ARTICLE

‘Internationalisation of Yen’ or ‘Internationalisation of Yuan’: Policy Science of Domestic Decision-making Processes for Asian Monetary Cooperation

KAMIKUBO Masato

Ⅰ. Introduction
Ⅱ. Analytical Framework: Core Executive Theory
Ⅲ. Internationalisation of the Yen and the Yuan
Ⅳ. Analysis: Comparison of Japanese and Chinese International Monetary Policy Processes

Ⅰ. Introduction

Since the global financial crisis of 2008, China has been expanding its influence in the international financial community. Zhou Xiaochuan, the governor of the People’s Bank of China, drew attention with his mention of the possibility that IMF’s special disposal right (SDR) could be a new currency regime replacing the current dollar standard system (Zhow, 2009). In addition, in line with the rapid growth of the Chinese economy, the yuan distribution volume in neighboring states and regions has increased, and the yuan has become the reserve currency in some countries (Ohnishi, 2005). Currently attention is focused in particular on the trend of the internationalisation of the yuan in the international financial community.

On the other hand, Japan also acted proactively in the 2008 financial crisis, with moves such as 10 trillion yen in financial assistance for the IMF. However, Japan was criticised for its failure to provide a strong voice in the international financial community. In contrast to China, Japan appealed for the continuation of the dollar standard system, but did not gain much acceptance in the international financial community (Katada, 2009). Japan has been endeavoring to construct an international monetary cooperation system, and has provided leadership in economic assistance measures for the 1998 Asian currency crisis and in the construction of financial safety nets for Asian regions. Nevertheless, Japan had not exercised strong leadership in promoting the internationalisation of yen (Amyx, 2002).

Various economics and international relations studies have examined the issues of internationalisation of the yen and internationalisation of the yuan.[1] In economics, the internationalisation of the yen and the yuan has been the subject of policy debate. In general, economists have pointed out that the cause of the Asian currency crisis was the excessive pegging of Asian currencies to the US dollar, and have insisted on the necessity of Asian monetary cooperation and on the introduction of a common currency. In that light, there has been an emphasis on the importance of the internationalisation of major currencies in Asia (Kwan, 2003: Murase, 2000). In addition, some experts have proposed a strategy for the creation of the Asian Currency Unit (ACU), a step to be taken subsequent to the internationalisation of the yen and the yuan (Ogawa and Ito, 2000). However, economists have not been able to provide an explanation for the failure of their proposed strategy of internationalising the yen and yuan to develop.

In international relations studies, one school of thought is that currency diplomacy can be also positioned on the projected line of reasoning underlying the view that Japanese diplomacy is 'reactive' (Terada, 2010). Adherents to that view point out that Japan lacks political leadership not only in international finance but also in currency diplomacy (Amyx, 2002), and has been acting only to maintain its international influence at the same level as China, in light of Japan's awareness of China's rapidly growing influence in international finance (Terada, 2010: 89). Some studies support this view, pointing to the level of pressure from Japanese politicians and domestic industry concerning the delay in the internationalisation of the yen (Imamatsu, 2000; Katada, 2010).

Although international relations researchers point out the absence of Japan's strategy and an increase in domestic pressure, they cannot provide a convincing mechanism of how such things occur. In international relations studies it is thought that Japan is an actor and its domestic economy is a black box (Shinoda, 2006). Analysis of domestic policymaking process is the domain of political science, but very few analyses consider the international finance and currency policies of International Bureau, Ministry of Finance (MOF) in Japan to be a political science research subject. Using a political science analytical approach, this paper undertakes an analysis of Japan's decision-making process for international finance and currency policies, until now regarded in international relations studies as a black box. The findings will be applied to an examination of the assertion by some international relations studies that Japan lacks strategy. In fact, Japan has constructed concrete international finance and currency policy strategy, mainly through International Bureau, MOF, but the political leadership to realize that strategy has been lacking.

This paper pursues the cause of this political leadership vacuum, focusing not on the capacity of politicians but on a comparison with China, to reveal that the true cause is a structural problem in Japan's policy making process.

The structure of this paper is as follows. First, core executive theory is used to lay out the paper's analytical framework. Then, the core executive structure of the policymaking process in Japan and China is clarified, and the two countries' processes are compared. A case study compares past processes of the internationalisation of free currency in Japan and China, using the paper’s analytical framework. The paper’s claim is as follows. In China, thanks to the top-down decision-making of the Communist Party and the State Council, the leader can easily display political leadership in the international financial community. In Japan, on the other hand, due to the bottom-up decision making structure in MOF, the Cabinet does not have the substantive right to decide. In addition, in that structure the Cabinet easily feels pressure from political tribes (*zoku-giin*) and the business world. As a result, Japan is unable to display political leadership in the international financial community.

Ⅱ. Analytical Framework: Core Executive Theory

This paper presents a comparison of the international finance and currency policymaking processes of Japan and in China, using the concept of the ‘core executive' (Rhodes and Dunleavy, 1995; Rhodes, 1995) which is currently drawing attention in policymaking process studies in Japan and overseas. ‘Core executive’ consists of central figures such as the Prime Minister, the Cabinet, the Cabinet Committee and high-level bureaucrats, i.e. those who eventually manage conflicts among organs within the central government. This is a model for the analysis of the informal meetings of those people; current systems and networks for negotiations among ministries and agencies; and the salient interdependences in customary practice (Rhodes, 1995). This model has been attracting heightened attention globally and it is thought to be applicable to Japan’s policymaking system (Ito, 2006).

In comparative politics studies, there has been almost no attempt to compare the political institutions of Japan and China. The reason for this lay in the differences between the political regimes: China is a communist regime while Japan is a democratic regime. Basically, Japan has been the subject of comparative studies with western democratic countries in terms of the parliamentary cabinet system, universal suffrage system, cabinet system, and bureaucracy (Silberman, 1993).

Still, it can be pointed out that the political systems of Japan and China have some similarities. For example, both countries were governed for a long time by one-party rule: the Liberal Democratic Party (LDP) in Japan and the Communist party in China. Although in Japan, the government changed in 2009 and one-party dominant system has ended, its political and administrative systems, which were constructed under the long-term rein, have many points in common with those of China. Concretely, the political and administrative systems have a dual existence, in party organisation and government organisation. In western democratic countries, on the other hand, policymaking is unified in the cabinet. Many western countries adopted the parliamentary system and there the majority party in the parliament (the ruling party) organises the Cabinet. Therefore, members of the ruling party participate in the Cabinet but the party does not independently formulate policy (Onishi, 2005: 2-37).

Exceptional among the democratic countries which have adopted the parliamentary system, Japan has the ruling party taking dualistic part, along with the Cabinet, in policy-making. It is mainly socialist countries, such as China with its established one-party rule, which have such an organisational structure. In the case of Japan, since the rein of LDP and coalition governments centred around LDP has continued for such a long time (with 11 months' exception in the period from 1955 and 2009), the political and administrative rules were established on the basis of the one-party rule principle. However, one profound difference between Japan and China is that the Communist party has the final word and 'the government's leadership by the Communist party' is clearly specified in the constitution, while in Japan the Cabinet has the final decision making rights (Murakawa, 2000).

Ⅱ.1. Core Executive in China

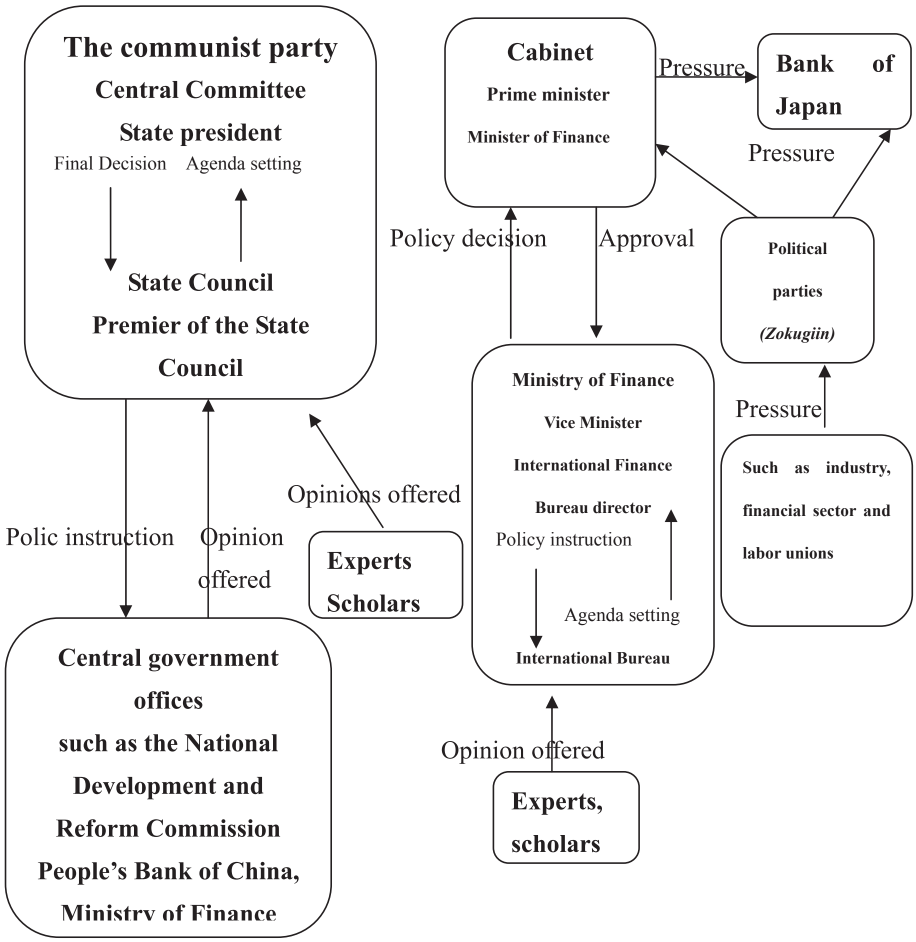
This chapter presents a classification of the core executive engaged in policymaking in China (Onishi, 2004 and other).

The Communist Party has the final word on Chinese policy decisions. The Communist Party Central Committee makes decision directly about matters such as diplomacy, economic policy, ethnic minorities and disasters. It also has final decision-making authority over the execution of policy. Various actors play important roles in policymaking in the Communist Party; the top decision makers within the Party are the nine major politburo standing committee members. There is a hierarchy among those members: the top person is Hu Jintao, General Secretary of the Communist Party, President of the People's Republic of China, and Chairman of the Central Military Commission. Second in the power hierarchy is Wu Bangguo, Chairman of the Standing Committee of the National People's Congress; third is Wen Jiabao, Premier and Party Secretary of the State Council of the People's Republic of China. Under the nine major members there are 24 politburo members including the politburo standing committee members mentioned above. Under the politburo standing committee members are 198 Central Committee members (including the above 24), followed by 158 candidates for Central Committee membership. The person in charge of international monetary and currency policy is number six, Huang Ju, Executive Vice Premier of the People's Republic of China. International monetary and currency policy are considered to be among the most important sectors of policy, and final decisions in those sectors are made directly by Hu Jintao and Wen Jiabao (Onishi, 2004: 2-8)

The State Council, equivalent to Japan's Cabinet, formulates and executes concrete policy based on the fundamental principles of the Communist Party and its instructions. As mentioned previously, Wen Jiabao, Premier and Party Secretary of the State Council, is responsible for routine procedures regarding international monetary and currency policy. In addition, Huang Ju (Executive

Diagram 1: ‘Core Executive Structure’ in the International Monetary Policies of Japan and China[2)]

(1) China (2) Japan



Vice Premier) and Zhou Xiaochuan, (Governor of the People’s Bank of China) participate in the State Council. Although his ranking in the Communist Party is not high, Zhou Xiaochuan is well trusted by Wen Jiabao and attends the Standing Committee of China’s People’s Congress (equivalent to Cabinet meetings in Japan) despite his not being an official member. Executive members of the State Council are basically Communist Party members and the State Council and the Communist Party are virtually a single entity (Ohnishi, 2004: 9-14).

Concrete details of the Chinese international monetary and currency policy planning process are as follows. First, the Vice Premier of the State Council and the members in charge in the State Council conduct hearings to (1) receive reports on economic situations from the central government ministries (such as the National Development and Reform Commission, the People's Bank of China, and the Ministry of Finance) and a group of scholars with strong influence on policymaking in the State of Council, and (2) to draw up lists of issues in international monetary and currency policy. Then, the Vice Premier in charge submits the international monetary and currency policy agenda to the Premier of the State Council. The Premier alone conducts a further round of hearings, receiving reports regarding agenda setting from related departments and scholars. Based on the findings of the hearings the State Council makes the final decisions.

Since international monetary and currency policy work requires great expertise, the Premier is responsible for carrying out routine practices in coordination with the departments in charge. However, important issues require consultation with the Party and decisions are made and submitted under the names of both the Party and the State Council (Tanaka, 2007: 465-9).

In China, the role of scholars and experts is not limited to offering opinions to the State Council. When the Communist Party and the State Council formulate new policy, scholars and experts announce those policies to the people of China and to the world in the form of papers and research outcomes submitted to academic journals and the mass media. Regarding matters such as finance, currency exchange and international trade, it is thought that experts including Wu Jinglian, Hu Angang (professor at Tsinghua University) and Yu Yongding have extensive influence (Kwan, 2007).

The central government ministries are organizations which execute policy according to the decisions of the State Council. The National Development and Reform Commission, the People's Bank of China, and the Ministry of Finance are all involved in international monetary and currency policy. It is important to note that the central government ministries do not formulate policy: in that regard China's ministries are different from Japan's central government ministries (Onishi, 2004: 2-35).

Ⅱ.2 Core Executive of Japan

This chapter examines the core executive of Japan. The foremost of the Japanese government ministries related to international finance policy is MOF. International monetary and currency policy work begins with 'agenda setting' in the section in charge of MOF International Bureau. That section in charge gathers a wide range of information and opinions on policy from external experts through the International Bureau's Council on Customs, Tariff, Foreign Exchange and Other Transactions. The concrete policymaking process in the Council begins with agenda setting at the level of the section in charge in the International Bureau, which serves as the secretariat. The section collects information on international finance and the exchange market from officials who are temporarily transferred to international organisations (including United Nation organisations, the World Bank and IMF) and from finance bureaucrats working at various Japanese embassies, and summarises that information into an agenda for the Council. Deliberations in the Council centre around the agenda as explained by the secretariat and the results of question and answer sessions and exchanges of opinions with invited Council members (scholars who are experts on international monetary and currency, and executives from the financial industry). Sometimes the secretariat holds hearing, inviting experts who possess detailed information and knowledge on specific issues. After numerous repetitions of such processes, the secretariat creates an interim report or the final report as a draft plan for policy, and submits it to MOF.[3)]

The resulting policy is then adjusted within the Ministry. The International Bureau section in charge of the matter gains bottom-up agreement on the policy draft based on the final report of the Council, under the orders of the Director of Co-ordination Division of the International Bureau, the Senior Deputy Director General of the International Bureau, the Director General of the International Bureau, the Deputy Vice Minister, and the Vice Minister of Finance for International Affairs. It used to be necessary to coordinate with domestic financial bureaus such as the Banking Bureau and the Securities Bureaus during this process; however, this has not been required since the Financial Services Agency (FSA) was established in 1998 to separate the domestic financial bureaus from the Ministry of Finance (Amyx, 2004).

The function of the FSA is to inspect and supervise the domestic financial market, so the Agency has close relations with Japanese and foreign financial institutions which participate in the international financial market. However, the Agency is not directly involved in the formulation of international monetary policy. Rather, since the establishment of the Agency, the domestic financial authorities' influence (which is in line with the intentions of the financial institutions) over international monetary policymaking became weaker (Amyx, 2004). That weakening is thought to be strongly connected to the fact that from 1998 (the year of the establishment of the Financial Services Agency) onward, the International Bureau of MOF has proactively promoted the internationalisation of the yen.

Another government institution related to international monetary and currency policymaking is the Bank of Japan (BOJ). The major task of the BOJ is to stabilise prices by adjusting the official interest rate (Mabuchi, 1994). Since the beginning of the 21st Century, the BOJ has executed quantitative easing policy, directly enlarging the yen supply. This policy has a strong influence on the value of the yen. Since the amendment of the Bank of Japan Act in 1998, the BOJ has been independent from the government and MOF. This is significantly different from the system in China, where the People's Bank of China is part of the central government ministries. However, in fact the BOJ has come to receive more pressure from the Cabinet and the ruling party than during the time when the Bank, under the *de facto* control of MOF, controlled the official interest rate, so as a result, quantitative easing policy was executed (Karube, 2004).

Political parties play an important role in Japan's policymaking process. From 1955 to August

2009 (except for some 11 months during that period) the reign of the government centred around the LDP. This long reign led to an extremely close relationship between the LDP and the bureaucracy and engendered '*zoku-giin* (political tribes)' strongly connected to specific ministries and deeply familiar with specific policy fields so as to conduct influence peddling in their constituencies and among their supporters (Sato and Matsuzaki, 1986). In the policymaking process during the LDP reign, *zoku-giin* examination of the ruling party's preliminary review in the LDP Policy Research Council Policy Division was necessary prior to the government ministries' submission of policy to the Cabinet. However, it is noteworthy that international monetary and currency policy did not require review within the LDP.[4] Of course there were *Zaimu-zoku-giin* (politicians specializing in finance) within the LDP.[5] Nevertheless, these *Zaimu-zoku,* despite their strong influence within MOF, were interested only in financial administration and showed no interest in monetary policy (Rosenbluth, 1989).

Consequently, international monetary and currency policy examined within MOF is submitted to the Cabinet without any pressure from ruling party *zoku-giin* or the business world, and is decided as official government policy. The key figures involved in international monetary and currency policymaking within the Cabinet are the Prime Minister, the Chief Cabinet Secretary, the Minister of Finance and the Minister in Charge of Financial Affairs in the Cabinet office. The Prime Minister and the bureaucrats exert little political will, usually only confirming policy decided by the Prime Minister or MOF. Until 2009, the Council on Fiscal and Economic Policy generated such policy during the LDP rein, and economists, experts and finance-related cabinet members (Chief Cabinet Secretary, Minister of Finance, Minister of Economy, Trade and Industry, Minister of Internal Affairs and Communication, and Minister in Charge of Financial Affairs) discussed economic and fiscal policy but hardly touched on international monetary and currency policy.[6]

On the other hand, the desires of export-manufacturing industries such as the motor, steel, and machinery industries are directly conveyed via the ruling political party as pressure on the Prime Minister and/or cabinet members. Thus, contradictory policy was adopted to the extent that the internationalisation of the yen, examined by MOF, was approved in the cabinet without question, and at the same time, the cabinet instructed MOF to take exchange intervention measures to protect export industries. However, there was no mechanism in the Cabinet for the coordination of these two policies (Saito, 2006).

Ⅱ.3 Structural Comparison of Japanese and Chinese Core Executives

This chapter compares the core executive structures of Japan and China, beginning with a comparison of the political parties in the two countries. In China, the Communist Party has the final word on all policy decisions; in contrast, Japanese political parties have no final say in policy decisions.

The cabinet in China is called the State Council. The executives of the State Council are high ranking executives of the Communist Party and the State Council, unified with the central body of the Communist Party, gives instructions on agenda setting, policy proposals and policy execution. The Japanese Cabinet has the final say on policy decisions. However, regarding international finance, the Cabinet only approves the decisions of the Ministry of Finance, and hardly ever does any independent decision-making. On the other hand, regarding domestic policy, the Cabinet receives direct pressure from the LDP and the business world. Although domestic policy is in direct opposition to the internationalisation of the yen, the Cabinet is not involved in overall coordination.

The central government ministries in China are merely organisations for the execution of the decisions of the State Council. In Japan, ministries such as MOF make important decisions and execute them. In sum, Japanese decision-making regarding international financial policy is done in a bottom-up manner centred around the Ministry of Finance, while in China decision-making is top-down, managed by the political leadership of the Communist Party and the State Council.

Ⅲ. Internationalisation of the Yen and the Yuan

This chapter reviews 1) Japan’s approach to the internationalisation of the yen, which has been an international transaction currency since the 1980’s; 2) the move towards the internationalisation of the yuan, which has recently emerged with great force; and 3) the relations underlying the monetary cooperation within the Asian region, which is currently manifesting a strong presence, and comparatively verifies those items using core executive theory.

Ⅲ.1 Japan’s Approach to the Internationalisation of the Yen

Japan’s MOF has been attempting for some 20 years to promote the internationalisation of the yen, under which the yen would be used widely as a settlement currency. However, as of 2010, that attempt has not been successful. To understand why the internationalisation of the yen has not been successfully promoted, it is necessary to consider the ‘double standard’ of the Japanese government’s international monetary and currency policy. The government’s strategy for the internationalisation of the yen is led by MOF, yet that very same government intervenes in exchange rates to protect Japan's export industry by avoiding a rise in the value of the yen, which policy is diametrically opposed to that of internationalising the yen.

Ⅲ.1.1. Beginning of the Internationalisation of the Yen

The internationalisation of the yen began as a result of pressure from the U.S. In the first half of the 1980’s, Japan’s trade surplus with the U.S. increased, and the American industrial world criticised the U.S. government for not taking effective measures against trade deficit with Japan.

The American industrial world demanded that the trade be corrected by steering the exchange rates to weaken the dollar against the yen. In November 1983, the establishment of Japan-U.S. Yen-Dollar Committee was decided in the summit meeting between American president Ronald Reagan and Japanese prime minister Yasuhiro Nakasone. Through that committee, the U.S. encouraged Japan to engage in financial deregulation and internationalisation in order to achieve a weakening of the dollar against the yen. This reflects the thinking that when the yen is widely used internationally, the demand for the yen will rise and the yen exchange rate will increase. Subsequently Japan's imports would expand and Japan's trade surplus with the U.S. would be held down (Imamatsu, 2000).

The review for the internationalisation of the yen was triggered by this Japan-U.S. Yen-Dollar Committee, and the Council on Customs, Tariff, Foreign Exchange and Other Transactions, which was a council within the then International Finance Bureau of MOF.[7)] The Council presented a report entitled, 'About the internationalisation of the yen' in 1985. However, the internationalisation of the yen was not a pressing issue for the Japanese. Japan's export industry, import industry and money industry were not saying that the internationalisation of the yen was essential. If the internationalisation of the yen were promoted, it was thought that it should proceed step by step in Japan (Imamatsu, 2010: 104).

Ⅲ.1.2 Setback of the Internationalisation of the Yen in the Midst of Economic Peak Time

From the 1980's to the early 1990's Japan boasted that it was in its prime time, having a bubble economy. On December 28, 1989, the Nikkei Stock Average reached almost 40,000 yen and the aggregate market price of the Tokyo market became number one in the world. As the presence of Japan in the world economy increased, expectations for the internationalisation of Japanese financial and capital markets rose. With increased acceptance of the securities of Japanese securities companies and affiliates of Japanese banks in overseas markets, and with active trades with Japanese money overseas, by the end of 1980's it was thought that Tokyo had become one of the world top three financial markets, on par with London and New York (Imamatsu, 2000).

It was thought that the yen would become a key world currency along with US dollars and Deutsche marks. In September 1985, a meeting of the central bank governor and financial ministers from five major industrial countries was held; this meeting agreed to depreciate the U.S. dollar. With this 'Plaza Accord' as a trigger, the yen exchange rate rose sharply, from 1 dollar: 240 yen to 1 dollar: 120 in the end of 1987 (*Nihon Keizai Shimbun*, 2001). During that period, Japanese economic performance was good and it was favourable chance for the internationalisation of the yen, utilising the high value of the yen.

However, the yen appreciation phobia was dominating the mood in Japan's political, bureaucratic and economic spheres. There was a stereotypical notion that the appreciation of the yen would be an obstruction to the achievement of high economic growth. In particular, LDP executive members repeatedly put pressure on the financial authorities to correct the yen appreciation (*Nihon Keizai shimbun*, 2001). In addition, in those days, the laws, regulations, and systems necessary for enhancing the yen's function as an international currency in both trade transactions and capital transactions were not developed. There was a need for drastic reform of the Foreign Exchange and Foreign Trade Control Law, a review of trade practice obstacles to non-residents, and upgrading of the short-term money market. However, there was strong resistance from domestic financial industries, the Bank of Japan and the Domestic Financial Bureau of MOF, which reacted to the intention of the domestic financial industries. Therefore the government and the International Financial Bureau of MOF had no choice but executing innovative deregulation of finance and easing of regulations (Imamatsu, 2000).

The internationalisation of the yen in the 1980’s was not proactively promoted by the financial authorities such as Japanese politicians and MOF. The internationalisation of the yen was promoted passively in opposition to the pressure for liberalisation of the market, as demanded by the U.S.A. Thus, the internationalisation of the yen was conducted very cautiously, so as not to influence the domestic industries and economy.

Ⅲ.1.3 ‘The Lost Decade’

In the first half of the 1990’s, after the bubble economy collapsed, MOF and the Bank of Japan had no alternative but to concentrate on measures to boost the economy, to lift stock prices in the market, and to eliminate bad loans. The internationalisation of the yen was not an urgent issue and thus was postponed. In 1995 the yen rose suddenly, the rate reaching 79 yen to the dollar at one point. The Japanese government responded with the usual urgent measures towards the appreciation of the yen, but could not come up with a concept to avoid exchange risks related to holding the yen overseas and using it as trading currency. Likewise, the industrial arena promoted measures for the appreciation of the yen by purchasing materials from overseas and relocating factories to overseas locations where the labour cost was low, but did not take action to eliminate exchange risk by using the yen as the settlement currency in trade transactions (Imamatsu, 2000).

In the second half of the 1990’s, Japan finally embarked on a drastic reform of the financial system. The Banking Sector from MOF was partitioned to establish the Financial Services Agency. The Bank of Japan Law was revised and the BOJ's independence in terms of monetary policy was secured. The drastic revision of the Foreign Exchange and Foreign Trade Control Law, which had long been a concern, was realised. In November 1996, the ‘Japanese Big Bang’ was pushed through by then Prime Minister Hashimoto’s instructions related to monetary system reform. Aimed at liberalization and easing of regulations so as to enhance Tokyo’s international monetary function, the Big Bang's objective was to make the Tokyo market an international monetary market on par with New York and London.

As a result of various approaches to monetary system reforms in the 1990's, Japan could systematically prepare the necessary foundation for the internationalisation of the yen (Imamatsu, 2000). However, internationalisation was not achieved, because the position of the yen as an international currency was weakened by the decline of the Japanese economy, referred to as 'the lost 10 years', and the monetary system crisis.

Ⅲ.1.4 Promotion of the Internationalisation of the Yen after the Asian Currency Crisis

The Asian currency crisis, beginning with the Thai baht crisis in the summer of 1997, triggered a shift in Japanese international monetary and currency policy resulting from widespread recognition that the cause of the currency crisis lay in the currency system, in which Asian countries depended excessively on the U.S. dollar (Hayami, 2005; Kuroda, 2005). This recognition made currency authorities centred around the International Bureau of MOF aware of the problems and that measures should be taken to make the yen more acceptable as an international currency, in the Asian region in particular.

Discussions towards the promotion of the internationalisation of the yen began including the Committee of Foreign Exchanges and Other Transactions, Ministry of International Trade and Industry (MITI) study groups and the LDP. In October 1997, MOF gathered scholars and experts to establish the Special Committee on Asian Monetary and Capital Market and studied the characteristics, causes and lessons of the financial crisis.[8] At the time when the commencement of European Monetary Union in 1999 was decided, there was a sense of crisis that the international presence of the yen would be reduced, so there were animated discussions among various researchers and practical professionals on topics such as the internationalisation of the yen, the theory of the yen as a key currency, and the yen zone (Gyoten, 1996; Kondo, 2003; Onishi, 2005 and others).

In the meantime, MOF International Bureau[9] dramatically shifted the strategy for the internationalisation of the yen. Until then, the internationalisation of the yen was basically seen as 'Japan vs. the world.' Concretely, the concept viewed the yen as an international currency, circulating globally as the settlement currency for trade transactions and capital transactions, with its function as foreign currency reserve enhanced. This attempt to immediately make the yen a key currency along with the U.S. dollar lacked reality. After the Asian currency crisis, the MOF's way of thinking changed, shifting to a focus on expanded usage of the yen in the Asian region and on the yen's function of international currency (Kwan, 2007). As a result, the concept of the Asian Monetary Fund (AMF) emerged. This was a proposal that each country contribute a part of their foreign currency reserve to establish the AMF with funding of 100 billion dollars.

This AMF concept transformed the passive attitude of MOF International Bureau to a more proactive one. The archetype of the AMF concept was seen when Japan proposed the establishment of the ADB in 1966, and the concept was examined within the Ministry for a long time. One unofficial group of MOF bureaucrats and former bureaucrats had been regularly discussing the formulation of the concept from the late 1980’s to 1995 (Amyx, 2002, 4-5). This emerged as the Japanese government’s official proposal after the Asian currency crisis. It is noteworthy that in the 1997 AMT conceptualisation, Japan proposed a scheme to establish a regional institution without the U.S.A. (Amyx, 2002), in contrast to the fact that Japan had been quite passive about the concept of eliminating the U.S.A. when Mahathir proposed the EAEC (East Asia Economic Caucus) concept. Eisuke Sakakibara, then Vice Minister of Finance for International Affairs, insisted that Japan should aim at stronger leadership in Asia, independent from the U.S.A. (Amyx, 2002: 6).

Eventually, the AMT concept broke down because the U.S.A. and other western countries were reluctant to adopt it, and China and Singapore opposed it (Amyx, 2002: 7). Nevertheless, Japan hammered out the ‘new Miyazawa Plan’ involving economic assistance measures of 30 billion dollars for Asian countries. Japan offered Indonesia, Korea, Malaysia, the Philippines, and Thailand 15 billion dollars for mid-to-long term economic assistance for the recovery of real economy and 15 billion dollars for the short term financial requirements. This could be seen as the first step towards the revival of the AMF concept. In MOF, a new form of leadership appeared, placing regional monetary cooperation in a framework which did not eliminate the U.S.A., and proactively approaching the reformation of IMF when Haruhiko Kuroda became Vice Minister of Finance for International Affairs. Japan's neighbours in Asia welcomed Japan’s stronger leadership in the region (Amyx, 2002: 26).

The Ministry carried forward further research on the internationalisation of the yen. In September 1999, The Ministry established the Study Group for the Promotion of the Internationalisation of the Yen, in June 2000 producing an interim report and in June 2001 framing five measures for the promotion of the internationalisation of the yen.[10] The Ministry also conducted research on the promotion of the yen’s Asianisation by developing the notion of the Asian Currency Unit (ACU). Under the Ministry, Japanese scholars carried out research on the creation of the ACU.[11] In particular, some researchers proposed a process of evolution from Asian monetary cooperation to a monetary union (Kwan, 2007: Murase, 2000).

MOF International Bureau took leadership to promote currency and finance cooperation in Asia. First, in May 2000, the Chiang Mai Initiative (CMI) was launched under the currency-swap agreement between two countries designated in the meeting of ASEAN Plus Three Finance Ministers. This was an agreement to accommodate their own currency or U.S. dollar parity at a time of monetary crisis. As of January 2009, eight countries had joined, involving16 currency-swaps totaling 90 billion U.S. dollars.[12]

In the ASEAN + 3 in May 2009, CMI's multilateralisation was agreed upon. A number of CMI bilateral agreements were unified into one multilateral agreement. Japan was proactively involved in the creation and development of CMI's multilateral system. The current total is 120 billion U.S. dollars, with shares of Japan and China at 32% each, Korea 16%, and ASEAN 20%. The fact that the ratios of Japan and China are the same shows that each country recognized the other's position and influence in regional monetary and finance cooperation. It also indicates that Japan's effort to upgrade the yen's influence in the regional economy under new historical conditions was recognized by the countries of East Asia, including China. MOF International Bureau showed leadership in approaches to the cultivation of the Asian bond market, in forms such as ABMI (Asian Bond Markets Initiative) and ABF (Asian Bond Fund). The outstanding issues of the Asian bond market increased to 3 trillion U.S. dollars by the end of 2007. In the ASEAN + 3 meeting held in May 2009, the Credit Guarantee and Investment Mechanism (CGIM) was created, using 500 million yen to guarantee bonds issued by companies in Asia (Shimizu, 2009).

Moreover, in Asian Development Bank (ADB) where a number of Japan's Ministry of Finance personnel had been sent, the Asian Currency Unit (ACU) was developed as a scale to indicate the weighted average efficiency of Asian currencies (of 10 ASEAN countries, Japan, China and Korea). In Asia, currency conflicts tend to occur because the yen and the baht, whose value rises in counterpoint to the decline of the dollar, and the yuan, whose value declines due to pegging to the dollar exchange rate, coexist. Thus, in order to maintain the balance of currencies, the increase and decrease of the interest rate are managed in reaction to the divergence indicator, with ACU calculated using the currency basket approach. The participant countries monitor each other to avoid currency devaluation in specific countries. It also aims at the reduction of exchange risk in trade in the region, as well as stabilisation of the rate.

After the Asian financial crisis in 1997 and 1998, Japan conducted various discussions on the internationalisation of the yen, centred around MOF International Bureau. The internationalisation of the yen requires liberalisation of the domestic monetary system and easing of regulations; these were achieved in the Financial Big Bang in the late 1990's, although it took a long time to resolve conflicts within MOF, the Bank of Japan and among industries. As a result, Japan has been contributing to the construction of the Asian currency cooperation system in forms such as the Miyazawa Plan, the Chiang Mai Initiative, the creation of Asian bond markets, and the promotion of ACU.

Ⅲ.1.5 Japan's Double Standard in International Monetary and Currency Policy

As seen above, a base has been prepared for the expansion of yen distribution in Asian region. On the other hand Japanese policy to prevent the appreciation of the yen by currency authorities' intervention in the exchange rate has also taken root. From the end of WWW II to the present, the Japanese government, the Bank of Japan and the industrial world have been thinking that the appreciation of the yen is inadvisable (Imamatsu, 2010, 95). Thus there is a contradiction in Japan's creating exchange policy to prevent the appreciation of the yen while at the same time attempting to internationalise the yen by raising its value.

In particular, at the beginning of the 2000’s, the Japanese government demanded that the Bank of Japan adopt the strategy of moving from zero-interest policy to quantitative easing policy. Between 2003 and 2004, MOF undertook intervention totaling approximately 3.4 trillion yen through yen selling and dollar buying in merely one year time (Suda, 2005). As a result of monetary policy measures against deflation, the yen became excessively abundant in the market.

The fact that the policy of preventing the yen's appreciation by means of government intervention in the exchange rate had taken root created the expectation in the industrial world that if the exchange market moved towards appreciation of the yen, MOF or the Bank of Japan would immediately prevent such a move (Suda, 2005). The Japanese industrial world has been putting pressure on party politicians to continue the yen depreciation policy so as to protect export industries. That in turn placed pressure on MOF and the Bank of Japan through powerful politicians of the ruling party, so Japan had to continue the policy of preventing the appreciation of its own currency. As a result, the yen's value as an international currency declined, and the yen denominated rate in trade transactions did not rise. Subsequently the yen became the best currency for const of funds in the world, so the yen-carry trade was very lively (Imamatsu, 2010). (The yen-carry trade involves borrowing yen and exchanging them for other currencies such as the U.S. dollar in order to invest in high-yield financial commodities).

Furthermore, Japan has several times hammered out economic measures in reaction to world financial and economic crises, starting in autumn 2008. Those measures were based on the usual strategy of preventing business slumps and boosting economic growth, but the internationalisation of the yen was not included in such packages.

During that time, in fact, the Japanese manufacturing industry was maintaining its competitiveness in a climate of the yen appreciation. That industry has been developing markets with higher profitability by developing new products with higher added value, and the export industry has been expanding localised production in Asia, mainly for processing and assembly. In theory, a strategy could be formulated to reduce export companies' exchange risk arising from rapid yen appreciation if the yen were used proactively in trade transactions. However, this thinking was not adopted in the Japanese political and economic spheres (Imamatsu, 2010).

In sum, in Japan since the Asian currency crisis in 1997 and 1998, there have been discussions about expansion of the use of the yen in Asia and the establishment of a new Asian currency system. On the other hand, Japan has been continuing its policy of not raising the yen's value, continuing its unprecedented intervention in yen selling and dollar buying for approximately one year so as to prevent yen appreciation and dollar depreciation.

The position of the yen as an international currency has continued to weaken due to this double standard of simultaneously pushing two contradictory policies. As a result, the internationalisation of the yen has not advanced.

Ⅲ.2 Chinese Approach to the Internationalisation of the Yuan

This chapter examines the Chinese approach to the internationalisation of the yuan. In order to achieve the Chinese national objective of high economic growth through the promotion of Chinese exports, the stability of the yuan is absolute essential. In China even now, the People's Bank of China does not hesitate to intervene in the exchange rate whenever it is seen as necessary. Although China has been increasingly assertive in the international monetary world, the intention is nothing more than their usual objective of securing the stability of the yuan exchange rate. In China the liberalisation of the domestic market and the easing of regulations are not pursued sufficiently to see the yuan emerging as an international currency, but experiments with the use of the yuan as a settlement currency in trade transactions with neighbouring countries and regions have been done repeatedly, with the internationalization of the yuan in mind.

Ⅲ.2.1 Exchange Rate Control for the Achievement of High Economic Growth through Export Promotion

This section begins with a review of the history of Chinese international monetary and currency policy up to the present day. In China, international monetary and currency strategy is one of the greatest concerns of political leaders. In order to achieve one of the national objectives, sustainable employment creation through high economic growth, it is necessary to increase exports by maintaining the relative stability of the yuan (Ishida, 2010). The delay in the development of the domestic monetary market is also one of the reasons why China is cautious about the internationalisation of the yuan.

For a long time China limited the drain of the yuan to foreign countries by means of exchange rate control and by adopting the strategy of non-internationalisation of the yuan. This was because China thought that the yuan's overseas distribution would impact on the domestic monetary market and reduce the independence of their monetary policy. Before 1993, the Chinese financial authorities set low limits on the volume of yuan flow (Tanaka, 2007).

However, since 1993 the exchange rate system has gradually been reformed and the limit amount has been extended (Tanaka, 2007). This corresponds to the increase in overseas trade and human exchange promoted in Deng Xiaoping's Chinese economic reform. In the late 1990's and thereafter, the Chinese economy expanded rapidly. Utilising the merit of a cheap and abundant labour force, China became the factory of the world. It also became the centre of the processing trade by importing parts and raw materials from Japan, Korea, Taiwan, Southeast Asia, as well as the western countries, and processing and assembling them in China for export. Consequently China is the world top producer of almost all products, including steel, colour TVs, washing machines, air conditioners, electric fans, radio-cassette players, bicycles, textile products, cars, and toys.

At the same time, criticism of China by countries such as the U.S.A. and Japan has risen in reaction to China's increasing of the Chinese economy's competitiveness due to the policy of undervaluing the yuan. In fact, Chinese trade surplus has been increasing at a pace of 60% increase on the previous year and an enormous volume of foreign currencies flowed into China. If those foreign currencies were left in the domestic market, they would be exchanged into yuan and the yuan appreciation would occur. However, the Chinese government attempted to prevent this by intervening in the market by purchasing foreign currencies. In response the U.S.A. insisted that the yuan should have risen by 20% on all currencies or least by 40% on the U.S. dollar (Ishida, 2010).

Gradually China shifted the currency peg system in their exchange rate policy to the managed float system. In July 2005 China raised the yuan by 2.1% from 8.2765 yuan to 8.11 yuan to the U.S. dollar. Subsequently, by September 2008 the yuan-dollar rate rose by some 20% in cumulative total but the increase in exports did not diminish. Zhou Xiaochuan, the governor of the People’s Bank of China, referred to the necessity of the correction of the U.S. dollar single-pole structure in his speech in February 2009. In March, in a paper on the website of the People’s Bank, Zhou Xiaochuan again presented his view that it is an ideal objective to reform the international currency system by improving the SDR (Special Drawing Rights) system of the IMF and creating reserve assets which are not connected to the sovereign nation (Zhow, 2009). Some have pointed out that this indicates that China has begun to aim at making the yuan a key currency, but actually China aims at securing its influence in the international community in order to stabilise the yuan exchange rate, as usual (Ishida, 2010).

Ⅲ.2.2 Laying a Foundation for the Internationalisation of the Yuan

While the Chinese government displays a cautious attitude regarding the internationalisation of the yuan, it has also undertaken research on that very topic. Prior to the financial crisis of 2008, Chinese researchers began proactively voicing support for the internationalisation of the yuan, largely as a component of national competitiveness strategy. They pointed out the necessity of an international currency other than the U.S. dollar, and insisted that the Chinese economy would be stronger after the financial crisis and thus the yuan would be an ideal international currencies (Ba Shusong, 2004 and other).

Scholars such as Yi Gang, Zhang Ming and Hai-Hong Gao, recognizing that if China became an economic power after reaching a certain stage of development, the final form of competition with other countries would be a currency competition, have been discussing some concrete strategies for the internationalisation of the yuan. Their first thought was that the benefits of internationalising the yuan would be to support the diversification of the international currency system, to restrain the current heavy use of the U.S. dollar and to bring stability of the world economy. Their proposals are as follows: any attempt to challenge to U.S. dollar by direct internationalisation of the yuan without the promotion of regional cooperation in currency and finance carries a risk of failure, so utilizing the current Chinese trade structure, they should make the yuan a major settlement currency in neighboring countries which are culturally similar to China and have strong economic and trade relationships with China. Then marginalisation would be promoted, as the yuan would be those countries' reserve currency. Subsequently the yuan would be the currency in common free circulation in the Great China Sphere that integrates China, Hong Kong, Macao, and Taiwan. This proposal constitutes a gradual approach to the internationalisation of the yuan (Onishi, 2005).

The marginalisation of the yuan has actually proceeded spontaneously in the private sector. In the countries and regions neighbouring China, the yuan has come into use as a settlement currency. In that light, in December 2008 the Chinese government decided to begin a test, using the yuan for trade settlement among China, certain regions of China, and certain neighbouring countries and regions. At a State Council executive meeting Premier Wen Jiabao ordered the trial use of the yuan as a settlement currency for Guangdong's trade with Hong Kong, Macao, and Taiwan, and for Guangxi and Yunnan's trade with ASEAN countries. The Council decided to further test yuan as a trade settlement currency in Shanghai, Guangzhou, Shenzhen, Zhuhai and Dongguan. Moreover, from December 2008 to April 2009, China successively made currency-swapping agreements with Korea, Hong Kong, Malaysia, Indonesia and Argentina, totalling 650 million yuan, and subsequently the yuan spread across Asia (Ishida, 2010). Thus China has begun experimentation towards the future internationalisation of the yuan.

Ⅳ. Analysis: Comparison of Japanese and Chinese International Monetary Policy Processes

This final chapter compares international monetary and currency policy planning processes in Japan and in China. At a glance, there appears to be a significant difference between Japanese and Chinese policies. However, both countries are dependent on the U.S.A. in trade structure and both have a high ratio of dollar based transactions for currency trading. As well, Japan and China are similar in terms of their approaches to advancement of export industry, due to exchange stabilisation against the U.S. dollar. Thus in both countries, the currency authorities have been responding to the appreciation of currency value with an attitude of readiness to intervene in the exchange rate.

In this regard, however, the leaders of the Communist Party and the State Council in China have been showing strong political will to stabilise the exchange rate. For example, on the occasion of the 2008 financial crisis, Zhou Xiaochuan, the Governor of the People’s Bank of China, insisted on international currency strategy such as reforming the international currency system and utilizing SDR to stabilise the yuan exchange rate by strengthening Chinese influence in the international financial community. On the other hand, neither the Japanese Prime Minister nor the Minister of Finance made any similarly strong assertion. In the same year, 2008, during the financial crisis, Prime Minister Aso merely mentioned the continuation of the U.S. dollar as the key currency, which was the status quo.

Both Japan and China aspired to reduce the risk of U.S. dollar dependence by internationalising their currency. In the case of Japan, the environment for the internationalisation of the yen has been created through reviews, mainly among MOF International Bureau and scholars and leading currency cooperation with countries in Asia. However, the Cabinet (the Prime Minister and Minister of Finance) did not display leadership regarding the internationalisation of the yen. They left exchange rate policy, which requires high expertise, to MOF and the BOJ. In addition, since the Cabinet has been under constant pressure from export industries and political parties' *zoku-giin,* who respond to the urging of export industries, they did not have will to alter policy on the depreciation of the yen, a factor which protects export industries.

In China, on the other hand, the Communist Party and the State Council work directly on the formulation of international monetary and currency policy. They also express explicit political intentions about the internationalisation of the yuan based on their collection of knowledge and information from scholars. Further, they have begun to experiment with use of the yuan as a settlement currency with neighbouring countries, although they set stabilisation of the yuan exchange rate as the most important issue.

Core executive theory can be applied to an examination of the reasons for such international monetary and currency policy differences between Japan and China. Japan has a bottom-up policymaking system in which first MOF collects information and expertise from the business world and academia. The Cabinet has the authority to make final decisions on policy proposals received from MOF. However, in reality, the Cabinet does not have any articulate political intentions, and leaves such matters to MOF. It is difficult to make such political decisions in the absence of well-defined intentions.

China has a top-down policymaking system. The government displays its intentions clearly throughout the country and overseas. In addition, the Communist Party and the State Council are never influenced by the business world.

In conclusion, the reason why Japan cannot display political leadership in international monetary and currency policy lies in the fact that in the core executive structure the Cabinet merely acquiesces to policy formulated through a bottom-up process and is easily controlled by pressure from the business world and political parties. For Japan to pursue the internationalisation of the yen, to hammer out clear intentions in the international financial community, and to enhance its influence, the Cabinet must be distanced from the influence of the business world and political parties and must play a substantial role in the actual formation of international monetary and currency policy.

Note

1) The internationalisation of a currency is achieved by increasing the rate of use of that currency in international financial transactions or in overseas trading or in the ratio of denominated currency [0]in non-resident asset holdings. Concretely, internationalisation calls for an increase of the value of the currency [0]in the international currency system and of the weight of the currency in current transactions, capital transactions and foreign currency reserves (Kamikawa and Imamatsu, 1997).

2) This diagram, created by the author, is based on concepts such as those of Onishi (2004) and Murakawa (2000).

3) Committee on Foreign Exchange and Other Transactions: please refer to http://www.mof.go.jp/english/e1a018f2.htm

4) According to Koichi Kato (former LDP Secretary General and Chief Cabinet Secretary), monetary policy is discussed among the Ministry of Finance and a small circle of politicians formerly in the Ministry of Finance, including Kiichi Miyazawa. Since Kato was a politician and former foreign affairs bureaucrat, he could not join the circle even when he was the Secretary General. (Source: author's interview with Kato)

5) In one sense, the LDP politicians, who all scramble for the budget share to distribute to their supporters and constituency, are all *Zaimu-zoku-giin*.

6) Proceedings of the Council on Fiscal and Economic Policy: please refer to http://www.kantei.go.jp/foreign/policy/keizai/index_e.html

7) Committee on Foreign Exchange and Other Transactions: please refer to http://www.mof.go.jp/english/e1a018f2.htm

8) Committee on Foreign Exchange and Other Transactions: please refer to http://www.mof.go.jp/english/e1a018f2.htm

9) MOF was reorganised in January 2001 and the International Finance Bureau was renamed the International Bureau.

10) This report included topics such as

1) Increase in domestic demand and yen denominated import transactions;
2) Improvement of the environment for enhanced convenience of the yen (upgrading financial and capital markets and creating a market where the yen and other Asian currencies can be exchanged directly);
3) Review of past systems and practices;
4) Cooperation in the currency and monetary field among countries in Asia;
5) Expansion of dialogues in the Asian region by constructing a new economic and monetary system.

At the same time, the Study Group for the Promotion of the Internationalisation of the Yen commissioned the following research by the Institute for International Monetary Affairs:

a) Foreign exchange controls in Asia and the possibility of direct transactions involving the yen and other Asian currencies,

b) Actual conditions survey of countries which adopted the currency basket system,

c) Field survey on domestic companies related to imports.

The Institute submitted three reports in February and March 2001. The National Institute for Research Advancement (NIRA) submitted a report entitled 'Collaborating and deepening currency policies in East Asia' (NIRA, 2001). The Institute pointed out that it is more correct to say that Japan's past monetary policy encouraged instability in the Asian economy rather than developing it.

11) Ogawa and Ito (2000) presented a working paper on the details of the Asian currency basket at the National Bureau of Economic Research (NBER). They then conducted detailed research on the ACU concept built with Asian major currencies. This research used the trade share of well-balanced years as a standard for the composition ratio of the currency basket. Ogawa and Shimizu (2005), setting the U.S. dollar and the Euro in place as anchor currencies, calculated AMU with a weighted balance of 13 ASEAN + 3 countries' currencies, based on these four standards: 1) trade volume, 2) nominal GDP, 3) GDP measured by purchasing power parity, and 4) foreign exchange reserve.

12) MOF website: http://www.mof.go.jp/english/if/CMI_0704.pdf[0]

References

(Japanese books and articles)

Gyoten, Y. *En ha Dokoheiku*. Kodansha. 1996.

Hayami, M. *Tuyoi En, Tuyoi Keizai*. Toyo Keizai Shinpou. 2005.

Imamatsu, H. "En no Kokusaika wo Meguru Shomondai" in Kamikawa, T., Shinoka, T., and Masuda, M. Tuukakiki no Keizaigaku. Nihon Keizai Hyouronsha. 2000.

Inoguchi, T. And Iwai, Y. *Zokugiin no Kenkyu*. Nihon Keizai Shinbun. 1987.

Ishida, M. "Jinmingen no Antei Kokusaika to Higashiajia Tuukataisei no Shourai" in Kamikawa, T. and Lee, G. eds., *Sekai Kinyuu Kiki: Nicchuu no Taiwa. Shunpuu Sha*. 2010.

Ito, M. "Kantei Shudougata Seisaku Kettei to Jiminto – Core Executive no Shuukenka" Leviathan NO. 38: 7-40. 2006.

Kamikawa, T. and Imamatsu, H. *En no Seijikeizaigaku: Asia to Sekai Keizai System*. Doubunkan. 1997.

Karube, K. *Document Zero Kinri: Nichigin VS Seifu Naze Tairitsu Surunoka*. Iwanami Shoten. 2004.

Kondo, T. *Asia Kyoutuu Tuuka Senryaku*. Sairyuu Sha. 2003.

Kuroda, H. *Tuuka Gaikou*. Toyo Keizai Shinposha. 2005.

Kwan, S. *Chuugoku wo Ugokasu Keizai Gakushatachi*. Toyo Keizai Shinposha. 2007

Lee, G. "En no Kokusaika no Rekishi to Sono Senryaku Chousei: Chuugoku Gakusha no Hyouka", in Kamikawa, T. and Lee, G. eds., *Sekai Kinyuu Kiki: Nicchuu no Taiwa. Shunpoosha*. 2010.

Mabuchi, M. *Ookurashou Tousei no Seiji Keizaigaku*. Chuo Koron. 1994.

Murakawa, I. *Seisaku Kettei Katei: Nihonkokku no Keishikiteki Seifu to Jisshitsuteki Seifu*. Shinzansha. 2000.

Nihon Keizai Shinbunsha. ed., *Kenshou Baburu: Hani Naki Ayamachi*. Nikkei Business Bunko. 2001.

Ohnishi, Y. *Chuugoku ni Okeru Keizai Seisaku Kettei Mechanism*. Kinyuu Zaisei Jijyou Kenkyuukai. 2005.

Saito, M. *Seichou Shinwa no Shikkoku*. Keisou Shobou. 2006.

Sato, S. and Matsuzaki, T. *Jimintou Seiken*. Chuo Koron. 1986.

Shimizu, S. *Asia no Ikinai Kinyuu Kyouryoku*. Toyo Keizai Shinpou. 2009.

Shinoda, T. *Reisengo no Nihon Gaikou – Anzen Hoshou Seisaku no Kokunai Seiji Katei*. Mineruba Shobou. 2006.

Suda, S. *Shirarezaru Tuuka Mafia: Zaimukan*. Shouden Sha. 2005.

Sougou Kenkyuu Kaihatsu Kikou. "Higashi Asia ni Okeru Tuuka Seisaku no Renkei to Sono Shinka", *NIRA Kenkyuu Houkokusho*. 2001.

Tanaka, O. *Kenshou: Gendai Chuugoku no Keizai Seisaku Kettei*. Nihon Keizai Shinbunsha. 2007.

(English Books and Articles)

Amyx, J. "Moving Beyond bilateralism? Japan and Asian Monetary Find," Pacific Economic Papar, No. 331, Australia-Japan Research Center, ANU. 2002.

Amyx, J. *Japan's Financial Crisis: Institutional Rigidity and Reluctant Change*.

Princeton and Oxford: Princeton University Press. 2004.

Katada, S. "Mission accomplished, or a Siyphean task? Japan's regulatory responses to the global financial crisis," E. Helleiner, S. Pagliari, H. Zimmermann eds., *Global Finance in Crisis: The politics of international Regulatory Change*. London. Routledge, 137-152pp, 2009

Ogawa, E. and T. Ito, "On the Desirability of a Regional Basket Currency Arrangement", NBER Working Paper, No. 8002, 2000

Ogawa, E. and J. Shimizu, "A Deviation Measurement for Coordinated Exchange Rate Politics in East Asia", RIETI Discussion Paper Series, 05-E-017. 2005.

Rhodes, R.A.W. and Dunleavy, P. *Prime Minister, Cabinet and Core Executive*. London: Macmillan. 1995

Rhodes, R.A.W. "Introducing the Core Executive", in Rhodes, R.A.W. and Dunleavy, P. *Prime Minister and Core Executive*. London Macmillan. 1995

Rosenbluth, F. *Financial Politics in Contemporary Japan*. Ithacca, NY: Cornell University Press. 1989

Silbarman, B. *Cages of Reason: The Rise of the Rational State in France, Japan, the United States, and Great Britain*. Chicago: University of Chicago Press. 1993

Terada, T. "The origins of ASEN+6 and Japan's initiatives: China's rise and the agent-structure analysis", The Pacific Review, 23:1, 71-92, 2010

Zhou, X. "Feform the International Monetary System," *The People's Bank of China*, 23 March (http://www.pbc.gov.cn)