

1st Step to Integrating Asian Currencies

– Creation of Regional Common Currency Eyed –

FINANCE ministers from the 10 members of the ASEAN+3 agreed to consider the creation of a regional common currency at their meeting in Hyderabad, southern India, in May in a move marking the first step toward integrating Asian currencies.

The proposed regional common currency will reflect the relative currency values of countries in the region. The common currency will be calculated on the basis of each country's gross domestic product (GDP), trade and capital transactions, and other factors. The EEC introduced a basket of currencies, the European Currency Unit (ECU), in 1979. The single European currency, the euro, was implemented in 2002. Following in the footsteps of Europe, Asia has begun to consider introducing its own single

currency. "The fact that the European Union took years to introduce the single currency shows the integration of a common currency is a major challenge," said Japanese Finance Minister Tanigaki Sadakazu, who represented Japan at the Hyderabad meeting. "It remains to be seen what conclusion will be drawn. We need to consider the matter in real earnest."

Behind the Asian countries' efforts to create a regional common currency lies the fallout of the Asian financial crisis in the 1990s. Thailand abruptly faced the currency crisis due to a rapid outflow of US dollar-based short-term investment funds from abroad on which it relied heavily. Asian countries believe they can channel a vast amount of savings in the Asian region into investments in their

own region if they can float regional common currency-based bonds, thereby lessening their dependence on the US dollar.

The proposed introduction of a common currency is based on a Japanese initiative. It is attracting strong interest from Malaysia, which has done away with its fixed exchange rate system pegged to the US dollar, and from Thailand, which is trying to become Asia's major automobile manufacturing base. In order to introduce a regional common currency, a number of problems need to be resolved, including the wide gaps in economic strength and political differences among Asian nations. The growing trend toward Asian currency integration may lead to a gradual change in the global economic framework.

From 'Quantity' to 'Quality': Japan's Changing Cellphone Market

– Softbank's Entry Seen Fueling Rivalry –

INTERNET investor Softbank Corp. has acquired the Japanese unit of British cellphone company Vodafone Group Plc for ¥1.7 trillion. As a result, Softbank has now become an integrated telecommunications firm, offering both fixed-line and cellphone services. A three-way race will soon be staged in the Japanese telecommunications market among the NTT Group, KDDI Corp. and Softbank.

Softbank's acquisition of Vodafone K.K. is the largest corporate acquisition ever in Japan in terms of value. Softbank CEO Son Masayoshi explained that the move was aimed at "buying time." Japan is to introduce a number portability system in November, under

which subscribers will be allowed to switch cellphone providers without changing their numbers. Ahead of the introduction of the new system, Softbank wants to acquire as many subscribers as possible. Softbank has teamed up with Yahoo Japan Corp. in the field of development and management of software for cellphones. In addition, it is planning to work together with the US firm Apple Computer Inc. to develop a cellphone handset incorporating iPod functions.

At the end of March 2006, the number of cellphone subscribers had topped 90 million in Japan. With the number of new subscribers showing the lowest ever growth, the cellphone market is seen

nearing saturation. Meanwhile, cellphone-based credit and e-money services are growing strongly. In April, a new type of digital terrestrial broadcasting got under way, enabling people to watch TV programs on their portable terminals like cellphones. The cellphone market is entering an era of "quality competition," focused on as financial and information terminals. Softbank boasts a wide array of services ranging from financial and Internet services to pro baseball. The Softbank group's entry into the cellphone market is going to fuel competition for higher quality to acquire a greater number of subscribers.