This book surveys the prospects for regional monetary integration in various parts of the world. Beginning with a brief review of the theory of optimal currency areas, it goes on to examine the structure and functioning of the European Monetary Union, then turns to the prospects for monetary integration elsewhere in the world – North America, South America, and East Asia. Such cooperation may take the form of full-fledged monetary unions or looser forms of monetary cooperation. The book emphasizes the economic and institutional requirements for successful monetary integration, including the need for a single central bank in the case of a full-fledged monetary union, and the corresponding need for multinational institutions to safeguard its independence and assure its accountability. The book concludes with a chapter on the implications of monetary integration for the United States and the U.S. dollar.


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A Council on Foreign Relations Book

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Regional Monetary Integration

PETER B. KENEN
Council on Foreign Relations and Princeton University

ELLEN E. MEADE
American University
To my grandchildren, Zach and Ilan Cohen
    and Sela and Asher Kenen
    P.B.K.
To my husband, Robert Kahn,
    and my sons, Gabriel and
    Raphael Kahn
    E.E.M.
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Acronyms

ACU  Asian Currency Unit
ADB  Asian Development Bank
AMF  Asian Monetary Fund
APEC  Asia-Pacific Economic Cooperation (forum)
ASEAN  Association of South East Asian Nations
ASEAN+3  ASEAN members plus China, Japan, and the Republic of Korea
BCCB  British Caribbean Currency Board
BLEU  Belgium-Luxembourg Economic Union
CAEMC  Central African Economic and Monetary Community
CAFTA-DR  Central America-Dominican Republic-United States Free Trade Agreement
CAP  Common Agricultural Policy (of the EU)
CFA  Franc of the French colonies of Africa (1945–1958); Franc of the French community of Africa (since 1958)
CMA  Common Monetary Area (in Southern Africa)
CMI  Chiang Mai Initiative
EACB  East African Currency Board
EC  European Communities (also used here to denote the European Economic Community, or Common Market, taken by itself)
ECB  European Central Bank
ECCA  Eastern Caribbean Currency Authority
ECCB  Eastern Caribbean Central Bank
ECCU  Eastern Caribbean Currency Union
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ECOFIN</td>
<td>Council of Ministers when attended by Economic and Finance Ministers</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>ECU</td>
<td>European Currency Unit</td>
</tr>
<tr>
<td>EMCF</td>
<td>European Monetary Cooperation Fund</td>
</tr>
<tr>
<td>EMCP</td>
<td>ECOWAS Monetary Cooperation Programme</td>
</tr>
<tr>
<td>EMEAP</td>
<td>Executives’ Meeting of East Asia and Pacific Central Banks</td>
</tr>
<tr>
<td>EMS</td>
<td>European Monetary System</td>
</tr>
<tr>
<td>EMU</td>
<td>European Monetary Union (strictly, Economic and Monetary Union, but commonly used as it is here)</td>
</tr>
<tr>
<td>EPU</td>
<td>European Payments Union</td>
</tr>
<tr>
<td>ESCB</td>
<td>European System of Central Banks</td>
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<tr>
<td>ESF</td>
<td>Exchange Stabilization Fund</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FOMC</td>
<td>Federal Open Market Committee</td>
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<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GCC</td>
<td>Gulf Cooperation Council</td>
</tr>
<tr>
<td>G-7</td>
<td>Group of 7 (comprising Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)</td>
</tr>
<tr>
<td>IEO</td>
<td>Independent Evaluation Office (of the International Monetary Fund)</td>
</tr>
<tr>
<td>IGC</td>
<td>Intergovernmental Conference (of the EU member states)</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>LMU</td>
<td>Latin Monetary Union</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>Mercado Común del Sur (Common Market of the South)</td>
</tr>
<tr>
<td>MFG</td>
<td>Manila Framework Group</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Area</td>
</tr>
<tr>
<td>NAMU</td>
<td>North American Monetary Union</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>REMU</td>
<td>Regional Economic Monitoring Unit (of the Asian Development Bank)</td>
</tr>
<tr>
<td>SMSA</td>
<td>Standard Metropolitan Statistical Area</td>
</tr>
<tr>
<td>SMU</td>
<td>Scandinavian Monetary Union</td>
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### Acronyms

<table>
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>TEU</td>
<td>Treaty on European Union (i.e., the Maastricht Treaty)</td>
</tr>
<tr>
<td>WAEMU</td>
<td>West African Economic and Monetary Union</td>
</tr>
<tr>
<td>WAMI</td>
<td>West African Monetary Institute</td>
</tr>
<tr>
<td>WAMZ</td>
<td>West African Monetary Zone</td>
</tr>
<tr>
<td>WAUA</td>
<td>West African Unit of Account</td>
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