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POSSIBLE CONSEQUENCES OF THE ECONOMIC COOPERATION BETWEEN THE EU AND EAST-ASIAN STATES

Abstract: Taking into consideration two basic conditions which decide about the future shape of relations between the EU and East and South Asian economies, i.e.: (1) the share of mutual turnover in the total turnover of each of the markets, and (2) preparedness as well as readiness for deepening of integration in the region, leading towards introduction of a regional common currency in ASEAN, one can try to forecast the impact of such a move on mutual economic contacts between the EU and ASEAN or wider EU-ASEAN+3 or ASEAN+5. This task can be considered as the main goal of this paper. The study introduces two scenarios for the future cooperation in monetary sphere for the region: a common Asian currency and as an alternative – a common world currency.

Key words: economic cooperation, ASEAN, integration.

1. Introduction

The main goal of this paper is an attempt to forecast the impact of the introduction of a regional common currency in ASEAN. The paper consists of introduction which is followed by three merit points and concluding remarks. Section 2 presents mutual economic relations between the EU and ASEAN; section 3 gives an overview of the current stage of financial cooperation in the region; section 4 draws possible scenarios for the development of mutual relations between the EU and ASEAN based on different developments concerning the integration deepening within the ASEAN market. The final part presents the conclusions of the findings.

2. Economic relations EU-ASEAN

The ASEAN after being established has chosen the EC as first external economic and political partner. The relations, at the beginning unofficially, were established in 1972. The middleman for ASEAN was Special Coordinating Committee (SCAN). Three years later, in May 1975, a Joint Study Group (JSG) was called into life, a body composed of ASEAN and EC representatives.¹ Its task was to study the prospects of

¹ <http://www.aseansec.org/7209.htm> (accessed 2010-06-04).

cooperation between the two regions. In the next two years the mutual relations were formalized by creation of a special representation which helped to communicate with the Council of Ministers of the EC as well as with the COREPER (Committee of Permanent Representatives). In the 1980s the mutual relations were further institutionalized, and both partners moved from the political dialogue towards more concrete model of cooperation, resulting in EC-ASEAN Cooperation Agreement. That was followed by launching New Asia Strategy in 1994, and further on by a declaration that ASEAN would stay in the centre of the EU's political dialogue with third countries. The Karlsruhe meeting has marked a new turn in mutual relations, resulting in funding Asia-Europe Meeting (ASEM).

First ASEM meeting of foreign ministers took place in Singapore in February 1997. The main goal of mutual cooperation was stated as security, economic growth, development, energy safety, high technology, education and R+D. All those initiatives were strengthening the bilateral EU-ASEAN dialogue. AEMM (ASEAN-EU Ministerial Meeting) in 1997 stressed the economic potential of the two regions, coming with proposal of an AFTA-EU cooperation. A need of closer relations between companies arose, leading to networking and joint ventures. AEMM meets every 18-24 months, lasts 2 days and serves to preview cooperation in such fields as security, economy and functionality (lifting barriers in tariffs as well as in non-tariffs area). The ideas shaping further EU-ASEAN cooperation are envisioned by ASEAN-EU Eminent Persons Group (EPG). The Group consists of 9 eminent persons from the EU and 7 from ASEAN, including Vietnam. The activity of that Group is fully financed by the EU Commission. Since 2000 the economic issues between European Commission and the ASEAN on trade and investments have been discussed at ministerial (EC-ASEAN) and official (Senior Economic Official Meeting) level. It has become clear that the key problem in mutual relations between the two markets is to promote inter-regional relations, which means that actually those meetings are aimed at eliminating tariff and non-tariff barriers. This is done in the framework of TREATI (Trans Regional EU-ASEAN Trade Initiative). TREATI is considered to create ground for the future preferential trade agreement between the EU and the Asian market consisting of ASEAN+3 or ASEAN+5 states.

The idea of creation of ASEAN and EU FTA was coined as a guideline for the future trade relations between the two markets, envisioned in "A New Partnership with South East Asia" in July 2003. The mutual cooperation shaped by the Partnership Agreement reflects the experience of all former EU partners cooperating with the Commission and the EU. It is aimed at trade enhancement, cooperation on flows of capital investments, standardization in farm products and food, industrial products, as well as technical barriers to trade. Further it adds also such topics as forestry and wood-based products as well as environment issues and R+D. In April 2005 a "Vision Group" was set up by Trade Commissionaire Peter B. Mandelson.² The result was

² British Commissionaire responsible for foreign trade in the EC 2004-2008. Important person in talks with China.

preparation of two study papers which were analyzing the current relations between the two markets. The two papers have indicated that the ASEAN has emerged as one of the top priority markets for the EC.³ After the two enlargements of the EU to the East, in 2007, the Commission was authorized by the Council to begin negotiations on FTA with the ASEAN. The negotiations on FTA between ASEAN and the EU were started during the AEM (EU-ASEAN Ministers Consultations) held in Brunei Darussalam on 4th May 2007.⁴

This decision was followed in the next year (31st July 2008) by Trade Facilitation Plan (TFAP). It aims at reduction of non-tariff barriers (NTBs) creating thus trade opportunities between the two cooperating regions. Decisions in this area are supposed to be complementing the planned decisions on elimination of tariff barriers (TBs), which are negotiated bilaterally and multilaterally. The liberalization is conducted according to mutually agreed principles and objectives which show the direction in achieving value added ASEM work in trade facilitation, helping to explore common positions of ASEM in WTO⁵ as well as in WCO.⁶

Mutual trade between the two markets is asymmetric. The most current statistical data refer to 2008 and show the growing trend, but several features which characterize the mutual economic relations between South-East Asian economies and the EU have not been changed since the relations were established. Already in 1995 the ASEAN was the third largest trade partner of the EU after USA and Japan, while EU was second ASEAN's partner after the U.S. In 2008 the mentioned positions of mutual trade were still kept. The European single market had a deficit on current account in relation to ASEAN, as well as ASEAN+5 markets. EU deficit in trade with ASEAN in 2008 was 22.32 billion euro. ASEM accounted for 30.6% of the EU 27 imports (474,642.0 million euro) and 18.2% of the EU exports (237,848.1 million euro⁷). The deficits occur in most of the product groups, except for chemicals and other products, where the EU enjoys a small surplus. Surplus also occurs in trade of services, here the balance is favourable for the EU. Also a surplus is seen in FDI capital flows. EU 27 members export more capital to ASEAN than they import from that region. According to Europe Press release the turnover between the two markets in question have increased since 2000 till 2006 by 7 billion euro mounting from

³ *Global Europe, Competing in the World*, Commission Staff Working Document, Commission of European Community, Brussels, 4 October 2006, SEC 2006 1230.

⁴ <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/asean> (accessed 2010-06-05).

⁵ WTO – World Trade Organization, called into life in 1995.

⁶ WCO – World Customs Organization, established officially by 17 funders in 1952, but its first meeting was held in 1953. Today accounting for 176 members and since 2007 additionally the EU. It is an intergovernmental organization, located in Brussels and established to control the implementation of the GATT/WTO decisions.

⁷ *Rank of Asian ASEM countries in European Union trade (2008)*, Eurostat (Domtext, statistical regime 4).

Table 1. Priority topics and countries engaged

| Priority | Facilitators | | Details |
|-------------------------------------|--------------------|-----------------|--|
| | EC or MS | ASEAN country | |
| Standards and conformity assessment | EC | Thailand, Korea | In supporting and enhancing the ongoing cooperation between standards, testing, certification and accreditation bodies, the TFAP will aim at: (1) enhancing exchange of information among standards bodies and establishing national contact points as appropriate; (2) promoting and facilitating the alignment of domestic standards of ASEM partners with international standards; (3) promoting simplification and transparency in standards and certification information and procedures, drawing on electronic media where appropriate; (4) exploring possible common positions amongst ASEM partners in relation to the work of international standards bodies (ISO, IEC); (5) preparing for eventual promotion of technical mutual recognition agreements; (6) encouraging cooperation in the promotion of technical and institutional capacity-building relating to standards, testing and certification. |
| Quarantine and SPS procedures | EC and Netherlands | Thailand, China | Considering ongoing work in other fora, the TFAP would promote: (1) simplification and rationalization in procedures and documentation considering international best practice; (2) enhancement of transparency through the timely and accessible availability of information, drawing where appropriate on electronic media. |
| Intellectual property rights | EC and France | Thailand | Considering the ongoing work in other fora, the TFAT would promote: (1) a broad-ranging dialogue among ASEM partners on IPR-related issues; (2) an enhanced understanding of application of intellectual property rules in both the public and the private sector. |
| E-commerce | EC and Finland | Korea | Activity in this area will particularly aim at: (1) supporting and enhancing the e-commerce transactions between Asia and Europe, by identifying and reducing the difference in existing regulations and standards which hinder Asia-Europe transactions and thus prepare the ground for common standards between Asia and Europe; (2) on the basis of the results reached in this area, providing discussions in other international for e-commerce; (3) identifying ASEM operation measures to promote more reliable and secure e-commerce transactions, including issues of authentication, certification, privacy protection and others; (4) organizing a seminar on e-commerce and logistics; (5) exchanging experience on the influence of the e-commerce on business activity, in particular SMEs; (6) involving the private sector in the discussion on the e-commerce, particularly through the Asia-Europe Business Forum (AEBF); (7) identifying those IPR measures which could be used as well in the context of e-commerce; (8) developing a uniform standard system on e-commerce statistics among ASEM partners, to effectively evaluate the e-commerce transactions between Asia and Europe; (9) strengthening the capacity building in both public and private sectors, by providing training programmes on trade administration for government officials and programmes on application of the e-commerce to businessmen. |

Source: own arrangement, based on Trade Facilitation Action Plan (TFAP) – 31 July 2008.

42 billion in 2000 to 49 billion in 2006. Imports in the same time have increased by 4 billion euro, from 75 billion to 79 billion euro.⁸

Generally the gap between imports and exports in favour of the ASEM economies seems to be one of the characteristics of the EU-Asia economic cooperation. With increase of the production capacities in the Eastern and Southern Asia the value of mutual turnover increases. A new occurrence observed in the two partners is that the South-East Asian economies have a problem with quickly growing reserves of foreign currencies (mainly U.S. dollars and European euros). Both currencies recently have lost in value, what decreases the real value of stocked reserves. Attempts made to restructure the reserves, increasing the share of gold and other currencies, pull down the value of both currencies which play main role in the reserves of all economies, and push up the value of gold which also plays important role in the reserves but at the same time is used as a raw material for production and plays important role in jewellery production. Finally, it increases the value of reserves in those countries which keep high share of gold in their reserves, that is: US, Germany, IMF, France, Italy, China, India, EBC and Russia.

Table 2. Highest reserves in gold

| Reserves | Quantity in tons | Share in total value of reserves in % |
|--------------|------------------|---------------------------------------|
| USA | 8133.5 | 78.9 |
| Germany | 3412.6 | 71.5 |
| IMF | 3017.3 | – |
| France | 2487.1 | 66.5 |
| Italy | 2451.8 | 6.5 |
| China (ChPR) | 1054.0 | 6.0 |
| India | 557.7 | 6.0 |
| EBC | 536.9 | 23.7 |
| Russia | 523.7 | 4.0 |

Source: IMF, <http://www.imf.org/external/np/exr/facts/gold.htm>.

The highest currency reserves are stocked by China, Japan, EBC, Russia, Taiwan, India, South Korea, Hong Kong and Brazil.

All mentioned countries with high currency reserves are interested in an increase of the value of the currencies in which their reserves are denominated. Increase of value of the reserve currencies is also in interest of those countries who use those

⁸ Europe Press release, EU-ASEAN Summit, A 27 trade deficit of 30 billion euro, Eurostat Press Office (2010-06-04).

currencies as a means of payment. Increase of value of the currency cannot happen in result of political decision. It can be resulted by traditional measures (known from the economic theories) which foster appreciation, i.e. Balassa-Samuelson effect. Appreciation of currencies of developed market economies works in favour of opening their markets, which can result in a further increase of current account deficit. On big scale the results of such policy can be observed in case of the U.S. economy, where the current account deficit in 2010 has reached the value of US\$ 419.9 billion (what makes 3.3% of the GDP in 2010). On a smaller scale a deficit is experienced in the EMU market where the current account deficit is estimated in 2010 for US\$ 63.3 billion.⁹

Table 3. Highest reserves in currency

| Country or organization/ institution | Value of reserves in US\$ | Month in 2009, when the value of reserves was announced in 2009 |
|---|------------------------------|--|
| China (PRCh) | 2273 | September |
| Japan | 1019 | June |
| EBC | 531 | February |
| Russia | 429 | October |
| Taiwan | 321.09 | April |
| India | 285.5 | October |
| South Korea | 264.2 | October |
| Hong Kong | 240 | November |
| Brazil | 235 | November |
| Germany | 184 | September |
| Singapore | 182 | September |

Source: IMF, <http://www.imf.org/external/np/sta/cofer/eng/index.htm>.

Institutionalization of mutual relations increases the institutional and system competitiveness, improves thus the access to the two markets for exporters from both sides. Further the mutual relations and aid in imposing standardized quality and law regulations help to increase both export and import capabilities, which increases mutual turnover¹⁰. This is resulted by upgrading of the offer which matches the requirements of the developed economies as well as increases the potential

⁹ Economic and financial indicators, *The Economist*, 15 May 2010, p. 102.

¹⁰ S. Eisen, A. Benett, European Union should limit appreciation of euro, Mundell says, *Bloomberg Businessweek*, Wed. 6. Oct. 2010; J. Decressin, E. Staviner, RGE Monitor-EuropeEconoMonitor, 8 January 2008. IMF (www.imf.org/external/np/vc/2008/010808.htm). Trichet says “Yuan appreciation against Euro. Not what we would have hoped”, October 5, 2010, Bloomberg, www.bloomberg.com.

consumption in the Asian markets. Thus the changes are profitable for both partners from the two regions. Turnover after harmonization of institutions and laws, as well as implementing full liberalization within FTAs agreements and use of e-commerce will result in further enhancement of the mutual turnover.

Partly the external trade with such markets as the U.S. and EU will be replaced by local market trade. Similar solution was experienced within the EU widening and deepening of integration. Now the EU internal share accounts to 53% of the markets total turnover.

3. Financial cooperation in the ASEAN region

In 2007 the ASEAN states decided to create an internal market with four liberties of industrial goods transfers, services, capital and labour free movement among national markets, like the Single European Act made it in EC in 1997. The plans to do so are spread over the period of 13 years, i.e. till 2020. This decision is accompanied by the development of financial cooperation in the region. On the one hand it can be interpreted as a preparation to introduction of a common Asian currency for the region, as it was done within the Maastricht Treaty in the EC followed by creation of EMU in 1999. On the other hand, financial integration and cooperation in the region are measures which upgrade and in a way unify the applied solutions, making the national currency, banking and financial regimes more compatible one to another.

Attempts made previously to extend consensus-based community ideas for Asia free trade area and Asia Monetary Fund have fallen by the wayside for a similar lack of will. The 1997-1998 Asian financial crisis has pushed forward the monetary coordination and cooperation in South-East Asia. Cooperation in macroeconomic area covers different fields and forms. The most frequent measures used here are the following:

- information sharing and surveillance,
- liquidity provision,
- exchange rate coordination.

When we look at the South-East region, we notice the biggest achievements in the area of liquidity provision, which was the result of Chiang Mai initiative (CMI) as well as of multilateral intra-Association of South-East Asian Nations (ASEAN) currency swap agreement among the ASEAN+3 countries, known as Asian currency swap arrangements (ASA). A growing number of bilateral currency swap agreements were already formalized. This was also supported by bilateral swap arrangement (BSA). Transactions here embrace the ASEAN+3 countries. They create specific framework for the regional financial support.

ASEAN states have also proposed a multilateral reserve sharing arrangement which can be considered as a solution increasing flexibility of the financial market of the region. This solutions means that the ASEAN 10 states can use temporarily more currency than the stocks of their currency reserves. The introduced solution

falls into category of pooling and sharing currency reserves. It makes sense in case of macroeconomic indicators control, with a specific regime applied of requirements resembling the convergence criteria in EMU, control and punishment regime. Such solutions are still missing in the ASEAN. Moreover, there are economies with relatively high reserves and small ones. Such discrepancy, not supported by real control regime, creates conditions for free riders in the ASEAN.

The CMI is considered to be a milestone in institutionalizing the monetary and financial cooperation in the region. Nevertheless, a number of transactions introduced by the CMI and the ASA are not being applied. This includes transactions of borrowing or repurchase agreement (repo).

The solution which enables resource pooling and sharing is strongly linked with the potential of multi-dimensional lateralization.¹¹ The applied solution is at the same time pooled and decentralized system of resource provision. A multilateral facility seems to be a by-product which supplies the Asian capital market with capital for states which do not have access to money under the limited bilateral framework. The introduced arrangement changes financial cooperation in two ways. On the one hand, it enforces cooperation in the area of assets, which is achieved by “pooling the reserves”. On the other, it enriches cooperation in the liability side of the thirteen monetary authorities (borrowing). The solution is based on “constructive engagement”. A specific degree of fairness is achieved by the use of a principle: “to give and take”, which in its way can be considered as a logical base of the introduced system.

“Pooling reserves” in practice means “more capital” available for the team of countries participating in the arrangement. The money can be used for intervention, under the condition that countries are able to use their deposits located in other central banks. The liquidity increases by placing deposits in other states reserves. In real terms the total amount of capital does not grow, but in practice it creates opportunities for smaller states which do not accumulate high reserves. In other words, the system enables redistribution of reserves from the North-East region of Asia to smaller economies, located in South-East part of the Asian continent.¹²

In specific cases, when a country will need more money than those deposited and available in other central banks, increased by borrowing lines offered in the system, a third tranche can be used to rescue the exchange rate. It can take two different forms: either in decentralized manner or a more centralized one. In decentralized conditions size of swap could be increased under the condition of backing such grant by “hot money outflows”.¹³ This in practice means that the money available under the second tranche is increased. In case of choice of a more centralized “reserve-

¹¹ *Monetary and Financial Integration in East Asia. The Way Ahead*, with contributions from P.J. Montiel, O. Chaipravat, E. Girardin, T. Ito, Y. Chul Park, Palgrave Macmillan, Asian Development Bank, New York and Basingstoke 2004, Vol. 1, pp. 99-112.

¹² *Ibidem*.

¹³ *Ibidem*.

pooling” solution the transfers can be shaped in different forms. No matter which of that form is used, they have all a common element which gives the regional reserve distributing authority the right to take decisions on redistribution of the money, as well as monitoring how they are used. It can be labelled as the “Asian model of multilevel governance”.

Such a solution was considered to bring mutual confidence in the region. It established cooperation ties between the central banks of the states located there. It also created conditions for exchange of experience among the central banks, moving the region from fixed exchange rates regimes, towards more market-oriented solutions, which should end with full float of their exchange rates.

The crisis of 2007+ has exposed the system to a new challenge. In most cases the national currencies were devalued, except for the Chinese renminbi, Japanese yen and Korean won. Such moves were showing that the “pooling reserves” solution introduced is a “half way” to some more advanced methods of cooperation. Disparities in movement of the exchange rates in the region indicate that quickly growing economies enjoy high rate of increase of their reserves and appreciation with further opening of their economies, while weaker economies acted in opposite manner which was based on national approach to their exchange rates, what resulted in devaluation and protection.¹⁴ The fall in value of the currencies in the region was caused by the peg to US\$ which was also losing value. The fixed (read: the dollar-peg) regime was dangerous to those economies in the context of their trade with China. Chinese currency in this period was slowly gaining in value. In order not to lose neither Chinese nor Japanese markets, most of the countries in the region decided to go further making their currencies more flexible in their exchange rate solutions.¹⁵ Studies on currency regimes conducted for the region show an existence of a yuan bloc, as far as reactions of the exchange rate of the currencies are concerned.¹⁶ The average score in 2003 for the Asian currencies was 0.85, for seven years it has dropped to 0.75. This proves that some changes are introduced in the region. They take into account the 1997 experience, which is followed by the lessons

¹⁴ K. Żukrowska, Współpraca państw Azji w zakresie polityki monetarnej, [in:] B. Skulska (ed.), *Integracja Azji Wschodniej. Mit czy rzeczywistość?*, Prace Naukowe Uniwersytetu Ekonomicznego nr 67, UE, Wrocław 2009, pp. 89-102.

¹⁵ Asian currencies. Chips off the block. Currencies around Asia are more flexible than you think, *The Economist*, 2 June-11 June 2010, pp. 79-81.

¹⁶ *The Economist* quotes several studies: Ilia Patnaik from National Institute of Public Finance and Policy in Delhi, Messrs Frankel and Wei, all followed the method used before by Michael Dooley of University of California, Santa Cruz and David Folkerts-Landau and Peter Garber of Deutsche Bank. All the studies have shown that the dollar standard prevailed in most of the region. It was functioning in similar way as the Bretton Woods regime based on fixed “dollar parities”. New studies show that Asian currencies slowly depart from that regime. They indicate that the Asian currencies are following the value of main world currencies like: the dollar, euro, yen and pound. The studies put a score to each country evaluating their exchange rate regimes. Results close to 1 mean a fixed rate regime, while further from that point, more flexible system.

gained during the current crisis as well as taking lessons from the solutions applied in East Central European economies. The East European states moved slowly to more flexible regimes, where the value of exchange rate was more and more driven by market forces, which have replaced gradually political decisions in this area. Nevertheless, such model is not followed by all the economies in the region. Since 2008 the Chinese renminbi has not moved up, while the remaining currencies first lost in value to gain later.

The CMI is a first step towards closer economic and financial relations in the region. There is no doubt that introduced solutions bring confidence into the region and help to enrich the variety of transactions which are concluded there. The capital market is in the phase of rapid development, preparation for FDI flows, followed by the development of banking and financial system. All those moves can be considered as a precondition for further opening of the markets towards more intensive competition.

4. Scenarios concerning development of integration in East and South Asia

Often specialists on South-East Asia call it “a region which it never was”. On the one hand it means relatively low level of integration with big disparities of development and differentiated interests, while on the other it shows that South-East Asia is following the European pattern of integration and in general it gravitates towards more developed markets like the EU or U.S. and Canada. All this results – according to D.M. Jones and M.L.R. Smith – in “continuity of differences over what form regional economic cooperation should take.”¹⁷ This opinion is supported by the following facts given by the authors of the quoted publication: “the most recent exercise in ASEAN, the ‘Bali Concord 11’, declared in October 2003, envisaged an ASEAN community built on three pillars of political security, economic and sociocultural cooperation. Significantly the Concord merely reinforced and updated the Treaty of Amity and Cooperation of 1976 that had failed to integrate the region in the past. Clearly, the putative political community is funded on a principle of non-interference. Its economic integration, despite the introduction of ‘new mechanisms’, remains consensus-driven rather than rule-driven. What is more, the Concord does not foresee an integrated economic community emerging any time before 2020 (ASEAN Secretariat 2004). Even for slow moving ASEAN, a decade and a half is a long time in international politics”.¹⁸

One of the scenarios of future financial development of the region can be focused on an idea of introducing own Asian currency. The initiated economic and financial cooperation can be interpreted as moves bringing closer such a solution.

¹⁷ D.M. Jones, M.L.R. Smith (eds.), *ASEAN and the East Asian International Relations. Regional Delusion*, Edward Elgar, Cheltenham, UK, and Northampton, MA, USA, 2006, p. 157.

¹⁸ *Ibidem*.

The second scenario can be constructed on the idea that the world is preparing to a single world currency, i.e. world monetary union. Such a vision treats the current stage of financial cooperation in the Asian region as an intermediate step towards more global solutions.

The two scenarios presented above can be supplemented by some other visions, among others a dissolution of the introduced system of cooperation, further enlargement of the region, gravitation of individual markets towards more developed economies of the U.S. and Canada as well as the EU, etc.¹⁹ Attempt to dwell on all the scenarios seems to be unnecessary or even useless. It makes sense to concentrate on the main consequences of the two first scenarios, which seem to be the most probable to be implemented. Such an approach can also be considered as a guidance, which can be helpful in selecting the most probable scenario for the future.

The first scenario of regional currency seems to be a very tempting one. It requires deepening of integration in the region, it constructs frames for regional cooperation, where richer states can support the poorer ones. Nevertheless, there are three big weaknesses that could be found in case of such a scenario coming into force. The first is that economies develop faster and in more effective way when the cooperating (read: integrating) partners are diversified in their development level. Second, the catching up economy goes through a phase of appreciation of its national currency, what makes exports difficult. The third thing is that at the same time the developed economies, being in the stage of post-industrial development, which results in growing deficit on current account, and further on in depreciation of their currency, are protected by the weakening exchange rate of their currencies. This means that a regional currency with gaining exchange rate caused by appreciation will create problems for the exporters by limiting their competitiveness. On top of that mechanism competitiveness of exports from Asian market would be weakened by depreciation of national currencies of the importers. The two mentioned mechanisms make the project of Asian regional currency an obsolete idea.

The second scenario advocating the common world currency shows that the fallacies of the former scenario can be overcome, although some other problems will emerge. Those are: (1) how to control effectively the national fiscal policies of the world monetary union members?, (2) who will be responsible for the monetary policy, what impact on such decisions will stay in national hands? (3) who will decide about the accession to the world monetary union and on what conditions this selection will be done? (4) what type of conditionality should be applied here to make the system in construction stable and safe?

¹⁹ The EU negotiates free trade agreements with several states from the region, enough to mention South Korea and Singapore. Moreover, the US has signed free trade agreements with Singapore (6 May 2003 and ratified on 31 July 2003). An FTA US-Korea was signed in June 2008 and is still in the process of approval in the Congress. This free trade agreement was preceded by Framework Agreement on Trade and Cooperation, which entered into force on 1 April 2001. It is considered that the US-Korea FTA can be used as model agreement on liberalizing trade between the US and remaining economies in the region.

There are some other questions and doubts. The list of them is long. There is no need to reject such arguments against single world currency as asymmetry of cycles or one interest rate which fits all. Practice shows that cycles by WTO liberalization became symmetrical. As far as the “one size fits all” case the problem will be solved when changes will be introduced to the fiscal national policies concerning both the revenues as well as spending. Some specific mechanism should be adapted here to enable stable functioning of the state with its obligations independently from the current rate of growth of the GDP. This is not an easy task but solutions can be found in the mechanisms applied in the EU budget general or looking closer to the Canadian solutions as well.

5. Summing up conclusions

It is very difficult to predict precisely what will happen in the Asian region and what their currency cooperation will look like. The moves made there until now show interest in regional cooperation in both dimensions: deepening and enlargement. Deepening means that in addition to traditionally applied measures of liberalization like customs tariff reductions also harmonization of laws and institutions is introduced, followed by some solutions concerning capital market formation. All this is supposed to lead to creation of an internal market in Asia with four liberties. Widening means that a growing number of economies are included into the cooperation. The bigger growth disparities among the cooperating partners, the better results of integration. The study introduces two scenarios for the future cooperation in monetary sphere for the region: a common Asian currency and as an alternative a common world currency. It provides also with arguments in favour of the two scenarios showing the one which is more advantageous to all main economic players in the world economy.

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MOŻLIWE SKUTKI WSPÓŁPRACY GOSPODARCZEJ MIĘDZY UE A PAŃSTWAMI AZJI POŁUDNIOWEJ I WSCHODNIEJ

Streszczenie: Biorąc pod uwagę dwa warunki decydujące o przyszłych stosunkach między UE a krajami Azji Wschodniej i Południowej, tzn.: (1) udział wzajemnych obrotów w obrotach ogółem obu rynków; (2) stan przygotowania oraz gotowość do pogłębiania integracji w regionie, prowadzącej do wspólnej waluty regionalnej w ASEAN, można starać się prognozować takie posunięcie i jego znaczenie dla wzajemnych kontaktów między UE i ASEAN albo szerzej UE-ASEAN+3 lub ASEAN+5. Opis przyszłych rozwiązań tu zastosowanych można uznać za główny cel tego rozdziału. Analiza przedstawia dwa możliwe scenariusze dla przyszłej współpracy w sferze polityki monetarnej w regionie: wspólną azjatycką walutę lub, jako alternatywę, walutę światową.