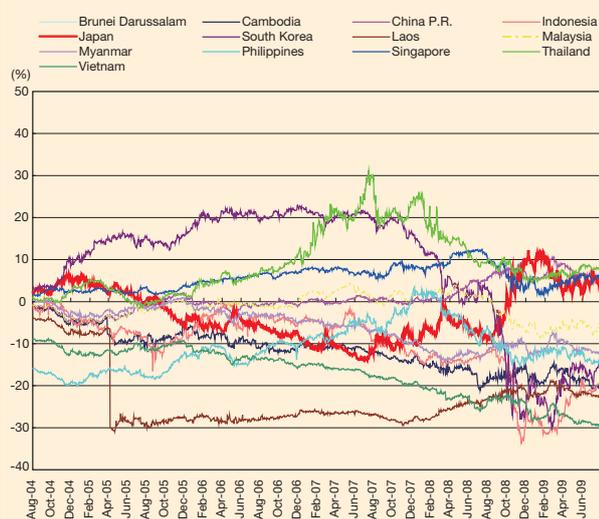
As one of the new surveillance criteria, RIETI research project “The Optimal Exchange Rate Regime for East Asia” proposes to develop an Asian Monetary Unit (AMU) and AMU Deviation Indicators for East Asian currencies. These should contribute to coordinated exchange rate policies in East Asia, thereby enhancing the monetary authorities’

surveillance capabilities. The AMU is calculated as a weighted average of East Asian currencies according to the method used to calculate the European Currency Unit (ECU) adopted by EU countries under the European Monetary System (EMS) prior to the introduction of the euro. The AMU Deviation Indicators for each East Asian currency are measured to show the degree of deviation from the Benchmark Rate for each of the East Asian currencies in terms of the AMU.

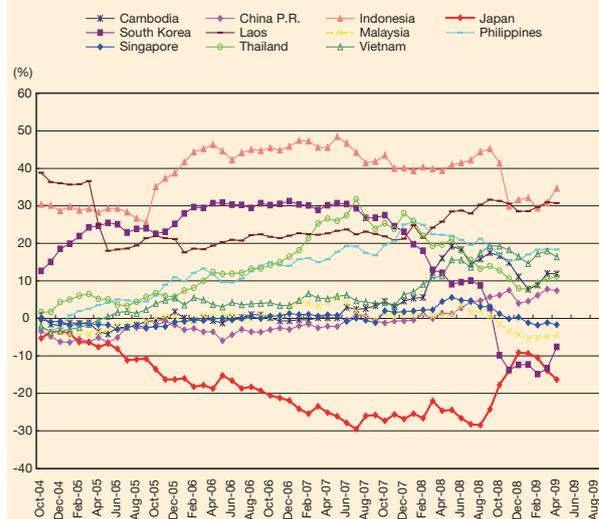
On the RIETI website\*, Nominal AMU Deviation Indicators on a daily basis and Real AMU Deviation Indicators, which are adjusted for differences in inflation, on a monthly basis are provided.

\*<http://www.rieti.go.jp/users/amu/en/index.html>

**Figure 1. Nominal AMU Deviation Indicators**  
(benchmark year=2000/2001, basket weight=2004-2006, daily)



**Figure 2. Real AMU Deviation Indicators**  
(benchmark year=2000/2001, basket weight=2004-2006, monthly)



# AMU-cmi and its Deviation Indicators become available on our website!

Following the agreement on the Chiang Mai Initiative Multilateralization (CMIM) on May 3, 2009 in Bali, Indonesia, which was to raise the amount of the CMIM from \$80 billion to \$120 billion and to strengthen the regional surveillance mechanism for monitoring the regional and global economic situation, the Project developed a new currency unit called the "AMU-cmi" and its Deviation Indicators.

The characteristics of the AMU-cmi are as follows:

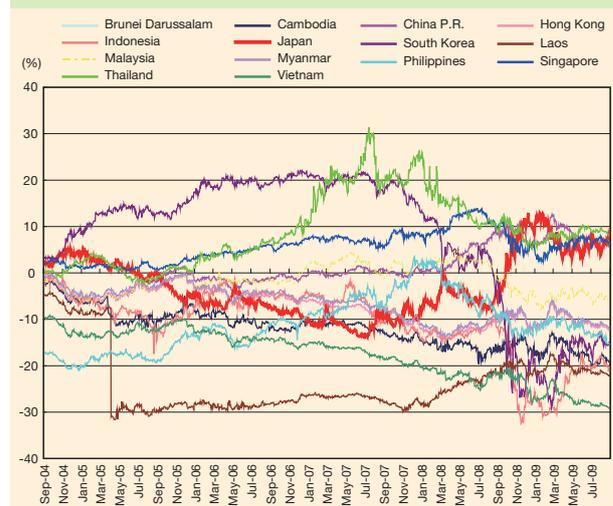
1. The basket share of AMU-cmi is based on the individual country's contribution proportion of CMIM.
2. The Hong Kong dollar participates in the composition currencies of AMU-cmi.

For more information please visit

<http://www.rieti.go.jp/users/amu/en/index.html>.

The results are available from September 1, 2009.

**Figure 3. Nominal AMU-cmi Deviation Indicators**  
(benchmark year=2000/2001, basket weight=2009, daily)



## Forthcoming Publication

Research results of FTA study group, headed by Professor Shujiro Urata, Faculty Fellow of RIETI, will be published from World Scientific Publishing in fall 2009.

Book Title: *Free Trade Agreements in The Asia Pacific*

Edited by: Shujiro Urata (RIETI/Waseda University) and Christopher Findlay (University of Adelaide)

Price: US\$95

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- Chapter 1 An Analysis of the Restrictions on Foreign Direct Investment in Free Trade Agreements (*S Urata & J Sasuya*)
- Chapter 2 Assessing the Economic Impacts of Free Trade Agreements: A Computable Equilibrium Approach (*K Abe*)
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- Chapter 7 On the Use of FTAs by Japanese Firms (*K Takahashi & S Urata*)
- Chapter 8 Impacts of Free Trade Agreements on Trade Flows: An Application of the Gravity Modeling Approach (*S Urata & M Okabe*)



### Publisher's comment

"Free Trade Agreements (FTAs) have proliferated in East Asia as regional economies rush to catch up with the rest of the world — but what difference do they make? This book answers that question by providing an up-to-date assessment of the quality and impact of FTAs in the region. Featuring a collection of papers originally written for the prestigious Research Institute of Economy, Trade and Industry (RIETI) in Tokyo, it presents contemporary analysis and insights into the evolution of recent FTAs. The book is suitable for use by trade policy negotiators, policy analysts, and people developing business strategies in organizations, as well as graduate students and researchers in the field."