

VoxEU: A proposal for an Asian digital common currency

This column advocates the introduction of an Asian digital common currency as a multilateral synthetic currency comparable to the euro. We argue that the benefits it would bring are greater than the disadvantages of inefficiencies in multilateral frameworks, **write Taiji Inui, Wataru Takahashi, Mamoru Ishida for [VoxEU](#)**



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East Asian economies still depend on US monetary policy

Following private crypto assets such as Bitcoin and Facebook's Libra, central bank digital currencies (CBDCs) are currently being studied among the world's central banks (e.g. Auer et al. 2020). Trial experiments have also begun in some countries, and Asia is no exception. The People's Bank of China has already begun demonstration tests and is leading the way in the world in this area. CBDC is also under consideration in South Korea, Malaysia and Cambodia. The Bank of Japan has been conducting joint research with the ECB, and at the request of the Japanese government a specialized team has been set up and a full-scale study has started. One of the merits of digital

currencies is that they can be traded cheaply in real time across national borders. With the progress of digital globalisation in addition to economic globalisation, there should be stronger interest in the realisation of digital regional and global currencies. Although trade in East Asia is currently temporarily stagnant due to COVID-19, economic integration such as building supply chains has progressed for the past half century. Financial integration, on the other hand, has been delayed. The currency used for international transactions is still largely the US dollar. East Asian countries have become more resistant to currency crises, including the enhancement of Chiang Mai Initiatives since the 1997 Asian crisis, but remain vulnerable. In particular, as the US dollar still plays the role of the region's main trade invoicing currency, East Asian economies continue to be heavily affected by US monetary policy. The introduction of a digital common currency could hence be a driving force in promoting integration, although there still remain difficult tasks.

A key quote from the article

Using current digital technology, the issuance of an Asian common digital currencies is relatively simple. We need an international organization to supply a common currency. For example, it is possible to use something like AMRO, which was established in the ASEAN+3 as the secretariat of the Chiang Mai Initiatives. One of the main roles of international organisations would be to issue Asian common currency bonds, which are backed by central banks to issue digital currencies denominated in Asian common units. International organisations buy government bonds from central banks and issue Asian common currency bonds. In this way, the issuance of Asian digital common currency would also contribute to the development of the Asian bond market. Another role of international organisations would be the production of the Asian digital common currency (ADCC) as an electronic medium and its transfer to central banks. This process would hence be similar to how central banks today receive physical banknotes manufactured at the printing bureau. The buying and selling of government bonds and Asian common currency bonds would, of course, be digital, and the distribution of electronic wallets, and so on would be done digitally, not to say that the Asian digital currency itself would of course be digital.

The full and original article first appeared on [VoxEU](#) on the 16th October 2020.

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