

Table 8. Steps toward Exchange Rate and Monetary Policy Coordination

Progress	Exchange Rate Policy	Institutions	Trade-Investment
Current State	Uncoordinated exchange rate arrangements	CMI; ASEAN+3 ERPD; EMEAP; Asian Bond Markets Initiative	Uncoordinated FTAs (Asian noodle bowl)
Informal Coordination (exchange rate regime coordination)	Move to greater rate flexibility vs. USD; G3-plus currency basket as a loose reference; Asian Currency Unit as a surveillance indicator	CMI multilateralization; effective ERPD by ASEAN+3 finance ministers & central bank governors; Forum for financial supervisors & capital market regulators	Coordination and harmonization among FTAs (cumulation of rules of origin within East Asia)
Formal, but Loose Coordination (exchange rate policy coordination)	G3-plus currency basket system with well-defined rules for intraregional rate stability	Independent secretariat for a multilateralized CMI & enhanced ERPD w/due diligence; Regional infrastructure for capital markets	East Asian FTA (ASEAN+3 or ASEAN+6)
Tight Coordination (monetary policy coordination)	“Asian Snake” or “Asian Exchange Rate Mechanism (ERM)”	Asian Monetary Fund; Regional financial supervisory & regulatory authority	Asian Customs Union
Complete Coordination	Asian Monetary Union	Asian Central Bank	Asian Common Market