Some key perceptions

- Dollar is still dominant, but the yen's weight in global markets is relatively large, and the RMB's presence is rising rapidly.
- Internationalization of yen and RMB have been helped by supportive policies, particularly financial and external liberalization, but is fundamentally market driven.
  - Yen internationalization (esp. in trade invoicing) did not meet government expectations.
- There is a shared concern about the continuing dominance of the dollar.
  - Weak global adjustment mechanisms, regulatory gaps, and uneven safety net presents risks when combined with the hugely expanded global flows and reliance on some key international currency to support international capital flows and transactions.
- Regional cooperative arrangements attempt to fill the gap, but is still a work in progress in many fronts.
- Central bank cooperation could help in supplying foreign currencies to domestic banks.

Possible Issues for Discussion

- The costs from dollar dependence:
  - Lack of LOLR for external users
  - Spillovers from monetary policy / financial turbulence in issuer country
    - ➢ Currency volatility unrelated to own country or bilateral trade relationships
  - 'Burden' on the US and resulting potential global instability
  - → What is the critical issue that prompted yen and RMB's internationalization attempt
- Will greater 'internationalization' of yen and RMB help regional monetary stability?
- Are the internationalization of currencies from smaller economies (e.g. THB-MYR) helpful for these countries?
- Is there a role for expanded use of SDRs?
  - ➢Do you think that such an initiative will fly?
  - ➢From a regional perspective do SDRs have a merit over ACU?

- Regional and global safety net
  - ➢ Is IMF and AMRO complimentary or competitive? – The desire of members to expand the de-link portion suggests that they want AMRO to have a different set of criteria from the IMF. Is this largely symbolic, or is there a real concern that IMF will not be there when needed? Is ASEAN+3 the natural grouping, or should CMIM be expanded in its membership.