

Inf€uro

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Three Questions for Yves-Thibault de Silguy on the Euro 11

Inf€ Who are the members of Euro 11 and what purpose does this group serve ?

It brings together, just before the Ecofin Council, the finance ministers of the 11 member countries of the euro zone. Two representatives of the Commission will systematically take part and the President of the European Central Bank may also be invited. Meetings have been organized or are planned for this year in June, July, September, October and November. In September, it will be extended to the Fifteen. Euro Eleven is an informal body for exchanges of view on all issues associated with the euro which are of direct concern to participating countries. Priority will be given to coordinating macro-economic policies and, in particular, the implementation of 1998 budgets and the preparation of 1999 budgets.

Inf€ What influence will Euro 11 have if it has no power of decision ?

It is a forum comprised of only two members per delegation.

It should allow a very in-depth exchange of views on subjects such as economic policy, and even exchange rate issues, in a spirit of frankness and openness, which is not necessarily possible in normal Council meetings where delegations are much larger. It should also ensure better comprehension of the economic situation in each country, facilitate consensus within finance ministries and be conducive to better coordination of economic policies.

Inf€ Isn't there a risk of a two-speed Europe ?

No, for three reasons. Firstly, because the power of decision remains with the fifteen-member Ecofin Council. Secondly, because the Commission, which acts as the guardian of the Treaty, will ensure that there is no challenge to the *acquis communautaires* which must apply to all fifteen members. Thirdly, because a number of mechanisms have been set up to ensure that the Fifteen are kept informed of the workings of Euro 11.

Ms Sirkka Hämäläinen, member of the Executive Board
of the ECB and former Bank of Finland Governor

The three major challenges for the European System of Central Banks

Inf€ How do you consider your role as a member of the European Central Bank Executive Board?

The work of a member of the Executive Board of the European Central Bank will involve the preparation, decision-making and operative implementation of the single monetary policy for the euro area.

Under the European System of Central Banks, supreme power is vested in the Governing Council of the European Central Bank, which is composed of the members of the ECB Executive Board and the governors of the national central banks of the euro area countries. Within this system, the Executive Board is responsible for the preparation of Governing Council meetings, and each Board member, like the other members of the Governing Council, will have one vote in the actual

decision-making. The Executive Board is also responsible for implementing the decisions. In addition to this joint responsibility, Executive Board members will be given individual responsibility for particular sectors. Each member of the Executive Board of the ECB will have a pronounced responsibility to keep the focus of decision-making on the European perspective.

Inf€ Considering your experience as Bank of Finland's governor, do you believe that a woman takes a different approach to the running of such an important institution?

In conducting monetary policy, a central bank makes its decisions on the basis of forecasts of future economic developments and assessments of the situation based on those forecasts. In doing this, only professional skills are important, not gender. (> 6)





Marianne Jelved
Danish Minister
of Economic Affairs



I hope that Denmark will join the single currency some time in the future



Inf€ *Six months before the introduction of the euro, what is Denmark doing for this crucial step considering the fact that it has chosen to remain outside the euro-zone?*

Economic policies in the euro area will to a high degree shape the environment for economic developments in Denmark and for Danish economic policy, even though Denmark is not participating in the euro.

Clearly, it is in Denmark's interest that all Member States effectively participate in the coordination of economic policies in the EU. Sound economic developments with stable prices promoting growth and employment is in the interest of all Member States.

As a consequence, the Danish exchange rate policy will have the euro as the future anchor instead of the German mark, and Denmark plans to participate in the new exchange rate mechanism, ERM2. Denmark also participates in the Stability and Growth Pact, but is not subject to sanctions.

Furthermore, Danish economic policy must be more ambitious than the economic policy of the euro countries in order to secure room of manoeuvre for fiscal policy and the credibility of the fixed exchange rate policy. This is already built into the economic policy plan of the Government running to the year 2005.

This will also create a stable and sound economic environment for business and trade.

In addition, the Danish government has formed an EMU Committee under the chairmanship of the Ministry of Economic Affairs with participation of business associations, various other organisations, the financial sector, ministries and the National Bank of Denmark. The EMU Committee serves as a forum for an exchange of views between the public and private sector in order to clarify consequences for Denmark of the third stage of the EMU.

On 30 March 1998, the Ministry of Economic Affairs presented a report on Denmark and the

euro. The report is based on the deliberations in the EMU Committee, and describes the main consequences for Denmark when eleven EU countries begin the third stage of EMU. The aim has been to prepare Danish businesses, the financial sector and consumers for the euro.

Inf€ *Are you worried about the Danish krone facing turbulence on the foreign exchange markets? What kind of intervention means could you use in case of market tension?*

A corner-stone in the Danish economy is a fixed exchange rate policy. Since the beginning of the 1980s Denmark has followed a fixed exchange rate policy *vis-à-vis* the other core currencies in the ERM as a natural and important part of the stability-oriented economic policy. In recent years the Danish krone has been stable around the bilateral central rate *vis-à-vis* the German mark. This shows that Denmark has adapted to the conduct of sound economic principles with price stability and low interest rates.

After the beginning of the third stage of EMU, Denmark will retain its existing powers in the fields of monetary policy according to its national laws and regulations, including powers of the National Bank of Denmark in the field of monetary policy. This includes instruments and means to handle exchange rate pressure.

Denmark will continue to participate in the system to succeed the EMS from 1 January 1999, also called the ERM2. ERM2 is based on cooperation between the euro area and the Member States outside the euro.

With the agreement of the ECB, it will be possible to establish a narrower fluctuation band for individual non-euro countries. This possibility of a closer link to the euro has been actively supported by Denmark. Such a narrow fluctuation band is a natural extension of the present Danish fixed exchange rate policy.

Inf€ *What do you think about the various instruments set up for the countries which do not participate in the first "wave"?*

The establishment of ERM2 has been supported by Denmark. Furthermore, economic



policies in Denmark build on the same principles of sound public finances as in the Stability and Growth Pact.

In fact, the strategy of fiscal policy in Denmark is even more ambitious. A more ambitious economic policy in Denmark is regarded as necessary not only to achieve room for manoeuvre in fiscal policy, but also because financial markets may be particularly attentive to economic developments in Member States outside the euro area.

Continued credibility of the fixed Danish krone rate within the ERM2 and a reduction in the interest rate differential *vis-à-vis* Germany is conditional upon Denmark conducting a tight economic policy.

Inf€ *In a similar position, a number of British companies have decided to use the euro as from the beginning of 1999. Is this also the case in Denmark? Has the Danish Government set up any programme to help the companies which wish to work in euro to prepare themselves for the change-over?*

The extent to which the euro will be used by Danish enterprises depends on whether it is possible according to Danish legislation, and their commercial evaluation of costs and benefits.

It follows from the Danish EMU-exemption that the Danish krone is the only legal means of payment in Denmark, i.e. the right to make payments in Danish kroner in Denmark is stipulated by law. This does not preclude Danish consumers and enterprises from accepting payments in other currencies, including the euro.

To a large extent, Danish legislation already takes into consideration that many Danish enterprises have comprehensive transactions in foreign currency. Danish legislation fulfils the international conventions on the treatment of currencies other than the Danish krone. Legally the euro will replace several existing European currencies.

However, certain changes in Danish legislation are necessary prior to 1 January 1999, in order to take into account the introduction of the euro.

Furthermore, there may be a need to consider other changes in Danish legislation so that Danish enterprises can operate under the same competitive conditions as enterprises in other Member States outside the euro. First of all, this could involve an option to present accounts in euro if enterprises have a commercial interest in this. The existing Danish legislation does not allow bookkeeping and presentations of accounts in foreign currencies.

So far, Danish enterprises have not shown a great deal of interest in accounting in the euro. A few subsidiaries of foreign companies have, however, expressed such an interest.

The transition to the single currency will not have great practical consequences for enterprises which are liable to present their accounts only in Denmark with earnings and costs in Danish kroner.

In a few weeks, one of the Danish mortgage institutions will be able to offer commercial loans in euro to Danish companies. From 1 January, credit institutions will also offer loans based on euro bonds. The new forms of financing might be attractive to Danish companies which wish to cover the currency risk when trading with the euro countries.

Inf€ *Personally, do you think that it is in the long-term interest of your country to remain outside the euro-zone?*

Personally, I hope that Denmark will join the single currency some time in the future, but the Danish position towards the EMU stems from a political decision. The Danish EMU-exemption will continue unless the Danish population at a new Danish referendum decides otherwise. There are no plans for such a new referendum. The Amsterdam Treaty confirms the Danish exemptions. ■



Dolf van den Brink, member of the Managing Board of ABN AMRO Bank

The euro is a catalyst for change

Inf€ *Could you explain the change-over to the euro within the ABN AMRO group? How long have you been preparing for the euro? What measures have already been taken and what still has to be done and in which areas?*

ABN AMRO started its hands-on euro preparations in 1995, focusing on both IT and commercial activities. So, for a number of years already, we have a Euro Steering Committee in place at corporate level, of which I am the chairman. It clearly shows the bank's commitment to the euro at Managing Board level. We have Euro Steering Committees at executive management level in each of the commercial divisions, as well as in IT and in the European countries and regions in the rest of the world. A large number of people, presently in the range of 1000 full-time equivalents, are working on the euro and its implementation on a full-time basis via the Corporate Project Office Euro, the Euro Project Offices in the various divisions, and the project teams in the European countries and other regions, as well as in several banking departments.

Our objectives with regard to the euro are threefold: introduction of the euro, by which we mean conversion, in an efficient manner; to position ABN AMRO as a leading euro bank; and, business development in order to compensate for the structural reduction in revenues. We are in the final stages of adjusting our systems to accommodate the conversion process for our clients, irrespective of where they are located and irrespective of the product. We will provide maximum flexibility to our clients, in line with the starting point of "no compulsion, no prohibition" between 1999 and 2002. Our clients can decide when to convert to the euro, at no additional cost. They can simply keep their existing account numbers. By the way, in a number of countries we do already provide dual currency balance reporting as a "special service" to our clients.

In terms of new business development our activities are widespread. In the treasury area, for instance, we offer euro-related derivatives and were the first bank to do so, and we quote euro prices on Reuters (ABN EURO1). In capital markets, we have a leading position in euroland having been a bookrunner for numerous euro fungibles issues, including the first-ever euro fungible bond for the European Investment Bank and the first corporate redenomination issue for Siemens. In the league tables we rank second as bookrunner in eurobonds in the 11 "old" EMU currencies, so we are well-positioned to play a dominant role in the new euro arena. Just to mention another example, in asset management we are amongst the frontrunners in pan-European research and in launching EMU-wide equity and fixed income funds.

Another important focus area is EMU-wide payments and cash management. The primary objective of our investment here is to achieve consistency in service across euroland. This involves further development and expansion of local operations and systems in each individual country. We will link these local systems to ensure easy access and use by clients wherever they reside. This will result in simplified, streamlined cash management by our client and the bank.

Inf€ *Can you put a figure on how much it is costing ABN AMRO to prepare for the euro?*

Around 225 million euros in systems, to accommodate the conversion of payments and accounts during the transition period.

Inf€ *What internal and external awareness campaign is your bank conducting?*

I hardly know where to start. Since 1996 we have been very active in "bringing the euro message across", both internally and externally. We successfully organised euro road shows in well over 40 countries across the globe, euro round table meetings with clients in Europe, the US, Middle East and Asia, numerous euro conferences and presentations for specific client groups, and one-on-one meetings with clients specifically addressing their questions, issues and requirements. We published a range of euro brochures and handouts for the many different client groups, covering various aspects and consequences of the introduction of the euro. We have also been active in many advertising and media activities, thus adding to euro awareness among the business community and general public across Europe and beyond, even in the "eurosceptic" period when many people were in doubt about EMU's go-ahead and composition.

Internally, we have constantly informed our sales forces and client teams at all levels and in all countries on recent euro developments, by way of newsletters, presentations, internal e-mail, an on-line euro toolkit including a section on questions frequently asked by our clients, videos, training sessions etc. Due to the commitment and efforts made by many people we were successful in gaining momentum at an early stage. For quite some time already, "euro" is the buzzword throughout the entire ABN AMRO organisation.

Inf€ *What are you expecting of the national and European authorities until 1 January 2002?*

First of all, I expect the authorities to continue to provide a stable political basis for the EMU and the euro. In the initial phases of the EMU, credibility is of paramount importance. Irrevocable commitment from both national and European authorities is crucial. It will assist in keeping inflation and interest rates low and will be a prerequisite for further structural reduction of the budget deficits.

Secondly, I would expect the authorities, adequately and in a timely fashion, to inform the public on the pending changes during the various phases of the transition. We know from experience that there is a major information gap across all countries, and a lack of management expectations.

Thirdly, clear and firm initiatives are required in order to create a level playing field in Europe. The introduction of the euro will not automatically create a single market. The many different infrastructures, such as legal systems, tax and clearing systems, will be an impediment to further development and economic growth. Businesses and the banking industry are confronted with these hurdles on a daily basis. We would like — and expect — the European authorities to take a firm stance here. The sooner, the better.

I would like to extend the timeframe indicated by you in your question. Why not discuss our expectations beyond January 1, 2002? I would expect the authorities to ensure an efficient and flawless transition

All in all, there's still a lot of work to be done by all of us. The euro is not the end of a development, not the completion of a process. The euro, in my view, is only the beginning of a new era for Europe. It's a catalyst for change, positioning Europe for the new millennium.

Niall FitzGerald, Chairman of Unilever

The arrival of the euro offers real opportunities for Unilever

Inf€ *Unilever is both a British and a Dutch company. Does this particular situation have any impact on the way you consider the euro? Isn't it uncomfortable to be in and out of the euro area at the same time?*

Unilever is first and foremost an international company. Our structure and operations reflect the way the world is moving — towards globalizing and integrating markets, of which the European Union is the largest. We have already adapted our strategy and organisation to that single market-place. More and more large companies operating in Britain are doing the same. That's true not just of continental European companies in the UK like Siemens, but also of British companies like ICI, which has told more than 300 suppliers that preference will be given to those agreeing to buy in euros. So we won't be "in and out of the euro" at the same time: we will have both feet firmly in the euro — even if our retailing customers in Britain continue pricing in sterling for the time being.

Inf€ *What structures have you been setting up for the use of the euro within the Unilever group? Do you intend to use euro as from 1 January next? In which areas?*

Unilever will be prepared for EMU and we will be able to use euro in transactions with our suppliers and customers from 1 January 1999 onwards. We will assist and cooperate with our customers to enable them smoothly to switch to euro at any time during the transition period which runs from 1 January 1999 to 1 January 2002. In the transition period, our transaction documents, invoices, credit-notes and receipts will be in either euro or the relevant local currency as requested by our customers. Our preference is to conduct transactions with one customer in one currency only. We are currently reviewing the impact of the euro on marketing, sales and pricing in particular for our pan-European brands.

Inf€ *Will the impact of the euro's introduction be positive for your company?*

The arrival of the euro offers real opportunities for Unilever. Since the launch of the single market project, we have been thinking and planning on a European scale. The euro will make the European market-place even more transparent and competitive, which will be good for Unilever and good for our consumers as the bulk of the gains from greater efficiency will be passed on to them. Increased competition will also give a spur to our research and innovation as we seek to strengthen our market position through the launch of new brands and products. And as European industry becomes more competitive so it will help us strengthen our position internationally.

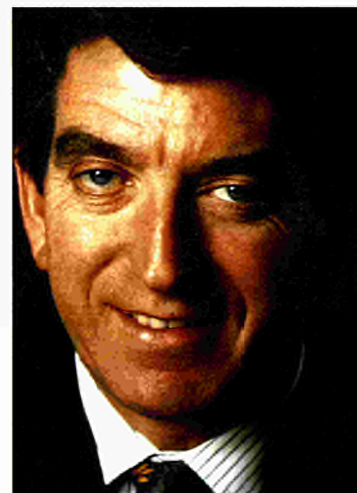
Inf€ *On a more general aspect, do you think that the euro will be an important asset for the European Union? Which are the conditions for success?*

I think that the most obvious benefits — ending exchange rate risks and costs, and the strengthening of the single market — are by now well understood. Just as important will be the creation of a much more competitive business environment in Europe, thanks to price transparency and increased cross-border trade. In every country, and in every sector, this will mean winners and losers. Companies will seek greater efficiency through more rationalization and consolidation, more mergers and acquisitions. The euro will be a tough discipline. Already, the preparations for EMU have forced long-overdue fiscal responsibility on European governments.

They need to make labour markets and product and service markets more flexible to help cope with a one-size-fits-all monetary policy. Companies, whilst recognising their responsibilities to society, must be able to adjust the price, the type and even the location of labour to stay competitive. The costs and the benefits of the euro must be explained and this is now an urgent task for governments and all those who seek the euro's success.

Inf€ *Do you personally think that it is in the interest of the U.K. to join the euro area soon? Could you explain why?*

I very much hope that the Government will speed up their plans for Britain to join. The longer Britain remains outside the euro zone, the greater the risk that British influence will be reduced and British interests undermined. We will be facing new costs, competitive disadvantage and a volatile pound. British influence on the world stage is likely to diminish. New inward investment into Europe is more likely to flow into the euro-zone than before. We must also face the probability that the longer the euro is established, the harder it will be for Britain to influence the terms of British entry. Obvious examples are the rate at which sterling enters, and the conditions of exchange rate stability put on Britain in the run-up to entry. The present Government's declared support for the principle of monetary union and commitment to work towards membership has bought time for Britain, but probably no more than five years. The Government should make clear its intention to take Britain into EMU as soon as is practically possible, and agree the terms for British entry while our European partners remain enthusiastic about British membership, and keen to help us to join. ■





Ms Sirkka Hämmäläinen,
member of the Executive Board
of the ECB and former Bank of Finland Governor

The three major challenges for the European System of Central Banks

(< 1)

Inf€ *Which are the necessary conditions for the successful operation of the ESCB? Do you think that collaboration with your colleagues of the other national central banks will be easy?*

The ESCB must be capable of meeting three major challenges.

First, it must set clear, transparent and publicly stated objectives for its monetary policy. The final objective of price stability, which is prescribed in the Maastricht Treaty, needs to be specified and made operational so as to form a good basis for decision-making and ensure effectiveness and credibility.

Second, the European System of Central Banks must be able to demonstrate that it conducts monetary policy expressly in the interests of the euro area as a whole, rather than from the viewpoint of any individual countries. Observation of the European perspective requires that we quickly get a fairly clear understanding of the monetary policy transmission mechanism for the euro area.

The third challenge, which is related to the above two, is open and effective communication *vis-à-vis* financial markets, labour markets, the general public and political bodies that represent the citizens.

As regards collaboration with the governors of the national central banks, it should be remembered that most members of the future Governing Council of the European Central Bank have already worked together for a long time within the Council of the European Monetary Institute. On the whole, this cooperation has been very constructive, and I believe it will continue along the same lines in the future.

Inf€ *The euro is also a major change for the Bank of Finland. What preparations have you made internally for change-over? Are you ready?*

Of course, for all Member States and their central banks the euro is a big issue, even though the role of the national central banks will continue to be important within the framework of the single monetary policy. Besides the participation by the governors of the national central banks in the common decision-making, the implementation of monetary policy will be handled at the NCB level. For this reason also, the Bank of Finland has been preparing for the introduction of the euro in all areas — strategically, operationally and technically. Its monetary policy instruments and information systems meet the

requirements imposed by the euro. Moreover, as regards analysis of economic policy, for example, more emphasis has been placed on a euro area-wide perspective. I believe that the Bank of Finland as a relatively small and technically advanced central bank will be ready to start implementing the single monetary policy on 1 January 1999.

Inf€ *Finnish people are very devoted to the markka, symbol of their country's independence. Do you believe that they will easily adapt to the euro? How do you intend to help them?*

It is true that the Finnish markka has been of historical importance as an element in Finland's strivings for independence, which was not achieved until half a century after the markka's adoption as the country's monetary unit. However, it is useful to keep in mind that Finland did not introduce its own monetary unit merely for nationalistic reasons. An essential consideration was the desire to have a stable currency and thus to solidify the country's economic relations with other European countries. This stability and increasing economic cooperation will now be embodied in the euro. Moreover, technology has advanced to the point that for the majority of present-day Finns money takes the form of plastic bankcards rather than banknotes and coins.

The Finnish people are not only patriotic but also very internationally and practically oriented. Therefore I believe that they will adapt to the use of the euro without any major difficulties.

The Finnish authorities have been making preparations for informing the public and companies as comprehensively as possible as to what the euro will mean to them. A concrete example is the EMU info campaign that was started in May, and is sponsored jointly by the Finnish Ministry of Finance and the European Commission.

The Bank of Finland has also participated in the communication efforts concerning EMU with respect to its own areas of competence, for example in speeches and lectures and in the Bank's publications and brochures.

In addition, the Bank's Internet home page includes a special page on the same topic. In the future, the Bank will shoulder a special responsibility to communicate what the euro-area common monetary policy means for the Finnish economy.



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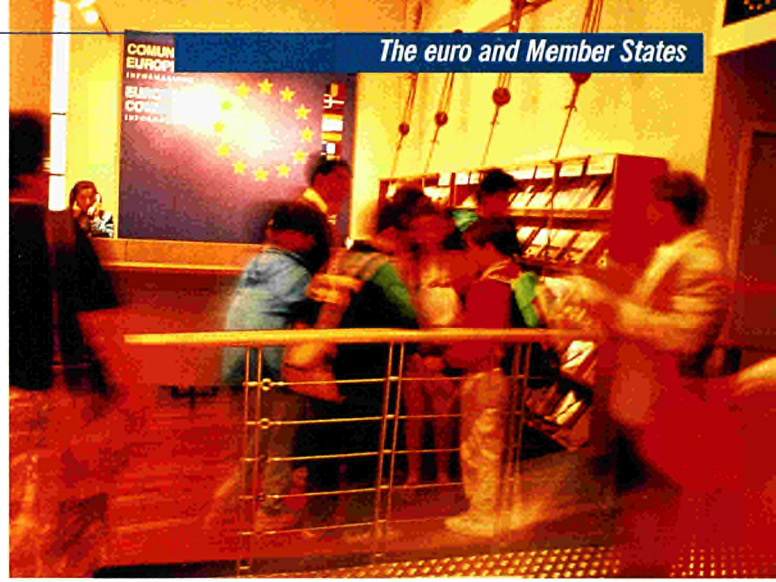




Communicating on the euro

Partners

Parliament, the Commission and the Member States together explain the euro to Europe's citizens.



The success of the euro calls imperatively for a general communication campaign that is close to the future users of the European currency. A communication campaign on the euro must be adapted to the realities of the individual countries, for each of which its own national currency has very specific cultural and historical connotations. On their own, the European institutions would not have been capable of reaching each of the 370 million citizens of Europe. Hence the need to diversify the initiatives, and to adapt them as much as possible to the local context by working according to the principles of subsidiarity and decentralization and by mobilizing every available energy. The European Commission and Parliament have therefore proposed partnerships to the Member States of the European Union in order to co-implement and co-finance joint euro information and communication campaigns.

Conventions for each programme

Ever since the Green Paper of 1995 on the switch to the euro, the Commission had expressed the wish to implicate the European Parliament and the Member States directly in communication on the euro, since it is at the grass roots that Europeans need to be informed. Also, a task force for communications initiatives was established within the European Commission at the initiative of Commissioner Marcelino Oreja and Yves-Thibault de Silguy, combining DG X (communication) and DG II (economic and monetary affairs).

Although there is nothing new in the principle of partnership, applying it with the Member States in the field of information and on so broad a scale is an innovation. This initiative is based on a memorandum signed on the political level by three partners (Parliament, the Member State and the Commission). On the operational plane, it is completed by a Co-financing Convention between the Commission and the Member State, which defines the pooling of resources. The preparation of a communication plan strengthens the efficiency and the coherence of the interventions and constitutes an interesting basis for implementing subsidiarity and achieving coherence between the different levels of action.

In 1996, four Member States had signed conventions of this kind. In 1997 they were seven, and this year there are eleven. In 1997, the European

institutions devoted a budget of 16 million ecu to the conventions, which represented 50 % of the Community's total budget at the time (31 million ecu) for communication on the euro. In 1998 the 21 million ecu earmarked for the conventions represents two-thirds of this total budget. It is clear to all that the European institutions wish to give priority to this form of action. These conventions should be regularly renewed over the coming years until the euro is actually introduced. In a communication to the Council and to the Parliament adopted in February, the Commission expressed its wish to set aside 100 million ecu for communication on the euro between 1999 and 2001.

Made-to-measure communication

Each Member State's communication plan specifies the priorities, the public aimed at, the means of communication and the media chosen, the principal message, and the impact expected from the initiatives. This basic structure must allow each country to organize appropriate forms of communication that correspond to its specific features and needs. Certain communication plans were first aimed at economic and financial circles with very precisely targeted actions, whereas others started by addressing themselves, as has now become general practice, to the public at large, with television programmes, mass distribution of brochures, freephone numbers, etc.

In each Member State, a coordination team brings together the three partners once a month in order to coordinate their action, assess the initiatives under way and make any adjustments that may be useful to the communication plans.

After a period of breaking-in during 1996 and of expansion in 1997, this formula is now fully operational and is working well. This form of cooperation also encourages the sharing of experience between countries. The 15 national directors of communication on the euro in each ministry regularly meet with the Commission to exchange ideas and good practice. These meetings are always fruitful. The feeling of being well informed about the euro is now progressing regularly, to judge by the results of the Eurobarometer. Between 1997 and 1998, the percentage of Europeans who considered they were well informed on the euro increased from 36% to 45%. ■



The euro and farm prices

Price and income stability

The euro will bring true stability to farm prices within the € zone. The transition has still to be organized and the situation of the 'pre-in' countries must yet be settled.

With a crucial stage of the construction of Europe about to be completed in a few months' time, the impact of the euro on farming prices raises numerous questions. The solutions which are being introduced at present are based on the principle that the impact of the euro should be neutral for all operators.

Some history

Without going back to the prehistory of the European Union, it will be useful to recall here that the principle of guaranteeing stable prices for European farmers was first established around thirty years ago. At the end of the 1960s, a serious monetary crisis shook the European currencies. In 1969, France devalued the Franc by 11 % and Germany revalued the Mark by 9 %. The case of the French and German currencies soon pointed to the need to correct the fluctuations leading to French farm prices being undervalued and German prices being overvalued. The principle of 'monetary compensatory amounts' (MCAs) was employed for the first time, making it possible to compensate the imbalance by taxes on one side and subsidies on the other.

With the period of unstable exchange rates setting in, European Community leaders decided to generalize the MCAs at the beginning of the 1970s. This system worked more or less well until 1979 when the European Monetary System was created. The EMS stabilized exchange rates between the participating currencies and, very gradually, led to a reduction of the MCAs. In December 1992, the European Council abolished the MCAs but maintained the principle of 'green exchange rates'. These were specific parities determined once a year for farming products. The MCAs were replaced by compensatory support employed if a country's green rate was reduced. The monetary disorders of summer 1993 and spring 1995 threw the problem of compensation into sharp relief once again. In June 1995, the Farming Council took three important

measures: it froze the green rates employed for converting support until 1 January 1999; it offered producers falling levels of compensation over a limited period; and it permitted the Member States to pay national aid to producers affected by substantial losses in their exports to countries with devalued currencies.

Here comes the euro!

Of course, this decision of the Council was taken with Economic and Monetary Union in view. With the arrival of the euro, the question of compensatory support takes on quite a different complexion. For the eleven countries of the euro zone, the exchange risk will have disappeared totally on 1 January 1999. This element is all the more essential for prices inasmuch as trade in farm products between the countries participating in the euro is very considerable. The euro brings real stability and, parallel to this, it constitutes a basic simplification of trade. It is perfectly logical for the system to be abolished for the eleven countries of the euro zone.

However, things are not that easy! Simply abolishing the system would not take into account the differences existing on 31 December next, owing to fluctuations in participating currencies before they enter the euro. The farmers in certain countries could possibly be slightly penalized. However, the basic principle of the transition to the euro is neutrality for all operators. There are two possible solutions: a switchover aligning all the prices to the highest ones, or compensation targeted according to the differences. The second option has been judged preferable by the Commission because it would level out prices in an equitable fashion for all farmers in the euro zone.

The situation of the pre-in countries is the second major issue. The Commission has judged it necessary to maintain a farm currency system for the pre-ins which is as simple and as inexpensive as possible.

The blind prepare for the euro

With the support of the Commission, the European Union of the Blind is participating closely in the launching of the euro.



According to the most recent estimates, about 2% (7.4 million) of the citizens of the European Union suffer from a serious visual handicap. Hence it was essential that their problems be taken into account when designing the new coins and banknotes. This was the only effective approach from a conceptual point of view as well as from that of the cost. This was and remains the procedure followed by the European Commission, which is collaborating closely with the European Union of the Blind. Work continues today to complete the information and training campaigns which are essential to ensuring that the introduction of the common currency presents no more difficulties for the visually handicapped than for other citizens.

Conception

In 1993, the European Union of the Blind (EUB) set up a Group of Experts to work on defining the criteria and the technical requirements for the euro coins and banknotes euros to be easy to handle for the visually handicapped. A network of national contacts was established in order to complete this work.

The members of the group, who represent the interests of the blind and the visually handicapped in the 15 Member States, passed on their recommendations to the European authorities. These recommendations concerned the need for the new monetary system to be accessible to all, the criteria for differentiating both the banknotes and the coins (visually and to the touch: size, shape, contrasts and colours, etc.), specific information and training for the visually handicapped, and the need for precise planning for when the new currency would be put into circulation.

Lastly, the group recommended that tests be carried out before any definitive decision be taken, using a panel of persons with different degrees of handicap. These preliminary tests took place in 1996 at the national level. According to the EUB representatives, these recommendations were largely taken into account in designing the

banknotes, but less heeded for the coins because of the need to take on board the preferences of coin machine manufacturers for circular coins. Since 1996, a representative of the association has been taking part in the euro work group of the consumers' committee of the DG XXIV (defence of consumers).

Information and training

Once this first stage was completed, work concentrated on information and training. A new work group was set up by the national coordinators to take care of and facilitate the transition to the euro for the visually handicapped. The programme as devised consists of two parts, the first of which has just been completed. This involved first of all identifying needs as regards the accessibility of the information for the blind and the visually handicapped. A report on this subject, which was published this summer, points to two distinct requirements: firstly, to guarantee that the information campaigns, which are generally organized by the public authorities, be also addressed to the blind and the visually handicapped and, secondly, the need to define a specific information and training strategy, corresponding to the aims and precise requirements of the visually handicapped. These studies were subsidized by the European Commission (DG XXIV).

The second phase of this programme should start in August 1998. It comprises three items: the installation in Brussels of an EUB European coordinator for the euro, the creation of a network of national EUB euro coordinators, and the development and setting up of training programmes. This second phase, which is more operational, can also be expected to receive financing from the European Commission. This programme should, after a certain time, allow training programmes to be started on the national and local levels in good time before the introduction of the new currency. Parallel campaigns will be launched in each of the Member States by the national coordinators. ■



The euro and the electronic purse

No need to wait for the year 2002 !
The electronic purse is one way
you can pay in euro in all the
participating countries.

Everything becomes reality on 1 January next, but the euro will exist only on paper from then until 31 December 2001. For the general public, the various payment cards will constitute one of the prime ways of using the euro. The same will be true of the electronic purse, although progress remains to be made for it to become truly European. In partnership with the private sector, the European Commission is working towards harmonization on all levels. Four basic aspects are being taken into account.

Interoperability of the systems

Existing electronic purse systems work only within individual countries, and they are not compatible. For example, a German consumer cannot pay in Belgium by using the terminals provided for the Belgian card. The market is considerably fragmented, with around fifteen players for the whole of the European Union. Harmonization of the systems involves extremely complex technical issues, but also has major economic and commercial aspects, concerning in the first place the issuing firms.

Wishing to favour harmonization, the European Commission has concluded an agreement in principle with the European Committee for Banking Standardization which includes the European federations of credit institutions, representing banks, savings banks and cooperative banks. The Commission is ready to support initiatives on the express condition that they converge towards a system that is open to all European consumers, for electronic purses are an excellent system for familiarizing the general public with the use of the euro in general and with the new scales of prices which will be generated by the European currency. Furthermore, Europe possesses a very advanced smart card technology, which standardization should help to promote internationally.

The issuing firms

It has still to be defined which institutions will be authorized to issue electronic purses within

the European Union. Legislation varies from one country to another. Certain Member States give authorization only to banks, whereas others are considerably less restrictive. For example, in Great Britain telecommunications companies offer payment smart cards. Whatever the solution adopted, it is important that there be maximum security so as not to shake public confidence. This is why the Commission is at present preparing a project for a directive on this subject.

Furthermore, close attention must be paid to the fact that issuing payment smart cards may have an impact on currency reserves. Corresponding reserves for these instruments must be provided for, but this is not possible in terms of the statutes of the European Central Bank. The Commission and the ECB are at present studying various possibilities.

Consumer protection

A recommendation was adopted on this subject in 1997, covering all payment cards, including electronic purses. Its first concern is to guarantee the transparency of costs and contractual conditions by the supply of informative documents (contract and statements). It also establishes the obligations and the responsibilities of the issuing firms and of the users in the different possible situations, especially in the case of loss or theft. In the domain of the electronic purse, it distinguishes between cards that cannot be reloaded by the carrier (such as phone cards) and those that can be reloaded at cashpoints.

Fraud prevention

Amazing as it may seem, the fabrication of a false payment card is not always considered a crime in the same way as the printing of counterfeit money. It is essential that this problem be dealt with on a European scale since fraud, which is becoming organized, relies on cross-border systems.

Coins : minting has started

Between now and the end of the year, minting of euro coins will begin in the eleven participating countries. This is the culmination of lengthy preparation work.

It was in 1992, even before signature of the Maastricht Treaty, that the directors of mints met in a working group for the first time. In 1994, they received official orders from the monetary committee to prepare and carry out the vast operation of simultaneously changing the coinage in eleven European countries.

Their first task was to draw up specifications covering all aspects that had to be taken into consideration. The incomplete list which they contained gave a more accurate idea of the scale of the task to be accomplished: an inventory of coins in circulation (number and metals used), studies of existing technical capacities, modification of certain legislative texts, the choice of metals and shapes, the design for the new coins, compatibility with electronic appliances, consumer protection (principally against fraud), standardization of tools, security aspects (counterfeit coins), methods for withdrawing the old coins and introducing the new ones, the timing and cost of the operation, etc.

Among these complex operations, three attracted particular attention: the selection of the common faces of coins, the choice of metals, and reconciling the concerns of consumers and coin-operated machine manufacturers. Several of these aspects have been dealt with in previous issues of *InfEuro*, in particular national coin faces which were presented in the last edition.

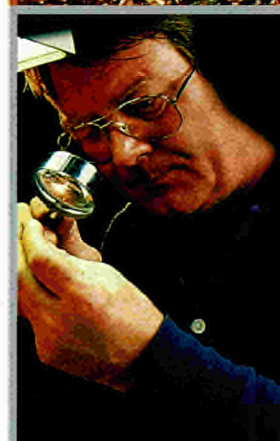
At the technical level, the directors of mints closely examined their manufacturing methods, which vary to some degree. Before launching production of euros, it was vital to harmonize technical aspects in such a way that future coins would have exactly the same characteristics wherever they were produced. Four aspects were covered: production tooling, blanks, quality control and the confidentiality of all operations.

The casts for production tooling were made by the Belgian Royal Mint because the designer of the common faces of the coins was a Belgian. This operation has been completely terminated.

The master moulds were then manufactured in five countries (Germany, France, Great Britain, Spain and Austria). One important detail: all moulds were produced by the same establishment to guarantee a uniform final result. The blanks (rounds of metal not yet stamped) were subjected to a very advanced technical study in order to stipulate the finest possible tolerances for the weight, diameter, thickness and electrical conductivity. Work is in hand to develop a quality control system to ensure that an obligatory minimum standard is respected in the production of coins, although individual national institutes are free to set stricter requirements if they wish. Parallel with this, two minor modifications have been made to the 10 and 50 centimes coins, in order to meet the wishes of blind persons and vending machine operators. These are the subject of a proposal by the Commission which should be adopted by the Council in early 1999.

All of these operations played their part in completing the production phase this year. France gave the green light to go ahead last May. By the end of the year production will have started in all participating countries in time to complete the very stringent testing phases. In total, in the region of 80 billion coins will be minted before their introduction at the beginning of 2002. Since each coin is stamped individually, the work involved is enormous, fully justifying the three-year period scheduled for its completion.

Naturally, the work does not come to an end with the minting. Between now and 2002, the huge volumes of coins have to be stored before being distributed. Each country is free to organize these stages as it wishes, which does not mean that the directors of the mints involved will not be exchanging their experiences and ideas within the working group of all fifteen Member States. They are also looking into the possibility of issuing a "starter kit" before 1 January 2002 aimed mainly at retailers. And when distribution has been completed, the old coins still have to be melted down and the metal sold on the open market. ■





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The euro on everything, everywhere !



Although it was created only two years ago, the euro symbol already forms part of the landscape of our daily lives. It is not about to leave the scene because today it is appearing on an incredible number of articles of every imaginable type! Here is a partial (and certainly provisional) list of items carrying the symbol :

- fashion: ties, T-shirts, scarves, hats;
- utility: watches, alarm clocks, rulers, pencils, pens, umbrellas;
- razzmatazz: flags, banners, greeting cards, pins, stickers;
- technology: telephone cards, smart cards, mouse pads, magnets;
- finance: pocket calculators, converters, piggy banks, purses, wallets;
- games: board games, packs of cards;
- gourmet: champagne, wine and chocolates;

... not forgetting the first song about the euro coming to us from us direct from Andalusia!

This necessarily incomplete list goes to show that baby euro is being talked about a great deal, even before its birth.



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