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Nota di contenuto	Table of Contents; A. Introduction; B. Background; The Problem; The European Example; The Gulf Cooperation Council; African Unions; C. Methodology to Set Conversion Values; Step One - Identifying periods of equilibrium; Step Two - Measuring real exchange rate misalignments; Step Three - Adjustments to conversion rates; D. Application to the GCC Countries; Background: Approach of Kamar and Ben Naceur; Step One: The REER equilibrium approach to determine the equilibrium year; Step Two: The bilateral RER misalignment between each GCC currency and the US dollar forecasted until 2013 Step Three: Identifying the new conversion ratesE. Application to Other Currency Unions; F. Conclusions; G. Appendices; 1: Setting the Rates for Conversion into the Euro; 2: The Macro-Indicators Approach Applied to GCC Countries; 3: Overview of CGER Exchange Rate Assessment Methodologies; 4: CGER assessments of selected GCC exchange rates in recent years:; 5: RER Behavior Determinants; 6: Unit Root Tests for the Real Effective Exchange Rate (REER) Model; 7: OLS Estimations of the Short-run Determinants of the REER (Error-Correction Model) 8: Unit Root Tests for the Bilateral Real Exchange Rate (RER) Model9: OLS Estimations of the Short-run Determinants of the RER (Error-Correction Model); H. References
Sommario/riassunto	A key issue in creating a new currency union is setting the rates to convert national currencies into the new union currency. Planned unions in the Gulf region and Africa are seeking methods to set the conversion rates when their new currencies are created. We propose a forward-looking econometric methodology to determine conversion rates by calculating the degree of misalignment in the real exchange rate, and apply it to the GCC currency union. For each GCC currency, we identify the year at which the economy is the closest to its internal and external equilibrium, and then estimate the degree of misalignment in the bilateral real exchange rate vis-à-vis the U.S. dollar based on WEO forecasts until 2013. Application of the methodology to other regions is also considered.