

Abstract

In this paper we argue that the three countries in East Asia should make joint efforts to achieve a long-term goal of currency union. We also argue that in order to achieve this long-term goal, the three countries should conduct exchange rate policy coordination based on the medium-term exchange rate target range of each country. Exchange rate policy within a country is closely related to its inflation targeting, and the government authorities should make sure that these two policies be consistent with each other. In each country it is the ministry of finance that conducts exchange rate policy whereas it is the central bank that strives to attain the inflation target. Therefore, we argue that the ministry of finance and the central bank should coordinate these two policies for the nation before the three countries coordinate their exchange rate policies for the region.