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Monetary and Exchange Rate Policies in Cambodia, Laos
and Vietnam: The Scope for Regional Cooperation

Strengthening Monetary Policy Coordination in East Asia: A Road Map

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Dr. Stefan Kooths
DIW Berlin – Macro Analysis and Forecasting

A RMU-based Strategy

- **Step 1: Harmonizing inflation targets**
 - Target rates
 - Inflation definition (core inflation, headline inflation, ...)
- **Step 2: Introduction of the RMU by ASEAN+3**
 - Establish intergovernmental accounts in RMU
 - IFIs to issue bonds in RMU
 - ADB to grant loans to member countries in RMU
- **Step 3: ASEAN+3 member governments to issue bonds in RMU**
 - Small ASEAN countries: initiating and developing active and liquid bond markets

An ACU-based Strategy (cont.)

- Step 4: ASEAN+3 member central banks to hold reserves in RMU
 - ASEAN+3 member central banks to hold a share of the *rise in their foreign exchange reserves* in RMU
 - ASEAN+3 member central banks to shift part of their *outstanding foreign exchange reserves* into RMU
- Step 5: Issuance of corporate RMU bonds
 - Lowering dominance of bank-intermediated finance (more balanced type of external financing of firms)

An ACU-based Strategy (cont.)

- Step 6: Private loans and deposits in ACU
 - For countries with capital controls, special treatment could be given to ACU business
 - Means for de-dollarizing smaller countries by giving special privileges to ACU money (tax exemptions, regulatory waivers)
- Step 7: ACU cash?