

## Robert Triffin and the search for Asian Monetary Union



By Ivo Maes and Ilaria Pasotti<sup>1</sup>

*JEL codes: A11, B22, B31, E30, E50, F02, F32.*

*Keywords: Triffin, Bretton Woods, international liquidity, regional monetary integration, Asian Payments Union.*

*Especially with the Asian financial crisis of 1997-1998, Asian countries have advocated a profound reform of the international financial architecture. Their proposals focused on two main axes: a reform of the global financial system and stronger regional monetary integration in Asia. There are here significant parallels with the ideas of Robert Triffin (1911-1993). Triffin became famous with trenchant analyses of the vulnerabilities of the international monetary system (the “Triffin dilemma”) and advanced also proposals for reforming the international monetary system. In his plans for regional monetary integration, very much inspired by his experience with the European Payments Union, Triffin focused on the creation of a Reserve Fund and a single currency unit. However, notwithstanding certain advances, monetary integration remained more limited in Asia than in Europe.*

---

<sup>1</sup> **Ivo Maes**, Université catholique de Louvain & ICHEC Brussels Management School; **Ilaria Pasotti**, Intesa Sanpaolo Group Historical Archives.

The authors would like to thank the participants of the Bank of Japan workshop “Japan as number two” as well as Jacques de Larosière, Barry Eichengreen, Dennis Essers, Mariko Hatase, Aiko Ikeo, Kazuhiko Yago, Shin Kubo, Niels Thygesen, Catherine Schenk and Raf Wouters for comments and suggestions. The usual restrictions apply.

## Robert Triffin: Bretton Woods Cassandra and advocate of regional monetary integration

Robert Triffin (1911-1993) was one of the main protagonists in the international monetary debates in the postwar period (Maes with Pasotti 2021). He became famous with his book *Gold and the Dollar Crisis*, published in 1960, in which he predicted the end of the Bretton Woods system. With his well-known dilemma, Triffin stressed the vulnerability of an international monetary system which was dependent on a national currency for its international liquidity (Maes 2013). Moreover, for Triffin, the US balance of payments deficit was not only an economic issue but also a moral one. He was disgusted that the richest country in the world was financed by the poorer countries. Very much like Keynes, he was in favor of a true international reserve currency.

In his aim to reform the international monetary system, Triffin pursued a two-pronged strategy. Ideally, he favored a global reform aiming at the creation of an international currency and a world central bank. But, as he doubted the success of this project, he also developed proposals for regional monetary integration, particularly in Europe. Triffin's plans for regional integration were very much based on his experience with the European Payments Union (1950), and focused on the creation of a European Reserve Fund and a European currency unit (Maes and Pasotti 2018). Later, he was also involved in proposals for regional monetary integration in Latin America, Africa and Asia. In Triffin's eyes, these regional and worldwide approaches were complementary, aiming at a new multipolar international monetary system. In this note the focus is on Asia. Triffin elaborated most of his proposals for Asian monetary integration in the late 1960s and early 1970s as a consultant to the United Nations Economic Commission for Asia and the Far East (ECAFE) (Maes and Pasotti 2022). Key elements of these proposals were a clearing mechanism, credit facilities and a new currency unit, which Triffin proposed to call the "Asian" (Triffin 1967). There are interesting parallels with recent Asian proposals. Especially since the Asian financial crisis of 1997, Asian countries have advocated a profound reform of the international financial architecture (Kawai 2009). Their proposals focused on two main axes: a reform of the global financial system and stronger regional monetary integration in Asia, very much the Triffin approach.

### Asian monetary union?

Triffin's proposals for regional monetary integration were debated by the ECAFE countries in the 1960s and 1970s when several initiatives at regional integration in Asia were taken. Triffin was very influential in these debates. His ideas figured prominently in an official "Foundation Paper on Regional Payments Arrangements for ECAFE Countries" by Kenichi Odawara<sup>2</sup> and he was tasked, together with Pierre Uri, with a follow-up mission to explore the positions of the different countries concerning Asian payments arrangements in the Spring and Summer of 1970. Triffin's proposals were the topic of high-level conferences in Japan, then the crucial country in Asia and where Triffin had an impressive network<sup>3</sup>. Triffin is also mentioned in a short (three page) official history of ECAFE (Jolly, 2009). Following these debates, in 1974, the Asian Clearing Union was created. However, its membership was very limited with initially six members, mainly from Western Asian countries: Bangladesh, India, Iran, Nepal, Pakistan and Sri Lanka. In 1977 the five founding members of ASEAN (the Association of Southeast Asian Countries, then comprising Indonesia, Malaysia, the Philippines, Singapore, and Thailand) signed the ASEAN Swap Arrangement that was considered as the embryo of an Asian regional safety net arrangement (Rhee et al., 2013); yet it has been criticised as being insufficient during the Asian crisis.

<sup>2</sup> "The Foundation Paper on Regional Payments Arrangements for ECAFE Countries", January 6, 1970, Historical Archives of the European Union (Fiesole, Firenze), Fond Pierre Uri, no. 65.

<sup>3</sup> Japan was not only the biggest Asian economy, but it had also significant balance of payments surpluses, while many of the other Asian countries had deficits. For Triffin, Japanese participation in an Asian payments union was then crucial, but the Japanese authorities were rather skeptical (Maes and Pasotti 2022).

Asian monetary union came really on the agenda with the Asian financial crisis of 1997. As observed by Tharman Shanmugaratnam in his Per Jacobsson Lecture, Asian monetary union was very much “a metaphor for Asia wanting to manage its own affairs” (Shanmugaratnam, 2006: 3). There was a stringent criticism in Asia of the role the IMF played during the crisis. The perception in Asia was that the IMF, very much under US influence, did not provide enough bridge finance to countries in difficulty and overemphasized moral hazard arguments and structural reforms, in strong contrast with the Mexican crisis of 1994 (Lipsky, 2003)<sup>4</sup>. In a broader sense, it led to a discomfort with the “Washington consensus”, especially the destabilizing role which capital movements could have (quite similar to arguments made earlier by Triffin, see Maes with Pasotti 2021). Asian policymakers, very much like Triffin, pursued a two-pronged strategy: reform of the global monetary system (especially giving Asia more influence in its governance) and regional monetary initiatives.

### Why was monetary integration in Asia more limited than in Europe?

However, regional monetary integration in Asia remained more limited than in Europe. When comparing monetary integration in Europe and Asia, one should also observe that not much progress was made in Europe in the 1970s. EMU became an official aim of the European Community with the 1969 Hague Summit.<sup>5</sup> However, the implementation of the 1970 Werner Report was not successful, partly because of heavy international monetary storms in the 1970s and the breakdown of the Bretton Woods system. European monetary union really made progress from the end of the 1980s with the Delors Report and the Maastricht Treaty, leading to the introduction of the euro in 1999.

A question is then why monetary and economic integration in Europe advanced more than in Asia. A key factor is that the heterogeneity between countries, both from an economic and political perspective, was much greater in Asia than in Europe. Moreover, the situation in Asia was quite complex. Several countries in the region had only recently become independent and were very wary about “colonialism”, while in many places there was also resentment against Japan due to the occupations during World War Two. At the end of his mission with Triffin, Uri remarked in a report that the situation in Asia was much more complicated than in Europe<sup>6</sup>. He singled out three main factors: the China situation (for Uri the least important factor; at the time, “China” was represented by Taiwan), the situation in Indochina (the war in Vietnam with extensions in Laos and Cambodia); and the tense relation between India and Pakistan. Moreover, Nixon’s closing of the gold window in August 1971 was completely unexpected in Japan (the “Nixon shock”). After the breakdown of Bretton Woods, the Japanese yen went through massive swings, making it less attractive as an anchor country. In these years, Japan was, economically, completely dominant in Asia and more preoccupied with its global role and its relation with the United States, its most important trading partner.

An important similarity between Asia and Europe is that both Japan and Germany, the main creditor countries in their respective region, were reluctant towards a process of monetary integration. Both countries feared close integration with debtor countries. However, in Europe, at the heart of the process of European integration was

---

<sup>4</sup> In 1997, Japan also proposed the creation of an Asian Monetary Fund, but, given strong US and IMF resistance, it accepted a more IMF-centered and gradual approach, with regional bilateral swap networks (Lipsky 2003). Given high levels of bank exposure and close economic ties, Japan had a strong preference for “liquidity provision” during the Asian crisis.

<sup>5</sup> On Jean Monnet’s request, Triffin drew up a proposal for a reserve fund that was put on the agenda of the summit, via Willy Brandt, who was also a member of Monnet’s Action Committee (Maes with Pasotti 2021).

<sup>6</sup> “Rapports de Pierre Uri à la Commission des Communautés Européennes sur l’exécution de son contrat d’étude”, July 1, 1970, pp. 4-5, Fond Pierre Uri, no. 65, Historical Archives of the European Union, Fiesole (Firenze).

the Franco-German motor. Inside Germany, economic policymakers were often deeply skeptical about plans for European monetary integration, but at crucial moments the chancellors made a choice for European integration, often because of the Franco-German relation (Maes 2004). In Asia, such a crucial axis driving the integration process, seems to have been absent. ■

## References

- Jolly R. (2009), *From Ecafe to Escap*, UN Intellectual History Project-Briefing Note no. 20, November 2009, 3 pp.
- Kawai M. (2009), Reform of the International Financial Architecture: An Asian Perspective, ADBI Working Paper No 167.
- Lipsky P. (2003), "Japan's Asian Monetary Fund Proposal", in *Stanford Journal of East Asian Affairs*, vol. 3, no. 1, Spring 2003: 93-104.
- Maes I. (2004), "On the Origins of the Franco-German EMU Controversies", *European Journal of Law and Economics*, Vol. 17, No. 1, January: 21-39.
- Maes I. (2013), "On the Origins of the Triffin Dilemma." *European Journal of the History of Economic Thought* 20, no. 6: 1222-1250.
- Maes I. and Pasotti I. (2018), "The European Payments Union and the Origins of Triffin's Regional Approach towards International Monetary Integration." *History of Political Economy* 50, no. 1 (March): 155-190.
- Maes I. with Pasotti I. (2021), [\*Robert Triffin: A Life\*](#), Preface by Jacques de Larosière, Oxford: Oxford University Press.
- Maes I. and Pasotti I. (2022), [Robert Triffin, Japan and the quest for Asian Monetary Union](#), Working Paper Research Series, No. 405, NBB, February 2022, pp. 39
- Rhee C., Sumulong L., Vallée S. (2013), Global and Regional Financial Safety Nets: Lessons from Europe and Asia, Bruegel Working Paper no. 6, November 2013.
- Shanmugaratnam T. (2006), *Asian Monetary Integration: Will It Ever Happen?*, The Per Jacobsson Lecture, Singapore, September 17, 2006.
- Triffin R. (1960), *Gold and the Dollar Crisis. The Future of Convertibility*. New Haven, CT: Yale University Press.
- Triffin R. (1967), "Payments Arrangements within the ECAFE Region", Report and Recommendations of the Seminar on Financial Aspects of Trade Expansion, United Nations Economic Commission for Asia and the Far East Economic Commission for Asia and the Far East, Bangkok, Thailand, August 1967: 127-187.

## About the authors

**Ivo Maes** is a Professor, Robert Triffin Chair, at the Université catholique de Louvain, as well as at ICHEC Brussels Management School. He was a Senior Advisor at the Economics and Research Department of the National Bank of Belgium. In 2003, he was a member of the Committee for Institutional Reform of the West African Monetary Union and from May 2015 to June 2018, he served as the President of the Council of the European Society for the History of Economic Thought. Recent books include „Architects of the Euro. Intellectuals in the Making of European Monetary Union“ (editor, with Kenneth Dyson, Oxford University Press, August 2016) and „Robert Triffin: A Life“ (with Ilaria Pasotti, Oxford University Press, January 2021). In May 2018, he was awarded the Camille Gutt Prize for his scientific publications on money and finance, especially the making of European monetary union.

**Ilaria Pasotti** is a researcher and consultant at the Intesa Sanpaolo Group Historical Archives. She has a PhD in History of Economic Thought at the University Florence. She was visiting researcher at the Université catholique de Louvain, the National Bank of Belgium and Cambridge University. Recent books include „Sui programmi di aiuto ai Paesi sottosviluppati. Il paradosso delle aree arretrate (1949-1969)“ (editor, Aragno, 2018) and „Robert Triffin: A Life“ (with Ivo Maes, Oxford University Press, 2021).

## SUERF Publications

Find more **SUERF Policy Briefs** and **Policy Notes** at [www.suerf.org/policynotes](http://www.suerf.org/policynotes)



**SUERF** is a network association of central bankers and regulators, academics, and practitioners in the financial sector. The focus of the association is on the analysis, discussion and understanding of financial markets and institutions, the monetary economy, the conduct of regulation, supervision and monetary policy.

SUERF's events and publications provide a unique European network for the analysis and discussion of these and related issues.

**SUERF Policy Briefs (SPBs)** serve to promote SUERF Members' economic views and research findings as well as economic policy-oriented analyses. They address topical issues and propose solutions to current economic and financial challenges. SPBs serve to increase the international visibility of SUERF Members' analyses and research.

The views expressed are those of the author(s) and not necessarily those of the institution(s) the author(s) is/are affiliated with.

All rights reserved.

### Editorial Board

Ernest Gnan  
Frank Lierman  
David T. Llewellyn  
Donato Masciandaro  
Natacha Valla

SUERF Secretariat  
c/o OeNB  
Otto-Wagner-Platz 3  
A-1090 Vienna, Austria  
Phone: +43-1-40420-7206  
[www.suerf.org](http://www.suerf.org) • [suerf@oenb.at](mailto:suerf@oenb.at)