

The ASEAN currency and exchange rate mechanism task force

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The motivation for the ASEAN single currency initiative stems from the 1997-98 financial crisis, which highlighted a number of issues for ASEAN countries to consider in greater depth. It underscored the potential contagion among countries in the region and created an awareness of the need for fuller cooperation on important policy issues. ASEAN members felt compelled to explore mechanisms to avoid recurrences of the financial crisis as well as to minimise the adverse effects of any recurrence. One avenue to achieve this objective was to explore the option of promoting a more stable and durable exchange rate arrangement in the region. A common currency was considered a possible long-term objective for strengthening Asian regional cooperation.

In this regard, a study into the feasibility of establishing an ASEAN common currency and exchange rate system was one of the proposals endorsed at the ASEAN Summit on 15-16 December 1998 in Hanoi, under the Hanoi Plan of Action. Subsequently, the ASEAN Finance Ministers' Meeting in Hanoi on 19-20 March 1999 endorsed a proposal that Malaysia lead the project.

In 2000, an ASEAN Central Bank Forum Task Force was established to study the feasibility of a single currency and exchange rate system for the ASEAN countries. Chaired by Bank Negara Malaysia, the Task Force comprises ASEAN central bank officials conversant with exchange rate issues.

The Task Force of exchange rate experts from ASEAN provides a regional perspective to the common currency issue and ensures that the views of all member countries are taken into account. The Task Force provides a forum for the sharing of views, information and research among its members. It would also be an avenue for seeking external input from officials of multilateral institutions and academics.

As the first activity of the Task Force, Bank Negara Malaysia organised the "Seminar on Common Currency Arrangements and Exchange Rate Mechanisms in ASEAN" in Kuala Lumpur on 6-7 August 2001. Resource persons were invited from the International Monetary Fund, Asian Development Bank, European Central Bank, European Commission, Bank for International Settlements and (from the private sector) Salomon Smith Barney. Following the seminar, the Task Force had its inaugural meeting on 8 August 2001, also in Kuala Lumpur. The main focus of the discussions was the direction and work programme of the Task Force.

The Task Force completed the study in September 2002 and it was presented at the meeting of the ASEAN Central Bank and Finance Deputies in Myanmar in October 2002. The findings of the study were endorsed by the ASEAN Central Bank Deputies and were due to be presented to ASEAN central bank governors and finance ministers at their meetings in early 2003. However, these meetings have been postponed, so the study has not been discussed by them.