



**“The Asian EMS” Could Be a
Real Breakthrough for Crisis
Prevention**

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The Roles of ASEAN+3 and EAS



- ASEAN+3 = “the main vehicle” for EAC building
- EAS = “a substantial role” for EAC building
“a forum for dialogue”

A stylized map of East Asia, including China, Korea, and Japan, is visible in the background. The map is rendered in a light blue color against a darker blue background.

MLT Concrete Measures Proposed by EASG Report Final (Nov. 2002)

- Form an East Asian Free Trade Area (EAFTA)
- Pursue a more closely coordinated regional exchange rate mechanism
- Pursue the evolution of ASEAN+3 Summit into an East Asian Summit (EAS)

FTAs and EPAs in East Asia



- (intra-ASEAN) AFTA: Jan. 2002 effective
- (ASEAN+C) ACFTA for goods
 - : Nov. 2004 signed
 - ACFTA for services
 - : Jan. 2007 signed
- (ASEAN+K) FTA: May 2006 signed
- (ASEAN+J) EPA Framework Agreement
 - : May? 2007

EU and Mercosur



- **EU**: started toward Customs Union since “EEC Treaty” in Mar. 1957
 - : Jan. 1968 completion of Customs Union
 - : now in the 4th stage of economic integration under the definition by Bela Ballasa
- **Mercosur** : started as Customs Union since Jan. 1995 and aiming Common Market

5 Stages of Economic Integration by Bela Balassa (1962)

① FTA

② Customs Union

③ Common Market

④ Economic Union = ③ + common
economic policies

⑤ Complete Economic Integration

The Asian EMS (ERM)



- Could be a real breakthrough rather than the ACU (Asian Currency Unit)
- Isolation Effects
- De-dollarisation within the region
- Preparing for the free fall of the dollar

Freely Convertible Currencies in East Asia



- ① At present: J-yen, HK-dollar and S-dollar
= only 3 currencies
- ② Immediate future: ① + K-won, NT-dollar
and Malaysian Ringgit
= 6 currencies
- ③ Several years later: ② + Thai-baht & RMB
= 8 currencies

What is needed for China ?



- RMB to become a “Freely Convertible Currency” with the major international currencies rather than to move to “Floating Exchange Rates” as an exchange rate regime