

Inf€uro

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In this issue

Interviews

David Byrne, European Commissioner
for Health and Consumer Protection **1**

Bertrand de Maigret, Chairman
of the Association for Monetary Union
of Europe (AMUE) **9**

Euro is delivering five key benefits,
says Commissioner **10**

Education

"The Euro Made Easy": the euro for all,
without exclusion! **3**

The citizens' euro

The Commission launches
the final phase of the euro
communication campaign **6**

A unique initiative in Ireland:
the Loughrea Euro Town Project **8**

Consumers and the euro

A new kind of postage stamp **12**



David Byrne, European Commissioner for
Health and Consumer Protection

The euro for all consumers in the euro area

How can European consumers be encouraged to use the euro?

For more than a year now, the euro has been the legal currency of over 290 million European consumers in the euro area. At this time, very few have actually begun using the euro for bank transactions or started getting used to the new prices and comparative values in euro. The vast majority of consumers are waiting for 2002, and the introduction of banknotes and coins, before taking the plunge into the world of the euro.

For most consumers, the bulk of this adaptation and learning process will take place during the few weeks of dual circulation of the euro and national currencies. Nevertheless, for many this will not be the case. The process may take several weeks, or even months, and so must be started before everything is exclusively in euro.

This is the first time in history that a monetary change-over has taken place on this scale: every consumer in the euro area must learn to recognize eight new coins (with 88 possibilities for the reverse side in different countries) and seven new banknotes, and must readjust his/her scale of comparative values and reference prices, with conversion rates that are far from simple, particularly for some countries.

On 2 February, the European Commission adopted a Communication on a communication strategy on this subject. It should be noted that the Member States and the European Central Bank, as well as agents in the private sector (banks, large wholesalers, etc.) will be running an extensive communication campaign to help the entire population adjust to the arrival of the euro.

The European Commission is aware that the introduction of the euro is not merely a technical

operation. The change in currency implies the establishment of a new social bond; a bond with the European institutions that stand behind the currency, and a bond with the millions of European citizens who share the currency.

There is no doubt that consumers in the euro area are actively associated with the vast European project symbolized by the euro—a European project that will give everyone a chance to benefit from the greater advantages of the single European market.

The European Commission considers that it is indispensable for each and every consumer, including those who have difficulty in gaining access to information and training, to be actually ready to use the new common currency, in order to make the most of it and to get through the inevitable adaptation phase without major obstacles.

All consumers in the euro area are concerned, whether they are rich or suffering economic hardship, disabled or socially isolated, young or old, educated or semi-literate, confirmed travellers or stay-at-homes.

Still, it is important not to stigmatize certain categories of the population. The many surveys carried out in the field by the European Commission (1) have shown that, on the whole, attitudes of populations which *a priori* might be "sensitive" to the euro are not fundamentally different from the average: some people are optimistic, others expect disaster, and still others are indifferent. (**> 2**)

1) Eurobarometer, a qualitative study concerning the elderly and persons in precarious situations, carried out in the field as part of the "Euro Made Easy" projects.

Internet Site

<http://europa.eu.int/euro/>





(< 1)

David Byrne, European Commissioner for Health and Consumer Protection

The euro for all consumers in the euro area

Conversely, because of their isolated or difficult situation, for some people this upset in their know-how or their relationship to money can give rise to a whole series of fears or feelings of insecurity that go far beyond the mere ability to apply a conversion rate.

Moreover, some people have very special needs in terms of information formats or channels. The work done by the Commission and by many other institutions and associations in the field shows that information on the euro, particularly for these categories of the population, must be fundamentally participatory and provided locally. This closeness to the population applies both to the channel used to transmit the information (which should preferably be oral), and also to the content in terms of the language and questions/answers appropriate to the needs of each individual.

For this reason, the European Commission, and in particular its Directorate-General for Health and Consumer Protection, has endeavoured from the very start to set up the mechanisms needed to facilitate the change-over by consumers to the euro, by inviting consumer representatives to take part in the entire decision-making process on the one hand and, on the other, by helping to put in place local information channels.

Participation of representatives of all categories of consumers in the decision-making process

As regards the decision-making process, the Directorate-General for Health and Consumer Protection set up a Euro Group in 1996 within the Consumer Committee. This advisory group includes representatives of consumer associations from the 15 Member States, as well as representatives of the European Blind Union, the European Deaf Union, associations for the elderly and an association for the mentally disabled. The work of this group has made it possible to take account of consumer demands wherever possible, including the demands of categories of the population with special needs, at each stage of the decision-making process.

For example, the characteristics of euro coins and banknotes were defined to take account of the needs of consumers (particularly the sight-impaired), with clear criteria to facilitate recognition: sufficiently different sizes and grooves on the coins, and different colours and sizes for the banknotes. Further to a

request from the Consumer Committee Euro Group, the finance ministers have decided that training kits for euro coins and notes can be distributed to citizens as from mid-December 2001, particularly to those who will have the most difficulty in recognizing the coins and notes (blind persons, the mentally disabled, etc.).

This exercise in citizen participation has confirmed that responding to the special needs of certain categories of the population generally yields advantages for the population as a whole: what consumer can complain about the fact that euro coins and notes are easier to recognize in their pocket or purse?

Information materials and local training

Alongside the general information actions undertaken by the Commission and the Member States targeting small business and the "average" European consumer, the Directorate-General for Health and Consumer Protection has also endeavoured – in the "Euro Made Easy" projects – to create information tools and set up training methodologies for information mediators adapted to the needs of categories of the population with particular difficulties in accessing information (sight-impaired persons, isolated elderly persons, the deaf, the mentally disabled, etc.).

These pilot projects, co-financed by the European Communities, began in 1998 with an analysis in the field by the persons concerned themselves (senior citizens' groups, the sight-impaired, etc.) of their special problems, questions and languages. This served as a basis for reflection, opening the way to inviting the groups in question to create their own information tools (games, conversion tables, explanatory brochures, video, etc.) and local information methodologies via a "trusted mediator", so that the results could be made available to any organization that could play a role in communication on the euro.

This exercise in the consultation and participation of consumers, including those with special needs, in both the decision-making process and the definition of information strategies has been an extremely positive experience for the Commission. We can only recommend that the Member States adapt or continue the same kind of approach, which should help make the euro a real symbol of European citizenship.

“The Euro Made Easy”: the euro for all, without exclusion!

All citizens of the euro area will have to learn to become familiar with the euro. But for some of them who have difficulty in gaining access to information, this learning process may be more problematic. In particular, the elderly, persons in a precarious socio-economic situation and the disabled constitute the groups at greatest risk.

To ensure a smooth change-over for all, the European Commission launched the “The Euro Made Easy” project three years ago, with a dual objective. The first addressed the populations concerned directly, aiming to achieve a better understanding of their relationship to the currency and the fears and questions that the switch to the euro could generate. The second “Euro Made Easy” objective was to set up working groups to develop suitable training and information tools for these persons, associating them in the creation and implementation of those tools. The last phase has just been completed and the instruments developed are now being produced.

In the spring of 1998, the Commission thus initiated an extensive study on the perception of the euro by sensitive population groups: the elderly, the disabled and persons in a vulnerable socio-economic situation. In the first phase, an analysis was carried out by more than 20 working groups in Belgium, France, Italy, Germany and Portugal. Half their members consisted of persons experiencing economic or social hardship and half were senior citizens. Groups for the blind and sight-impaired and for the deaf and hard of hearing were associated with the working groups. The results were then validated by a qualitative study. This phase of the project was carried out on the basis of group discussions in all the Member States of the European Union. (*)

The project has provided a better idea and understanding of what these persons know and do not know about the euro – their fears and apprehensions, the problems they anticipate, the sources and channels of information they would like on the subject, how concerned and involved they feel. The study also focused on their perception of the advantages and disadvantages of the euro after the introduction of coins and banknotes in 2002.

Behind the euro is the attitude to Europe

First of all, it was observed that, like the rest of the population, these persons are divided into three groups of more or less the same size: “really optimistic” (enthusiastic about the project), “pessimistic” (worried that they won’t be able to adapt to the change) and “indifferent” (those who may or may not adapt, but have a passive attitude with regard to what is happening).

The analysis shows, however, that in several countries, senior citizens are rather favourable to the euro whereas, conversely, persons in precarious situations have a feeling of being out of touch and excluded. Although many of the former adhere to the idea that the euro extends the ideal of European peace, the latter are more likely to say: “*they might have asked our opinion!*”. “*We, the poor, are bound to lose out, as we do every time anything changes*”.

Uncertainty, a major factor in anxiety

The analysis also emphasizes that most of these people see the anticipated advantages of the euro in limited, abstract and general terms, whereas they express many concrete fears. Persons in precarious situations often appear more concerned than the elderly, and are less receptive to the potential benefits of the euro.

Extracts: “*We probably won’t see the advantages – they’ll be for our children and our grandchildren*”; “*I think that the euro is only (...) for multinationals doing business. It will be easier for them not to change money. It’s made for them, not for us. If I go to buy something, it will cost me a lot of money, just like today (...)*”.

Specifically, fears are expressed (to a degree varying from one country to the next) about the value and stability of the euro, the cost of introducing it, the risk of aligning with the lowest common denominator (wages, retirement, social protection, etc.) or again about the risk of increasing the exclusion of persons in precarious situations.

But, the report notes, “*the analyses done show that uncertainty is an important factor in anxiety*”. In addition to indistinct fears related to the disappearance of national currencies, questions about the complete and definitive introduction of the euro generate concrete, well-defined misgivings.

Here too, differences should be emphasized in these two population groups. Generally speaking, persons in precarious situations are more worried and less responsive to the potential benefits, either because they feel excluded from the concrete advantages (the positive impact on travel, for example) or because the effects of macroeconomic advantages on their personal lives are still abstract for them.



(<3) "The Euro Made Easy"

"The Euro Made Easy": A set of tools to "domesticate" the euro

The penultimate phase in the "Euro Made Easy" project entails an effort to involve persons with difficulties in gaining access to information in the project working groups at the conception and implementation stages. Each tool developed by a group was tested by all the groups and was adapted to specific national features or to groups with special needs (blind, deaf, mentally disabled). The method for training local mediators and using the tools is currently being tested in two pilot operations, one in Venezia and another in the outlying regions (Martinique, Madeira, Canary Islands). The material and instructions could be used as groundwork for all those who want to develop actions intended for these audiences.

As an example, we have listed a few tools conceived by various groups of senior citizens:

- A "briefcase" for people living alone, containing various information tools on the euro and various objects, which could be used by trainers going house-to-house.
- A cartoon strip in a clear, amusing form, intended for people who are not interested in questions on the euro, reflecting their doubts, fears, questions, as well as their expectations and hopes.
- Europoly, a game involving travelling all over Europe, and making purchases in euro within a certain budget ...

Two Member States, France and Italy, have already adopted the "Euro Made Easy" approach. It is being studied in Belgium, Germany, Ireland and Portugal.

Difficulties in getting used to the euro

Among the difficulties anticipated in the process of getting used to the euro are, notably, the difficulty of creating new benchmarks and, along the same lines, the fear of being cheated or making individual errors. These persons also consider that they are potential victims of the misleading impression that prices expressed in euro are low: "We'll spend money without realizing what we are really spending"; "it won't be easy to go and buy a bottle of brandy that costs DM 18.95 and pay 9.95 for it. We might think that we are only paying half. We have to force ourselves to say: careful these are euro (...)"

Or again: "The shops will have a field day. We'll be swindled when they round off". But it should be noted that the fear of confusing one coin or one banknote with another, and the fear of counterfeit money circulating are rarely expressed.

To become familiar with the currency, the more optimistic envisage various strategies, like using calculators or doing calculations mentally: "for everyday products, people will calculate quickly in their heads; for larger items, they'll use a calculator!". Where certain persons plan on getting help ("I'll go to see my children;

they'll know it all by heart"), others imagine using more practical conversion tables. Finally, it should be noted that the conversion rates are sometimes more complicated in one country than in another: apparently, they don't seem to pose a lot of problems in Germany, Italy, Portugal, Belgium or Finland ("all you have to do is multiply by six!") as they do in, say, France, Spain or Greece.

There are two attitudes to adjusting to the real price in euro: confidence in one's own capacity to adapt quickly to the value of products in euro or, on the contrary, an attitude of resignation given the difficulty of the problem, which is very common among the most economically vulnerable: "you have to pay no matter what, whether it costs more or less ...".

Finally, the period of dual circulation of the euro and the national currency is also seen as a source of confusion: "we'll spend ages standing in queues at the store because of problems with the two currencies. The checkout staff will go mad ...". Nevertheless, this period, which at the time of the analysis was thought would last six months, is considered to be the time when the familiarity process will take place.



Obviously, the process of becoming familiar with the euro needs an active attitude on the part of the citizen. But very few of those surveyed seem to want to adopt this kind of approach – at this stage. On the contrary, the study notes *“attitudes are largely passive and ‘wait-and-see’”*. Either because the physical introduction of the euro is too far off in their minds (*“there’s no sense in getting upset three years in advance”*, *“as soon as I have the notes in my hand, I’ll get used to it”*); or because the difficulty of the exercise appears too much for them to envisage doing it spontaneously (*“old people are left out of it – no one tells them what’s going on”*); moreover, even for the minority that mention a willingness to get ready for the euro in advance, there is a lack of training material (*“there is nothing to practice on”*). (> 11)



The euro is a currency for the blind and sight-impaired too

In 1993, the European Blind Union created a working group on the euro (EBU Euro Group) with the support of the Commission. Thanks to the financial backing of the European Commission and the integration of this working group into the Consumer Committee’s euro group, it has contributed to defining the new coins and bills and to drafting regulations, recommendations and inter-sectoral agreements. Since 1998, the EBU Euro Group has co-ordinated information programmes and training in the euro for the sight-impaired, under the “Euro Made Easy” project.

Educational brochures have been drafted on the basis of tests and pilot experiments carried out with visually deficient children and elderly persons in several European countries, particularly for trainers and for the blind or sight-impaired. These brochures have been translated into the 11 official languages of the European Union, and are available in all types of media suitable for the blind and sight-impaired. A Euro brochure describes the notes and coins and their identifying characteristics. Prototypes of notes and coins in relief or in textures that can be differentiated by touch were also made. And many information tools developed by other groups are now being adapted.

Finally, it may be useful to bear in mind the principle followed in defining the physical characteristics of the coins and notes: if a blind person can recognize them, then probably those who are not sight-impaired can recognize them as well. By trying to solve the problems of a minority, the welfare of all can be improved!





The Commission launches the final phase of the euro communication campaign

The Commission has called for the communication campaign to be stepped up for the final stage preceding the change-over to the euro. In a communication to the Council and the European Parliament prepared by Mr. Pedro Solbes, the European Commissioner for Economic and Monetary Affairs, and Mrs. Viviane Reding, the European Commissioner for Education and Culture, the Commission has updated its priorities and the strategy of the campaign for the introduction of the euro.

For the next two years, this campaign will target businesses, particularly SMEs, the general public and non-participating countries. Although the Member States have the main responsibility for information about the euro, the Commission, with the support of the European Parliament, has confirmed its commitment to this campaign by proposing adequate financing, proper co-ordination of all parties involved and appropriate monitoring of the results of the campaign.

The launching of the euro on 1 January 1999 was a total success: bond, share and currency markets and banks all smoothly switched to the euro after effective preparation. The euro immediately took its place among the major world currencies, on a par with the dollar for the bond issues market. In view of the fact that the transition period finishes on midnight, 31 December 2001, that banks will supply notes and coins in euro only as from 1 January 2002 and that essentially all fiduciary transactions will be carried out in euro in early March 2002 at the latest, the Commission proposes to update the information

campaign priorities and strategy, and to encourage the implementation of strict supervisory mechanisms to ensure a successful change-over to the single currency.

Target groups

The campaign up to 1 January 2002 will focus on the following target groups:

Companies, particularly SMEs

There is a real risk that some SMEs will not have made the necessary adjustments to continue their commercial activity at the end of the transition period on 31 December 2001, or that they will put off their switch to the euro until the last minute. This could cause stoppages and shortages of resources and could create considerable confusion for consumers.

The Commission has therefore set itself the aim of:

1. seeing that all companies and consultancy firms understand that they cannot continue to use the old national monetary units in their accounts after the expiry of the transition period on 31 December 2001;
2. persuading all companies, down to the smallest craftsman or shopkeeper, that they must:
 - set a deadline for being able to carry out transactions in euro and switching their internal book-keeping to the new currency. This is an important question, since it affects their capacity to be competitive;
 - have a change-over plan (which identifies and schedules the tasks to be done);

- have the human, financial and other resources needed to implement this plan.

The general public

For a smooth change-over in all other aspects, the public must be well informed and well prepared. Citizens and consumers must therefore be fully ready by 1 January 2002 at the latest when they begin to handle euro notes and coins.

The Commission's objective is to see that all citizens in the euro zone:

- know the conversion rate of their own currency and know that this rate is absolutely irrevocable;
- understand prices and values expressed in euro;
- understand the implications for their salaries, pensions and other types of income;
- are familiar with the look and the feel of the new bills and coins;
- understand the advantages of the single currency.

In addition, the Commission will develop strategies to reach groups of persons in our societies who do not have easy access to traditional information flows and for whom information material drafted in "euro language" may at times be difficult to understand.

Non-participating countries

The communication identifies the needs of these countries in terms of their particular relationship to the euro area—are they non-participating Member States (pre-in countries), candidates for accession to the EU or non-member countries? The Commission has made a firm commitment to carry out information campaigns for these three groups.

The strategy

Strategy in the communication field should offer good value for money and succeed in mobilizing people. This requires close co-ordination and co-operation by all those involved, including the Member States, the European Parliament, the private sector and the European Central Bank, which is launching a major campaign this year. Nevertheless, the Member States can be expected to produce the most effective efforts, in line with the principles of subsidiarity and proximity followed by these campaigns to date.

- From a strategic standpoint, the campaign actions can be broken down as follows:
- In 2000, the campaign will essentially target companies, and more particularly SMEs, which must be strongly encouraged to get ready in good time.

At the same time, a constant flow of information should target the general public and the most vulnerable sections of the population.

- In 2001, the campaign will be intensified, with the general public and its most vulnerable sub-groups as the priority. The campaign addressing companies should continue with any possible adjustments needed to take account of changes in the situation as shown by survey results.
- The campaign should continue through the early months of 2002 during the period of dual circulation, and perhaps even afterwards. The Commission proposes to carefully monitor and assess the results. As far as possible, public and private participants should identify indicators and set benchmarks that will help them judge the progress made in their communication activities. The objectives and instruments of these campaigns should be monitored and adapted constantly in the light of the results. The Commission plans to support these monitoring activities by conducting regular six-monthly surveys in 2000 and 2001.

Financing

Since the success of any information campaign is contingent on its financing, the Commission proposes that sufficient funds be set aside over the next three years for the campaign on the change-over to the euro. The European Parliament has supported this effort to date. Through the PRINCE programme (information programme intended for the European citizen), more than 115 million euro have been committed to "The Euro, a currency for Europe" campaign since 1996. A new budget of 32 million euro has been allocated to the campaign for the year 2000. The Commission intends to ask the budgetary authority for additional financing in 2001 and 2002.

Two-thirds of this amount are transferred to the Member States under agreements establishing partnerships between the Member State, the Commission and the Parliament. The Community resources act as a mobilizing force since each country must provide financing at least equivalent to that received from the Union budget for its campaign. In all, 13 partnerships are operational this year (with the 11 countries participating in the euro plus Greece and Sweden). The rest of the funds are used directly by the Commission for information products and for supporting actions and activities in non-member States.





Pictured at the formal announcement of the 30 firms selected to participate in the Loughrea Euro Town Project were Mr. Michael Callaly, Project Manager, Mr. Noel Treacy, T.D., Minister for Science, Technology & Commerce, and two euro coin girls.

A unique initiative in Ireland: the Loughrea Euro Town Project

Assisting SMEs in the change-over process

The Loughrea Euro Town Project is a unique initiative that aims to assist businesses, particularly smaller firms, with the euro change-over process. The project is based on an original concept by the Loughrea Chamber of Commerce (*). It is intended as a demonstration exercise whereby the business community throughout Ireland will learn from the experiences of a select number of businesses in the town of Loughrea, Co. Galway, as the latter change to euro-based trading on an accelerated basis.

The 31 participants, who have been selected to take part in the project, represent a wide cross-section of the business community in Loughrea, as well as the country as a whole. Among the selected companies are 12 from the retail sector, ten from the services sector, five from the manufacturing sector and three from the tourism sector. A farmer has recently been selected to join the project in order to help to determine change-over issues of particular importance to the farming sector.

The project offers the opportunity for businesses in Loughrea to realize a number of distinct benefits. Participating businesses will achieve conversion to the euro at an accelerated pace. Other businesses in Loughrea will benefit from the broader information and advisory services made available through the project. Businesses throughout Ireland, primarily SMEs, will have benefited from the lessons learned in Loughrea and will therefore plan and implement the change-over to euro more efficiently and with fewer problems than otherwise would have been the case. Solutions and processes proposed by Forfás as part of the EMU Business Awareness Campaign, and by other bodies, can be tested out and changed if necessary. The people of Loughrea and its environs will become familiar with the euro at an early date. And the general public elsewhere in Ireland will also have their awareness and understanding of the euro heightened.

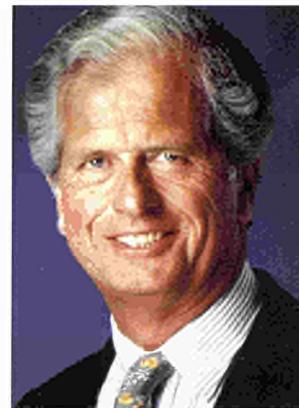
The project is now well under way. All of the participants, with the help of specialist advisers, have prepared detailed change-over plans. According to Michael Callaly, the full-time project manager, it is intended that the participants will be operating in euro to the fullest extent possible by October 2000. The first to change-over was a small concrete products manufacturer, who changed his base currency to euro from 1 February 2000. Michael Callaly stated: "As part of the project implementation, the participants will be required to keep a diary of events and issues that impact on their change-over to the euro and on transacting business in euro. From this we will identify the key issues of the change-over for Irish business and assist them to identify and implement solutions. Participants will be encouraged to explore fully the potential business opportunities that may be provided by the introduction of Economic and Monetary Union."

The experiences of the participants in changing over to euro-based trading will be disseminated through the Forfás EMU Business Awareness Campaign, as well as the project website (<http://www.eurotown-loughrea.ie>). The website will incorporate a diary documenting the experiences of the project participants as they implement their change-over plans.

() The project is run under the auspices of the Forfás EMU Business Awareness Campaign, with the support of the Euro Changeover Board of Ireland (ECBI). The project is funded by the Department of Enterprise, Trade & Employment. The Chairperson of the Euro Changeover Board of Ireland and the officials in the Secretariat are members of the Department of Finance. The ECBI has the task of overseeing the detailed implementation of the change-over to the euro. It also makes available public and consumer information. Forfás is the official body providing policy advice and co-ordination for enterprise development, science, technology and innovation in Ireland.*

Bertrand de Maigret,
Chairman of the Association for
Monetary Union of Europe (AMUE)*

***“SMEs, like large companies,
must get ready to make the technical
switch to the euro, but the strategic switch
is even more important!”***



Inf€ *AMUE did a survey of its members at the end of last year, which showed that large companies had stepped up their preparations for the euro in 1999. But all corporate departments are not moving at the same pace. Which have made the most headway at this point, and why?*

We have indeed seen a stepping up of the pace by AMUE members, which by definition are among the companies most aware of the euro. The phenomenon affected cash flow first of all, since the financial markets switched to the euro globally on 1 January 1999. The euro was very successful on those markets—in 1999, the volume of international bond issues in euro was greater than dollar issues. The transfer to the euro immediately generated substantial savings. The other departments were also prepared, but the use of the euro hasn't spread further for lack of demand. Many companies are prepared to invoice in euro for example, but their trading partners do not want it yet.

Inf€ *Some 52 % of companies declare that they have modified both their products and their commercial organization in getting ready for the euro. 35 % also found that this provided motivation to make major modifications to their IT systems. So for these companies, the euro has had consequences for strategy ...*

Quite true. The introduction of the euro has inspired broad thinking on strategy, whether based on anxiety (how to respond to increased competition) or, more often, a desire to take advantage of the new environment. This thought process occurred at all levels: finance, production, sales ... and it went so far as to make a very positive change in relations inside companies. They have been prompted to create multidisciplinary teams and this has improved the internal dialogue while providing a basis for questioning the current status quo. Fundamentally, the stable purchasing power of the euro, the new transparency of prices and the elimination of exchange risk within the zone should trigger major changes: purchasing policy should be established on a new basis.

This is true for marketing as well—it must adapt to a new dimension of the market. Two-thirds of our members are expecting a clear boost in cross-border trade; many of them have already changed their pricing policies, or their packaging for example, to take advantage of the side effects of this fundamental step towards the single European market.

Inf€ *The forecast by 71% of survey participants underlines the unification of the market as well—they foresee an acceleration in the merger and acquisition process in their sector. What comment would you have on this?*

As soon as the catchment area grew from some tens of millions of potential consumers to more than 350 million, companies inevitably began thinking about pooling resources to reach a dimension that would enable them to take full advantage of the new opportunities. This trend, which was initially on a national scale, has now crossed borders in many sectors. It is accelerating with the disappearance of monetary borders and is one aspect of globalization. For consumers, this evolution could be very positive both from the standpoint of the evolution of prices and that of the supply of new products and services.

Inf€ *Unlike large companies, SMEs slowed down their preparations last year. How can you explain this wait-and-see attitude?*

First of all, I note that this reduced pace occurred particularly in the second half of 1999, probably because SMEs were spending a great deal of energy to get safely past the 2000 mark. Moreover, SMEs do not have the same cycles as large companies: their strategic horizon is closer and they do not yet feel the need to anticipate an event that will only take place at the end of 2001. Many heads of small businesses are also banking on their flexibility and their great capacity to adapt, to postpone the deadlines. Since the introduction of the euro and the Y2K bug were weathered with no problems, they probably mistakenly think that there is nothing more to worry about. Finally, we must recognize that SMEs have (> 11)

Euro is delivering five key benefits, says Commissioner

Lower interest rates and increased trade between the Member States are just two of five key benefits the euro is already delivering, or can be expected to deliver, according to the European Commission.

A speech prepared for Pedro Solbes, the Commissioner for Economic and Financial Affairs, said in February that economic growth in the EU and the euro area would rise from 2.1% in 1999 to 3% this year. Such a marked improvement owed a great deal to the stability policies that had been put in place to prepare for the euro, as well as those operated since the start of Economic and Monetary Union in January 1999.

The requirement on Member States to achieve a high degree of convergence before the launch of EMU in terms of inflation, interest rates and budgetary positions "proved to be highly beneficial for all the economies involved", said the Commissioner in the speech which was read to a breakfast audience organised by the European Policy Centre in Brussels. The Commissioner was unable to deliver it because he was called at the last moment to a special meeting of the Commission.

Sound public finances were the primary source of success, said the Commissioner. Lower deficits meant lower interest rates and lower inflationary expectations which had lowered long-term interest rates even further. Wages had also proved to be stable, allowing monetary policy to contribute to higher growth.

The fall of the euro against the dollar in 1999 had been a favourable development, said Commissioner Solbes. It supported exports during the growth slowdown and so helped to bring about the recovery. He listed five key areas where the euro would make a positive contribution in the future:

- **lower interest rates:** the European Central Bank's primary objective of price stability causes a lowering of inflationary expectations which helps to lower interest rates. Also, low budget deficits

are required by the Stability and Growth Pact and contribute to strong and sustainable economic growth. They allow greater private investment which is vital for achieving higher growth, as the US experience demonstrates.

- **increased trade between Member States:** trading in the same currency across borders lowers costs while cross-border price transparency encourages competition. "Further, important increases in trade are to be expected inside the euro area", said the Commissioner.

- **encouragement to structural reform:** Member States have renounced national monetary policies and the use of their exchange rates to deal with economic difficulties. These instruments often allowed them to postpone facing up to the need for structural changes. Now they must create more flexible markets so that workers and capital are swiftly reallocated to where they are needed. Companies are already responding to the greater economic integration brought about by the euro — cross border mergers and acquisitions are rising, strategies are being Europeanized and Europe's attractiveness as a market has increased.

- **deeper and more integrated financial markets:** these will make the euro area economy more efficient and competitive. The banking sector is being consolidated, new financial products and services are offered to consumers and, over time, access to capital should be easier and the cost lower, especially for SMEs.

- **benefits for third countries:** the euro's emergence as an international currency increasingly used by trading and financial partners is starting to benefit exports from the candidate countries of Central and Eastern Europe. They gain from improved market access, reduced transaction costs and the elimination of exchange risk. Deep and liquid euro-denominated markets also allow these countries access to new sources of financing, concluded the Commissioner.

not been under any particular pressure to make the change to the euro and that, at this point, the change-over has few advantages for them. In fact, the limited use of the euro in commercial transactions has affected the pace of the switch.

Inf€ *SMEs may have “mitigating circumstances”, but they must not keep putting off their preparation. What might be the consequences of delaying the conversion to the last minute, both for the SMEs concerned and for the other economic agents?*

This could of course do real damage. It is clear that if all SMEs decide to switch to the euro only a few weeks before 1 January 2002, they will run the risk of seeing either a shortage of advisers to assist them, or a significant rise in the costs of these services. As the SMEs will not be prepared, they will have to get organized to work in euro and in the national currency simultaneously during the period of dual circulation. In that case, they may encounter many bottlenecks to their own disadvantage and that of their commercial partners.

In fact, three attitudes can be envisaged: either SMEs wait until the last minute – and often suffer the unfortunate consequences – or they prepare in advance by devoting their efforts exclusively to managing the technical constraints of the switch or, finally, they truly anticipate the event by making it an objective to take full advantage of the change-over, and consider both the technical and strategic viewpoints, which is of course what we recommend. We know, for example, that the retail trade will suffer from the misgivings of some consumers who fear a disguised increase in prices as from 1 January 2002. But, the close relations that small shopkeepers enjoy with their clientele gives them an enormous chance to take their time to explain the forthcoming changes, to reassure their customers and finally to increase customer loyalty. In other words, SMEs should get ready without further delay for “the all-euro economy” in order to make the most of it!

() The Association for the Monetary Union of Europe (AMUE) has a web site that provides some very helpful information for companies. The address is: <http://www.amue.org>*

(<9)



Bertrand de Maigret

“The Euro Made Easy” (<5)

Soothing fears and keeping up the effort to explain ...

Clearly, persons in a vulnerable situation, caught between doubts and fears, and to a lesser extent, senior citizens, have the feeling at times that they are groping around in the dark in the new environment created by the euro. This, the report observes, is why it is so important to keep explaining the reasons for the euro and the way it works, and to soothe irrational fears about, say, its potentially negative effect on wages or inflationary effect on prices!

More information (particularly in the media) seems necessary but far from sufficient. Also desired are measures to improve familiarity: posting two prices or labels simultaneously, displaying the coins and banknotes, distributing conversion cards, or possibly calculators. But, above all, there seems to be strong demand for local training programmes, particularly for the most vulnerable. This is precisely the objective of the “Euro Made Easy” phase of the current project.

() This qualitative study on the euro and sensitive populations including the elderly and persons in an economically vulnerable situation was carried out at the request of the European Commission in all Member States of the European Union, including those which have not yet adopted the euro. It was based on two discussion groups in each country. One with persons aged between 65 and 75, in low and middle social-economic categories, who had been retired for at least five years. The other, with persons in the mid-range age group (30-45) living in the serious social and economic hardship: associated with precarious or very badly paid jobs, unemployment, at least partial dependence on a public social welfare system, and limited education (secondary school at most, usually not completed). The groups included both men and women, in essentially the same proportion. With the support of the European Blind Union, participants included visually impaired persons meeting the above criteria.*

The study was carried out by OPTEM and its partners in the group of companies performing qualitative studies under the framework contract “Qualitative studies” set up by DG X and based on the methodology developed in the “Euro Made Easy” project.





A new kind of postage stamp

Here are a few examples of postage stamps relating to the euro or issued both in the national currency and in euro in some Member States (*). These postage stamps are known and appreciated by stamp collectors, and they also offer a useful ... and amusing ... way to get to know the euro!

(* These are reproductions on a different scale from that of the respective models.



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