

Preface

This book is a compilation of self-contained accounts of dollarization episodes in four transitional economies of Southeast Asia, Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar, and Vietnam, which are often collectively referred to as the CLMV countries. There is a large body of literature on dollarization—domestic residents' holding of a significant portion of their financial assets in foreign-currency-denominated assets—in the context of Latin America and the transitional economies of Eastern Europe and the former Soviet Union. Relatively less well understood is dollarization in the transitional economies of Southeast Asia despite its significance. For example, Cambodia is one of the most highly dollarized economies in the world. To the best of my knowledge, this is the first book that dedicates a whole chapter to analyzing dollarization in Myanmar.

In contrast to conventional studies on dollarization that center upon the quantitative examination of the dollarization index, which is the ratio of foreign currency deposits to broad money, this book adopts an analytical narrative approach. Fundamental questions exploring dollarization include *Who holds dollar assets for what purposes?* The chapter on Cambodia reminds us that the prevalence of dollars differs substantially

between regions and between various commodity supply chains even in this highly dollarized country. It is also revealed that foreign currency deposits include demand deposits and fixed term deposits that are held for different purposes and that the trends associated with various types of foreign currency deposits exhibit marked differences for the case of Lao PDR. Although crucial for diagnosis and formulation of de-dollarization policies, these features of dollarization are often neglected in existing literature. The studies in this book offer vivid pictures of dollarization in the CLMV countries.

Dollarization has become one of the policy challenges faced by CLMV financial authorities. A comprehensive diagnosis of the phenomena and their backgrounds in one book reveals some similarities but more differences among the dollarization episodes of these countries. The success and/or failure of policy measures against dollarization in one country would provide useful lessons for peer countries. I would be extremely honored if financial authorities and academia interested in these countries would find this book a useful reference.

It was over a decade ago when Shin'ichi Watanabe piqued my interest in the peculiar dynamics of dollarization in these countries in the 1990s and early 2000s; developments that stand in stark contrast with Latin American dollarization episodes. A comparative research project on dollarization in the CLMV countries, which had been one of my research agendas for many years, finally became possible during the 2014–2016 period when I was assigned to the Bangkok Office of the Japan External Trade Organization, an ideal location for conducting a joint research project with experts in the region. I am particularly grateful to Yasuhiro Yamada for giving me the opportunity to station in the hub city of continental Southeast Asia.

A real challenge was finding scholars who would be able to contribute their expertise to this research project. It is fortunate that Ken Odajima, Hidenobu Okuda, and Daiju Aiba brought insights from their ongoing large-scale survey of households and firms on the uses of dollar in Cambodia, a joint research venture involving the Japan International Cooperation Agency and the National Bank of Cambodia. I am particularly indebted to U Myint for introducing Set Aung, who subsequently joined the project. I am also grateful to Ngyuen Anh Duong who

participated in the first year of this two-year project and shared his expertise on the Vietnamese dollarization episode. All chapters in this book are based on extensive reviews of the existing literature and novel data pertaining to dollarization.

The various contributors to this project have benefited from comments and suggestions of the participants of seminars and workshops at various places. Prakarn Arphasil, Theerawut Sripinit, Pisut Kulthanavit, and Lim Siphath served as discussants at the workshop at Thammasat University. Chea Serey and Khou Vouthy generously hosted a seminar for us to disseminate our research findings at the National Bank of Cambodia and shared with us their thoughts on dollarization from the viewpoint of practitioners facing the highly dollarized financial system. Earlier drafts of the chapter on Myanmar were presented at numerous venues in Myanmar including the Central Bank of Myanmar. The evolution of that chapter would not have been possible without discussions with Sandar Oo, Win Thaw, Min Han Soe, and their colleagues as well as foreign experts Masaru Tanaka, Shunsuke Yamamoto, and Yasuhisa Ojima.

Many thanks are due to my friends and colleagues in Myanmar including U Than Lwin, Cho Cho Thein, and Khin Thida Maw who always provided me with updates on Myanmar's financial system that were difficult for foreign observers to obtain.

Chiba, Japan

Koji Kubo

Dollarization and De-dollarization in Transitional
Economies of Southeast Asia

Kubo, K. (Ed.)

2017, XVIII, 243 p. 33 illus., Hardcover

ISBN: 978-3-319-57767-8