

Need of A Common Asian Currency In Context of The New Economic Circumstances Arised After Brexit

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Abstract

Objective: This paper discusses about the international currency and gives an idea about having a new single currency for the entire Asia. It then goes on to explain the structure and the functioning of this new currency.

Methods: Step by step working on how this new currency would function. All exceptions are kept in mind while finding a proper methodology for this to work smoothly.

Findings: From this analysis, we are certain that Asia would be the most suitable continent for initially experimenting this system as it is an evenly structured socio-economic territory.

Conclusion: We conclude that this new system would benefit Asia in a number of ways, would boost its economy and may present a role model for other continents.

Key words: Brexit, Asia, New Economic Trends, Emerging Economies, International Currency, Dollar, Euro and EU.

1. Introduction

As we all know **Brexit** was a significant activity in recent economic trend in the world and the experts and think tanks are still observing its impact on the world market and the economy [1]. This article talks about what should be done in Asia to make its future prospects brighter and promising.

2. History of the international currency

As evidence suggests, the first world wide accepted currency was the **silver Spanish dollar** which was used in the 17th and the 18th centuries. Over these centuries, the Spanish dollar maintained the supremacy as international currency because of its coins' quality and purity. Later on, in the 19th and the 20th century, **gold** itself became the first global currency in real terms, because most of the national currencies at that time were made of gold. The only difference was in the weights from one national currency to another. Gold maintained the seat of international currency until the **First World War**, which shattered the supremacy of gold. Before 1944, the **UK Pound Sterling** was the world's reference currency [2, 3]. After the Bretton woods conference of 1944, the **US dollar** became the international currency which could be exchanged for a fixed amount of gold. In 1971, when the collapse of the fixed exchange rate regime took place, the supremacy of US dollars was challenged as the currencies around the world were no longer pegged against the US dollar. But even now, most of the international transactions are conducted using the US dollars because the US economy is the world's largest economy [4]. Moreover, dollar has also been the world's principle reserve currency. **The dollar accounted for approximately two-third of the world's foreign exchange in 1996.**

The **impact of dollar is so strong** in some countries like **Ecuador, Panama and El Salvador** that they **have eliminated their own currency** and are fully dollarized economies now.

The United States dollar faces two challenges as a world currency:

- The **Japanese yen** has been used increasingly as an international currency since the 80s, however its usage slowed down following the Japanese recession in the 1990s.
- There is an **increasing rivalry between the euro and the dollar** in international finance. Table 1 shows the most traded currencies in the world by value.

Just like the dollar, some of the world's currencies are pegged against the euro. Recently, euro had been the currency which was being circulated more than dollar, but after Brexit, it will be facing a serious challenge and may lose its importance [1].

Table 1. Most traded currencies by value as of December 2015

RANK	CURRENCY	SYMBOL	% DAILY SHARE
1	United States Dollar	USD	87.0%
2	Euro	EUR	33.4%
3	Japanese Yen	JPY	23.0%
4	Pound Sterling	GBP	11.8%

Source: <http://bytefreaks.net/other/most-traded-currencies-by-value-december-2015>

3. Need for international currency and foreign exchange reserves in any country's treasury

International currency is needed to meet the international payments against export and import and international commercial debts, and also to make equilibrium between the currencies of different nations. The foreign direct investment is another reason for which international currency is needed [5].

The first and the foremost reason to maintain the **foreign exchange** is to meet the fiscal shocks at the time of any economic crisis. Moreover, it is an important tool used by the countries by the functioning of their central banks to maintain the external value of their own currency at fixed rate. On secondary level, the foreign currency assets are usually invested in instruments abroad, especially those which have the highest credit rating, though on the other hand do not pose any credit risk, like sovereign bonds, short term deposits, treasury bills in top rated global banks. The requirement of foreign exchange as reserve is always needed by any currency to cover imports for at least six months or more and at least 200 percent of short-term debts [6]. Basically, the main purpose of keeping foreign exchange reserves is to protect the countries against potential crisis.

4. New changes that can be conceptualised regarding the foreign exchange reserves and the international currency

After the **Second World War**, the Bretton Woods system was introduced however, it wasn't the perfect system and so other usage system took place. As a result, dependency on the international currency which was originally the currency of the United States increased. All the countries started preserving US dollars in their treasury. Now, what is required is that the countries liberate themselves from such pressure and their dependency on US dollars [4]. **But no one is coming out with any alternative arrangement.** The circulation of euro in Europe as a universal currency was successful for some time but their political differences weakened the importance of euro and many of them are still depending upon US dollars.

On the other hand, **in Asia, we do not find such serious tussle.** Though there are discomforts among the nations in Asia, the socio-economic as well as the cultural threads are amply strong. So the economic, social and political understanding among most of the countries in Asia with strict, transparent and clear view may change the situation and **Asia might be the best place to start and experiment a new continent based currency system.** This would be beneficial not only for the Asian countries but also for the United States whose currency is being used as an international currency.

5. Asia- the social, economic, cultural, religious and lingual inter-threads

Asia is a multilingual, multicultural and a multi religious continent. But, it has an inner thread which unites the Asian countries through their culture. **Asia is the birth place of almost all the religions** & they are being practised irrespective of national boundaries [7]. Religion and culture are so closely inter linked that people can easily understand one another irrespective of belonging to the same country or two different ones.

Being the largest continent, **Asia is the home of 60% of the total population of the world. About 4.2 billion people are the natives of 51 different countries in Asia.** As historic evidence suggests, Asia was the largest economy

since the very beginning, and Asia is still the fastest economically developing region and also the largest economy by GDP and PPP in the world.

6. Need of a common currency in Asia

There is a **need of a common currency** which can easily be circulated and accepted in the entire Asian region for trade among the Asian countries. Although, such a thing has never been considered in the past, yet it's the need of the hour to ponder over the current situations and give this vision its due importance. Once this idea comes into existence, most of the Asian countries would welcome it without much hesitation as the trade among them would become much easier and **their dependency on dollar would be minimised**.

7. Single world currency and its drawbacks

An idea of a world with a hypothetical single global currency, also known as the super-currency had been proposed, which would be produced and managed by a central bank around the world. People advocating this theory have a view that this would end problems of inflation, which has drastic effects on the economy. Also such a currency would encourage foreign direct investment. However, this sort of a single currency world will have its own complications [8]:

- No country would be able to use devaluation to boost the economy of their respective country. Hence putting an end of the exchange rate as an economic policy tool.
- There needs to be a high level of co-operation in such a union to deal with unprecedented shocks, for example an oil shock which might just have an impact on any particular country.
- It would be difficult to set interest rates according to the financial situation of each and every country, for example, countries facing a recession need lower interest rates than the countries which are not.
- There is an extra cost involved in maintaining and providing a single currency throughout the world. A poor management of the supply of money would most likely lead to a state of deflation.

Hence, the idea of a single world currency is not only impractical but also somewhat impossible.

8. Concept of a new Asian common currency and its benefits

Considering the socio-economic facts in view of cultural and religious deep-rooted integrity we are presenting a new idea of a common currency which would be accepted by all 51 countries in Asia.

This idea may further be spread to or accepted by other continents if it is broadly successful in Asia. Now let us discuss the practical possibility of this concept:

- The trade between any two countries of Asia would be much easier because if the common currency would be in existence, **there will be no need for a via-media currency like dollar**.
- The payments of the trade **would not be affected** by the volatility of the dollar. For example, say India imports coal from another nation in Asia, Indonesia and the total period of import is twelve months classified in four sets of fifty shipments each. Say, the exchange rate of Indian rupee weakens in comparison to US dollar than it was earlier, then India will have to pay a higher amount to import the same quantum of coal. Hence, imports will be costly. On the other hand, if we have a single currency for Asia with a fixed exchange rate, there would not be any impact of dollar on the transactions among the nations in Asia and the payment would be the same for the entire year.
- There would not be any socio-economic rift between the countries of the same continent as **no country would feel its economy weaker** because of being fixed exchange rate.
- There would be a **sense of integrity** among the countries of the same continent because having a fixed rate, a skilled worker of a particular country may work freely in any other country in the continent without any fear of experiencing economic dissatisfaction as the wages would not be affected by the volatility of dollar.
- The development and the growth would be very fast and rapid of all the countries under this system. Eventually, the **differences in the economic statuses of the countries would minimize being under the same common currency**.
- There might be a possibility that the **religious differences may minimize**.

9. Structure and functioning of the new currency, "ASIO"

Let us consider a hypothetical situation where maximum countries of the Asian continent have decided to have a common currency named "ASIO". Now, let us throw some light upon the establishment of this new currency (Designing & Manufacturing, Organising, Managing, Governing, Backing, Circulation, General reserve in the treasury of governing body, Reserves in treasuries of member countries, Sustainment & Monetization into gold).

Governing-There should be a board or a governing body in which the representatives of all the countries belonging to the Asian continent should be members. These members should essentially belong to economic and financial background and should have the required expertise. This body would decide the value of each country's currency in terms of this new currency Asio, on the basis of the purchasing power of the currencies that prevail in each country's market at that point of time.

Exchange-The exchange rate should be fixed and should not be changed at least before three years. This would help the other countries to save their market from volatility and inflation. After every three years there should be a meeting of experts to revalue the exchange rate depending upon the change in the size of trade and the purchasing value of the currency of member countries.

Designing, Minting and Printing- Asia is a multi-cultural, multi-lingual and multi-religion continent where all religions like Hinduism, Buddhism, Jainism, Islam and Christianity are practised apart from other religions. So the design of this new currency should have the symbols of these religions and a common mark which should easily be recognized. This would end the religious differences among the countries as all religions would be given their due importance. The new currency should be printed on a high quality paper that cannot be duplicated. Some specific standards should be constituted and designed by the governing body for maintaining the secrecy of printing and minting. The governing body should also constitute a non-aligned place where the minting and printing facility should be established with proper security regarding Asio.

Expenses-The expense of making this currency should be distributed on pro-rata basis depending upon the financial resources of the member countries.

Proper use/Circulation of Asio- Asio should only be used for international trade purposes among the member countries and should not be allowed for international trade beyond the continent until or unless the other continents agree to fix the exchange rate of their countries' currency in terms of Asio. The currency's trading should strictly be prohibited, whether it is Asio or any member countries' currency.

Backing and Support- Usually, the currency of any country is supported by gold. But in my view, this currency should be supported by many valuable items apart from gold, like platinum, diamond, silver and other precious gems or metals available in member countries. Apart from that, it should also be supported on the basis of the natural resources in the members' countries and there should be a provision that this support system should be evaluated after every three years so that, the ratio mix of the supporting ingredients should be practical [9].

General reserve in the treasury of governing body- The reserves should not be more than 9 times of circulated currency quantum.

Reserves in treasuries of member countries -The reserves of Asio in any countries' treasury may be categorized in a way that the main reserve should be on the basis of population and the secondary reserve should be on the basis of natural resources within that country. The third section should be of specific provision considering its industrialization, its size of import and export and its business and trade within the continent [9].

Sustainment - Every member country should constitute a law where there should be an opportunity for the common man to contribute some part of his/her earnings towards the maintenance of the provision regarding this new currency as per their free will.

All the taxpayers, salaried employees, business houses and persons, self employed professionals and farmers should be given a contract note through which they can contribute a very small part of their earnings for the maintenance of the targeted reserve regarding Asio. The system should be very much transparent such that each and every citizen can figure out what he/she has contributed. This will strengthen the reserves of this new currency which may also be used at the time of any emergency, natural calamity or some fiscal crisis.

Apart from the contribution made by the common man, there should be a direct law in every member country stating that the government would take out some part of the total national taxation income and would keep this money to maintain this new currency.

All nations within the continent would have to reach to a pact that they would not use any other currency except Asio for trade among the nations within the continent. If any country disobeys this policy, other member countries will stop trading with that particular country; and the amount of currency the nation would be holding at that point of time would be declared zero by issuing a notification by governing body.

All the member countries should issue the instructions to their country's banks that they should be positive regarding the honouring of this new system of currency. They should be open for the transactions and should support the importers and exporters to convert the local currency payments and receipts into Asio and later on pay in the country's own currency to the concerned business party within the country. This will restrain the misuse and mishandling of this new currency. Every bank should open a new window for propagating such hassle-free transactions. The banks should issue SBLC/BG and other bank instruments in reference of international trade within the continent in the denomination of Asio and should also convert these instruments in the member country's local currency, if needed.

Monetization into gold- If a country, at the time of some serious crisis, wishes to monetize a part of its new currency reserve into gold, it should first apply to the governing body and then the final decision should lie in the hands of the body, where they would consider carefully the current financial crisis and market situations at that point of time to decide whether they approve it or not. Once they approve, the reserves of Asio could be converted into gold, but only to meet the emergency situation. As soon as the emergency ceases to exist, that gold will be converted back to money.

10. Benefit to the poor nations

The poor countries will have some extraordinary benefits as soon as this new currency system will be accepted in any continent.

- They need not keep dollars or euro in their foreign exchange reserves.
- Since the currency would be supported and distributed as per the natural resources too, the poor countries would stand a chance to improve their economic condition, as there exist many countries that are not doing great in terms of GDP but have an enormous amount of natural resources, which if utilised to support this new currency would make them better off.
- Since population is also a factor while distributing the quantum of currency reserve, each poor country with a relatively large population would have a fair quantum of the currency.
- This would decrease the political differences among the countries within the continent. If any country in the continent refuses to accept this new system, it would be secluded.
- The poor countries would be collected under a single flag for their proper systemized development procedure.
- This new currency system might decrease the military and defence expenditure associated with the poor countries in the continent.

11. How will the United States be benefitted?

This new system of currency which would prevail in Asia would decrease the pressure on dollar as the dollar reserves which are preserved in almost all the countries' treasury will flow back to the US and they would be able to fight against their own country's economic recession. This would decentralize the money power and US would get back its un-accounted money which could be used for their purposes. The United States could continue using dollars as the common currency in its own continent or may either constitute a new currency. If this system prevails, America would be the luckiest country.

12. Differences between this new system and the previous Bretton Woods System

As per the Bretton woods system, the dollar was somehow a **paper representative of gold** till 1971 and this is the reason why dollar was broadly popular around the world. All the transactions were usually made through dollars. However in 1971, when the gold background of dollar **was abolished**, it still continued to maintain its international importance. This was the time when **dollar became a currency as well as a commodity itself**. This property of dollar is one of the reasons of keeping the dollar alive as an important international currency [4].

On the other hand, properties of Asio are quite different. Asio is by no means a representative of gold. **Asio is the representative of nature and the people and is supported by these two**. In times of serious crisis, Asio can be converted into gold, but only to meet the emergency situation.

13. Impact of this currency

- This new currency system would inspire the citizens to preserve and recreate the natural resources.
- The citizens would use the natural resources judiciously. This would enhance the ecological balance.
- The psychology of the people would change as this new system of currency would be the symbol of their religion and culture.
- The political differences would be minimised.
- Every country would manage the natural calamity in a much better way since if their carelessness would decrease their natural resource as well as the population.
- The possibility of prosperity would increase because the trade among the countries within the continent would be higher. This will generate new employment opportunities because this new system will help countries to develop much faster.

14. Conclusion

Altogether, Asio can be a commencement of a new era where the Asian continent may see its new prosperous and a glittering dawn. Through this new visionary system, there would be a new ray of hope for all the member countries of Asia and a new pathway for the world economy.

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The Publication fee is defrayed by Indian Society for Education and Environment (www.iseeadyar.org)

Cite this article as:

Subhashini. Need of A Common Asian Currency In Context Of The New Economic Circumstances Arised After Brexit. *Indian Journal of Economics and Development*. Vol 4 (4), April 2016.