

# Inf€uro

NUMBER 22 / EN - 2002

## In this issue

### Interviews

Romano Prodi, President  
of the European Commission

2

Wim Duisenberg, President  
of the European Central Bank

3

### The construction of the EMU and the launch of the euro

Euro milestone dates

4

The 'best of' Inf€uro

6

The role of consultation in  
the construction process

11

Brief history of the euro coins

12

### Challenges successfully met, or the "big bang" per sector

Businesses: SMEs:  
a change-over at top speed

13

The banks

14

Consumers

15

Public administrations

16

Non-member countries: mutual synergy

17

Communication, multiplier effect  
and local approach

18

### The future

Good governance for a stable  
economic Europe

19

The euro in applicant countries

21

The final timetable: withdrawal of  
national notes and coins

22

The euro, an international currency?

24

### Internet Site

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



## An essential step, but only a step

Since 1 January 2002, over 300 million of us have been using the euro in our everyday lives. The introduction of notes and coins was the final milestone for the euro to be adopted fully by all the people of the twelve participating countries. This key moment was undeniably a success. Over 80% of the citizens concerned were satisfied with the way in which the euro notes and coins were launched. Furthermore, they adopted the new notes and coins with great enthusiasm.

Having said that, the euro has actually been a reality since 1 January 1999, when it officially replaced the old national currencies. It assumed its place on the financial markets and in commercial transactions. Even though it has weakened against the dollar as a result of macro-economic trends, it has created a large area of monetary stability, which is a vitally important guarantee of economic development.

The launch of the euro is already a thing of the past, but our common currency has a bright future. The enlargement procedure will inevitably lead to a significant enlargement of the euro area, since all the new members will ultimately join the monetary union. In addition, the euro will continue gradually

carving out a role for itself as a reference currency for the whole world. The process may seem rather slow, but the euro is still very young!

Finally, and most importantly, the euro is one of the best catalysts for people to identify with Europe. Using the same coins and the same notes in Helsinki, Rome, Paris or Dublin is an act charged with significance. History has shown that a shared currency fosters the development of a sense of belonging to a single entity. Of course, the euro cannot achieve that in isolation. It is important that other steps in the construction of Europe should follow in future, with the next step forward being the enlargement of the Union.

Inf€uro was launched to accompany the launch of the monetary union until the notes and coins were introduced. So now, it no longer has a *raison d'être*. As a final edition, this special issue contains 24 pages, and will sweep away the past and sketch out the blueprint for the future.

Enjoy reading it, and thank you for your loyalty!





## Romano Prodi, President of the European Commission



**Inf€** *Three years after the introduction of the euro as book money, and a few months after the introduction of notes and coins, what are your first impressions of this essential step in the construction of Europe?*

Between the Treaty of Maastricht, signed in February 1992, and the introduction of euro notes and coins on 1 January 2002, only ten years elapsed. Some of our citizens probably had the impression that it was a very long time. In reality, that period was very short in view of everything that had to be done to achieve an operation that is unique in world monetary history. Do you remember the scepticism of some people when the Economic and Monetary Union was on the drawing board? Today, and without any exaggeration, we can talk about it as a great success.

The introduction of the euro for non-cash transactions in January 1999 did not create any shockwaves on the markets. On the contrary, from the outset, the euro gave the eleven participating countries a monetary stability that has not wavered despite the economic and financial upheavals that the world has experienced since. Admittedly, the euro has depreciated somewhat against the dollar, but I think we should rather talk about its equilibrium point. The experts are convinced, moreover, that the euro is under valued at present.

But above all, I would like to emphasise the success of the launch of the notes and coins. The ground was well prepared, particularly through widespread consultation, but we were still surprised at the speed with which European citizens adopted their new currency. It only took a few days for the old coins and notes to almost fall into disuse, and the euro became familiar to us in all the participating countries! Today, it is up to each of us to adapt to the value of goods and services expressed in euro. I am sure it will only take a matter of months.

**Inf€** *Do you think that the euro can play an important role in helping European citizens to identify more with the European Union?*

First of all, I would like to congratulate all Europeans who accepted this essential change. For many of us, the national currency was part of

the history of our countries. It was sometimes even the symbol of freedom and union. So, beyond the technical aspect, there is also a considerable psychological impact. Travelling through eleven countries and using the same notes and coins is very practical, but it is also charged with significance. Undoubtedly the euro is a contributory factor to a rapprochement and identification with a shared ensemble. But a currency is not everything! First of all, sharing the same currency does not make us all the same. Europe's wealth is and will remain its diversity. Secondly, we must continue to work to bring the European institutions closer to the citizens and their requirements. That is how the European ideal will continue to progress within each of us, those who are in the Union today and those who will join it tomorrow.

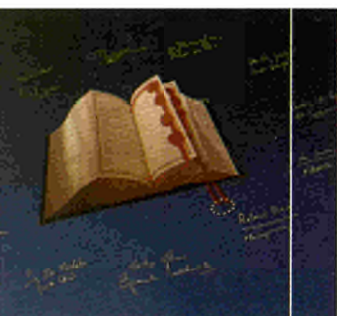
**Inf€** *Exactly, there are 12 countries involved in the euro today, and how many tomorrow? Does the future success of the euro involve the arrival of new participants?*

First of all, it is my hope that the three 'outs', Denmark, Sweden and the UK, will adopt the euro in the not-too-distant future.

Secondly, we are entering into a new round of enlargement and expect to admit up to ten new Member States in the next eighteen months to two years. This is a great opportunity for Europe, and in joining the new Member States will adopt all the rights and obligations of existing Members.

An important part of this process is the Economic and Monetary Union, with the ultimate aim of adopting the euro. Thus from the date of entry new Member States will be committed to sound economic policies by participating fully in economic policy coordination, avoiding excessive public deficits and ensuring that their national central banks are independent.

Before they adopt the euro, Member States must fulfil the Maastricht criteria, in the same way as the present twelve members of the euro area did. This is true for both new and existing Member States: it is an essential guarantee of the health of the economy underlying the euro. ■



**1 for 1**  
is the exchange  
rate from  
Ecu to euro.





## Wim Duisenberg, president of the European Central Bank

### 'European integration might become more of a "bottom-up" process'

**Inf€** *A few months after the introduction of euro coins and banknotes, what is your feeling about this important step?*

This was an historic moment. The 'old' banknotes and coins have not just been units of value or a means of exchange. For all of us, they have represented a part of our lives, our history, our cultures and our values. They have been symbols of national identity, and have also helped to forge that identity. Within national boundaries, they have strengthened the sense of belonging to a single community. It will certainly take some time before people get used to counting in euro, to assessing the relative value of goods in euro, and to paying and receiving amounts of money in euro. For quite some time many people will certainly keep a mental price list in their former national currency. This very natural fact might in itself have caused some small inconveniences in the very first weeks of the New Year. But they will be nothing more than just that, and they will be easily overcome with a little attention and patience.

**Inf€** *What part did the European Central Bank play in the general process of the euro introduction?*

The European Central Bank (ECB) and the national central banks (NCBs) of the euro area have done everything in their power to ensure the success of this extraordinary and historic project. The introduction of the euro banknotes and coins is an important step on the very long road that has been travelled, not always at the same speed, since the end of the Second World War and the foundation of the European Coal and Steel Community 50 years ago. As President of the ECB I feel greatly honoured to have had the chance to contribute to this process. The ECB, together with the NCBs of the euro area, has been entrusted by the EU Member States with a mandate to maintain price stability in the euro area, a mandate to which we are fully committed. Many things have been achieved in these past few years. The euro was introduced as the single currency of the euro area on 1 January 1999, although not yet in the form of banknotes and coins, and it has brought about increased stability, confidence and predictability in all our economies, shielding them in an unprecedented way against the external shocks that we experienced in the past. When we celebrated the birth of the euro more than three years ago, I was aware of all the benefits it would bring, some of them at once, others over the course of time. But I was also aware that some of these advantages would not be evident to many citizens of the euro area until the euro banknotes and coins were put into circulation. The ECB and the NCBs of the euro area, together with all the governments and European institutions

involved, as well as the private players, have worked hard for years to ensure that this process is as smooth as possible.

**Inf€** *You did recall that the European Central Bank part is clearly concentrated on price stability. Don't you think that it should have been conceived in a more general manner?*

I am particularly happy with the parts of the Treaty of the European Communities referring to money. The Treaty specifies that the primary objective – the mandate – of the ECB and the NCBs of the euro area is to maintain price stability. The ECB and the NCBs are accountable for this objective, the benchmark of their success, above all others. The Treaty also defines the ECB's and NCB's independence when exercising their power and carrying out their tasks and duties to achieve this primary objective. The best contribution a central bank can make to economic growth and prosperity is to maintain price stability.

I would like to add that one further key element of the institutional framework is the Stability and Growth Pact. The Pact provides a solid foundation for sound fiscal policies in individual countries as well as in the euro area as a whole. The Governing Council of the ECB strongly supports the European Commission in its sustained effort to apply the rules of the Pact and exert peer pressure on governments, irrespective of the size of the countries in question.

**Inf€** *Can euro be considered as a European integration factor at middle and long term?*

Replacing the national banknotes and coins with the new euro cash is not merely a technical act that will affect us only on a practical level. It will also influence the way we perceive ourselves within a community, the way we regard our history and the way we relate to our neighbours and our territory. It will deeply affect the way we see ourselves as Europeans, thereby fostering the process of European integration and contributing to the achievement of lasting peace and prosperity throughout Europe. More practically, if the governments of the euro area voluntarily give up their national currency, as they have done, and if citizens of the euro area acknowledge the economic benefits of using one single currency in an enlarged economic area, these citizens will start asking themselves why it is possible to have a single currency, but not to eliminate other barriers between the countries of the euro area. In other words, European integration might become more of a "bottom-up" process, initiated by the citizens of Europe, and less of a 'top-down' process driven by politicians and experts, which it has been so far. ■



2  
is the price in euro  
+ the price in  
national currency =  
dual display  
of pricing for  
all articles sold  
in all shops in  
the euro area.





# Euro milestone dates

## ★ March 1957 : The Treaty of Rome

The Treaty of Rome sketched the outline of the future single European market, but it did not directly mention a future single currency. The priority was the construction of the common market, and the free movement of persons, goods, services and capital. Nevertheless, the Treaty did mention the need for coordination of economic, social, monetary and fiscal policies, which can be considered as an outline of future conditions which would lead to the implementation of the Economic and Monetary Union.

## ★ February 1986 : the Single European Act

The Single European Act was signed in Luxembourg in February 1986. It was an important step in European construction. It provided for the completion of the single internal market for the free movement of persons, goods, services and capital. It also implemented institutional changes that were important for the principle of qualified majority voting in the Council of Ministers in several important areas, including the single market. The way was opened towards the future Economic and Monetary Union.

## ★ December 1969 : initial outline

At the conference of The Hague in the Netherlands, Economic and Monetary Union (EMU) became an official objective. The Heads of State and Government of the six Member States (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands) created a high-level group chaired by Pierre Werner, Prime Minister of Luxembourg. Its objective was to draft a report on the steps to be taken in order to achieve monetary union. The Werner group presented a final report in October 1970. This plan resulted in 1971 in a series of objectives to be achieved within 10 years, the most important of which were: gradual reduction of the margins of currency fluctuations, coordination of short-term economic policies, and collaboration between central banks. These decisions could not be put into practice, mainly due to the end of the convertibility of the dollar in 1971 and the first oil crisis in 1973.

## ★ April 1989 : the Delors report

The Delors report recommended a three-stage approach to EMU, starting with greater economic and monetary coordination and culminating in a single currency and a European Central Bank. Phase 1 (1990-1993) provided for the consolidation of the single market. Phase 2 (1994-1998) involved the creation of the European Monetary Institute (EMI), economic convergence and increased monetary cooperation. Phase 3 (1999-2002) would be the introduction of a single European currency.

## ★ March 1979 : the European Monetary System

It was at the Brussels summit in December 1978 that the Member States agreed on the creation of the European Monetary System. It would be launched in spring 1979 with two main objectives: the stability of exchange rates between currencies and solidarity between the member countries through the granting of loans. The ECU (European Currency Unit) was created on this occasion. This was a basket of European currencies made up to reflect the share of each Member State in production and trade in goods and services within the Community.







## ★ 7 February 1992 : signing of the Treaty of Maastricht

The Treaty on Political Union and Economic and Monetary Union (EMU) was agreed in Maastricht in December 1991. It was signed in February 1992 and would enter into force in November 1993. The national currencies would make way for a single currency under certain conditions. The qualified countries would have to meet several economic criteria, the most important being that budget deficits should not exceed 3% of gross domestic product (GDP) for a long period. The public debt should not exceed 60% of GDP. The criteria also provided for long-term stability of prices, interest rates and exchange rates of the currencies concerned. The deadline for the introduction of the euro as book money was set for 1 January 1999, and that for euro notes and coins for 1 January 2002.

## ★ January 1994 : the European Monetary Institute

The 2<sup>nd</sup> phase of EMU was launched with the creation of the European Monetary Institute (EMI) and the introduction of new surveillance procedures to encourage economic convergence. The EMI was given three basic missions: cooperation between central banks, improved coordination of monetary policies and the preparation of the European System of Central Banks (ESCB).

## ★ December 1995 : the currency has a name

In December 1995, the Madrid European Council baptised the single currency the 'euro' and adopted the scenario of a transition in three phases that would ultimately lead to the circulation of notes and coins issued in euro on 1 January 2002.

## ★ December 1996 : €

The Dublin European Council adopted the principles of the Stability and Growth Pact. It defined the structure of the new exchange mechanism and finalised the main elements of the legal framework for use of the euro. The Commission put forward the € symbol and the European Monetary Institute made public the design of the euro banknotes.

## ★ June 1997 : the Stability and Growth Pact

The Amsterdam European Council adopted the Stability and Growth Pact and the framework for the new exchange rate system (EMS 2), intended to guarantee stability between the euro and the currencies of non-participating Member States. The design of the European sides of the euro coins was adopted following a competition organised by the Commission.

## ★ May 1998 : the 11 qualified states

From 1 to 3 May 1998 in Brussels, the Heads of State and Government decided that 11 Member States were qualified to be part of the euro area, and they announced the bilateral, irrevocable and definitive exchange rates between the participating currencies. They also adopted the legal text making the euro the single currency of the participating Member States, and the legislation establishing the European Central Bank (ECB) which would be officially set up on 30 June 1998.

## ★ 1<sup>st</sup> January 1999 : birth of the euro

As of 1 January 1999, the eleven currencies of the participating states disappeared and made way for the euro, which became the common currency of Germany, Austria, Belgium, Spain, Finland, France, Ireland, Italy, Luxembourg, the Netherlands and Portugal. The European Central Bank was henceforth responsible for monetary policy, which was defined and implemented in euro. Foreign exchange transactions in euro started on 4 January 1999 at a rate close to USD 1.18.

That was the start of the transitional period that would last until 31 December 2001. It would last three years, and was governed by three main principles:

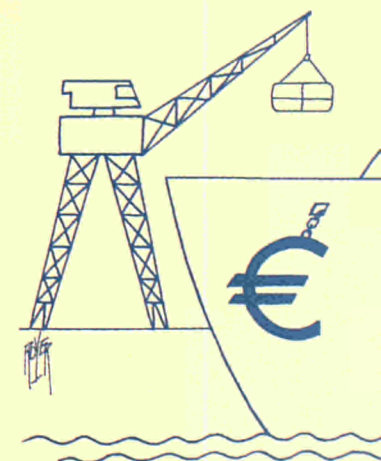
- no compulsion, no prohibition (relating to using the euro);
- the euro was the currency of the countries of the euro area, while national currencies were only non-decimal subdivisions of the euro;
- the euro could be used in any form except notes and coins.

## ★ 19 June 2000 : Greece joins the eleven

On 19 June 2000 at Feira in Portugal, the Council decided that Greece could join the euro area, which it did officially on 1 January 2001.

## ★ 1<sup>st</sup> January 2002 : introduction of notes and coins

On 1 January 2002, banknotes and coins issued in euro were put into circulation. It was the start of the period of withdrawal of national notes and coins which ended finally on 28 February 2002. Since then, only the euro can be used in any non-cash or cash transactions.





# The 'best of' Inf€uro

From No. 1 to No. 22, which you are now reading, the editorial team of Inf€uro has dealt with the euro from every possible angle. It has interviewed the key players, explained how the Economic and Monetary Union works, identified avenues for reflection, told of people's experiences and given many practical hints. Over five pages, here are a few texts that we have picked out for a brief overview of several years' work.



## Inf€uro 2

### The € is born, long live the Euro

As part of the communication campaign, the Commission worked on the creation of a symbol that meets three simple criteria: a highly recognizable symbol for Europe; a graphic symbol easily executed by hand; and finally a pleasing aesthetic design.

Thirty or so drafts were drawn up internally. From these, around ten were subjected to a qualitative assessment by the general public conducted by a specialized organization. Two candidates emerged from the survey well ahead of the rest. These were used to guide the President of the Commission, Jacques Santer, and Mr de Silguy in their final selection.

This is how the € symbol was born, with an epsilon harking back to the cradle of European civilisation and the first letter of Europe, crossed by two parallel lines to indicate the stability of the Euro.

Many of the world's major currencies have a symbol, such as the \$ for the dollar, the ¥ for the yen and the £ for the pound sterling. The future European currency, the euro, should have one of its own.

As with all monetary symbols, familiarity comes with use. Neither the American \$ nor the Japanese ¥ symbols have ever been officially registered.



## Inf€uro 3

Alexandre Lamfalussy,  
President of the European  
Monetary Institute

### Member States progress towards convergence

*The euro is to be introduced within less than two years. Do you, as the President of the EMI, believe that the deadline can be met? What key issues remain to be resolved? And what speaks in favour of the objective being achieved?*

Well, that is a whole series of major questions. I am still convinced that there is every chance of our entering Stage Three on the date envisaged, i.e. on 1 January 1999. As I have already mentioned, convergence in the EU Member States is proceeding well. Worth mentioning in this respect is, above all, the success in fighting inflation. The upward drift of prices has now ceased to be a problem in virtually every EU Member State. It is no secret that a number of countries are finding it difficult to meet the public finance criteria, but there is no lack of serious efforts to fulfil the requirements of the Treaty. Long-term interest rates are relatively low in almost all Member States, and the exchange rates of the currencies participating in the EMS exchange rate mechanism have remained stable.



## Inf€uro 4

### Ask for the coins!

The final choice of the future euro coins is undoubtedly the most concrete decision which came out of the meeting of the heads of state and government in Amsterdam on 16 June last. The other decisions are detailed on page 2 of this issue. The decision was reached in several stages, starting with national competitions which closed in February 1997, and were followed by a pre-selection by a panel of experts in March and by an opinion poll of 2,000 European citizens in April. Two series clearly came out ahead of the others in this process.

The author of the winning series, selected from among 36 entrants, is Luc Luycx, a computer scientist working at the Belgian Royal Mint. The one side of the coins which will be common to all EMU countries represents the map of the European Union against a background of transverse lines to which are attached the stars of the European flag. The design on the other face is left up to each country. There will be 8 coins in all, with face values of 1, 2, 5, 10, 20 and 50 centimes, and 1 and 2 euros.

The choice of materials is not final, but a proposal has been approved by the European Commission. The opinion of the European Parliament has still to be obtained. Most of the coins will be nickel-free, but will instead contain 'northern gold' or coppered steel, making them hypoallergenic. Nickel may possibly be retained in the 1 and 2 euro coins for security reasons.

8

is the number of  
euro coins and of  
common sides.

On the other hand,  
there are  
45 different designs  
for the 96 national  
sides of the twelve  
participating  
countries.



## Inf€uro 5



Jean-Claude Juncker, Prime Minister and Finance Minister of Luxembourg

*When it comes to EMU in general and the euro in particular, what are the objectives of the Luxembourg presidency? What points would you particularly like to highlight?* The absolute priority for the Luxembourg presidency of the Council of the European Union has to be to maintain our course towards the third stage of Economic and Monetary Union which will begin on 1 January 1999. We have taken good note of the declarations made by Member States at the European Council meeting in Amsterdam and since, which indicate that this date should not be reviewed, and we are counting on the Member States to do whatever is necessary to ensure that their financial and budgetary performance meets the convergence criteria laid down in the Maastricht Treaty. It follows that the Presidency of the Council will have to ensure that nothing undermines the often enormous efforts undertaken by Member States to achieve their goal.

## Inf€uro 8



Jacques Santer, President of the European Commission

### *The euro, instrumental in forging a European identity*

A further important step forward was made during the weekend of 1 May. The decisions taken then made it possible to envisage the introduction of the structures required for conducting the single monetary policy and the fixing of the conversion rates between the euro and the national currency units, in a non-emotional context for the greater benefit of a solid euro. In sum, the definition of the exact configuration of the euro zone and finalization of the technical and institutional framework for EMU now provide business firms with extra impetus to speed up their technical preparations and commit investments with a view to a rapid transition to the euro.

The decision of 2 May also crowns the remarkable progress achieved by the Fifteen towards convergence over recent years: the very low (and steadily falling) level of inflation has brightened the outlook for economic operators and maintained household purchasing power. The reduction in public deficits alleviates pressure on financial markets and interest rates, which benefits business firms. Stable exchange rates make it possible to take greater advantage of the freedom of movement afforded by the single market and presage the participating Member States' ability to operate with the same currency. Finally, the historically low level of long-term interest rates is a measure of the confidence placed in the health of European economies.

## Inf€uro 6



Yves-Thibaut de Silguy, European Commissioner

### *Early announcement of bilateral parities: a stabilizing factor*

Meeting at Mondorf-les-Bains last September, the Ecofin Council took the decision to announce the bilateral parities between the currencies of participating countries as soon as they are known next spring. European Commissioner Yves-Thibaut de Silguy explains the precise scope of this decision.

*Is the principle adopted therefore based on a smooth transition with no surprises for the markets?*

The European authorities would like to establish genuine cooperation with the financial markets. The authorities will provide key information and the necessary indicators in advance. The rates announced in advance will be credible. The rules of the game will be clear and understood by all concerned. The markets will themselves gravitate towards the positions defined in advance because they will be aligned with economic fundamentals.

*Isn't this strategy a radical departure from the state of more or less permanent friction which has reigned until now in relations between the markets and the monetary authorities?*

The markets should not be taken by surprise, and it is not possible to govern exchange rates by decree. The monetary crises in 1992 and 1995 provided ample proof of this. It is therefore advisable to create a climate of confidence by responding to the expectation of markets, which requires transparency. The signals sent out to them will help to ensure a smooth transition to the euro, which is in everybody's interests.

## Inf€uro 7

### *The euro in practice: work is advancing!*

Nine months away from the introduction of the euro, work is advancing apace. In several key areas, working group experts have submitted their conclusions and recommendations

#### Dual price displays

As one of the various instruments which will help users to familiarize themselves with the euro, dual price displays will play a key role for consumers, retailers and service providers. They must therefore form part of a global strategy. Given the diversity of ways used to display prices, it is important to show flexibility in their use so that each retailer can select the most suitable technical solution for his particular circumstances. This approach will keep down the cost of dual price displays, part of which will be borne by consumers in the form of price increases.

The experts in the working group believe that dual price displays which involve major modifications to current equipment, or even new investment, should be avoided. This is especially true where the existing equipment is perfectly suitable for working in euros when the change-over takes place. In such a case, it would be preferable to find other means of ensuring that consumers receive the necessary price information. There are also other ways of reducing the changes required, such as limiting dual price displays to the final price paid by the consumer or the total bill. Furthermore, it is strongly recommended that retailers should always specify dual price displays for any investment between now and 2002 in view of the fact that, in many cases, equipment is due to be replaced before this date. Advantage should also be taken of other opportunities for change such as the transition to the year 2000.

**15**  
The number of countries which have issued euro coins. Besides the twelve Member States of the Union, Monaco, San Marino and the Vatican have also issued them.



*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.

*Users and the euro**Consolidating confidence*

The six commitments the professionals have to respect are as follows:

1. Exclusive use in all their activities of the official conversion rate and regulations for rounding sums of money;
2. Strict exemption of consumers who opt for the euro, from any kind of additional charge;
3. The display of minimal permanent and clearly visible information to customers on procedures regarding use of the euro (cases where use is possible, 'no compulsion, no prohibition', conversion rates and regulations, etc.);
4. Systematic dual pricing on products on special offer, purchase and reduced-price coupons, totals on cash register receipts and invoices, and on products and services displayed outside premises by law (hotel and catering services). There should be similar dual references for a significant proportion of those products and services featured in publicity leaflets, and those most extensively sold, as well as for figures given in quotations or price lists.
5. Persons in direct contact with the public will have to be trained to provide simple explanations about the euro;
6. A clear indication, with the corresponding reference, as to whether payments in euros, especially those using cards or cheques, are accepted.

*General mobilisation in financial services*

During the long week-end from 1 to 4 January 1999 it is obvious that financial professionals will be sitting on hot coals. Certain teams that are normally skeleton-staffed during this holiday period will even be given extra manpower.

As soon as the irrevocable conversion rates for the euro are communicated during the afternoon of 31 December, they must be introduced into the computer systems which must be fully operational from then on. Securities management systems, for example, will need to be brought up to date, whilst making sure that the new positions are correct. All of Europe's financial institutions will have to work in the same direction, with securities custodians needing to communicate their new positions to their clients and have them check and possibly validate them. Banking institutions will also have to convert into euros, in particular the accounts of their clients (undertakings or individuals) who have expressed the wish to switch over at the very beginning of the third phase of the EMU, according to the principle 'no compulsion, no prohibition'.

At the end of the week-end, on Monday 4 January, a large mass of monetary and financial market operations will take place in euros.



Eddie George, Governor  
of the Bank of England

*It is clearly in the UK's interest, even on the outside, for the euro to be a success*

*What is the Bank of England's relationship with the euro area?*

The UK is outside the first wave of euro, but nevertheless we have a vital interest in its success. We are therefore very much an active and, I would hope, constructive partner in the process of European monetary integration which embraces the common commitment to policies aimed at furthering the great progress that we have already made across Europe over the past few years towards macro-economic stability.

It is clearly in the UK's interest, even on the outside, for the euro to be a success. I think we can contribute to this in two particular ways. First, at the general macro-economic policy level, by continuing to pursue a stable course: with monetary policy directed to price stability; fiscal policy aimed at prudent and stable debt and borrowing levels over the economic cycle; and with policies directed to improving supply-side flexibility.

Second, the UK can contribute directly to the development of the euro through the City of London's financial markets.

*The € charms*

Early assessments suggest that the euro has proved to be a far more popular currency in the international capital markets than expected.

According to data provider Capital Data BondWare, by mid-April international bonds denominated in euro accounted for 44.39% of all issues since the start of the year, fractionally behind the US dollar's 44.71% share. The balance is made up by other global currencies, principally sterling, the Swiss franc and the yen.

Total issuance of euro-denominated bonds reached € 227 billion in the first quarter, up 33% from total volumes in the predecessor national currencies at the beginning of 1998. Total bonds issued by companies were four times higher than last year.

Analysts say that to some extent the euro-issuance has been benefiting from a generally strong demand for corporate bonds among investors. But they also say that European companies have been anxious to take advantage of low current interest rates which are giving them access to relatively cheap funds. This being so, the 0.5% cut in official interest rates by the European Central Bank in early April is likely to make the euro-denominated bond markets even more attractive to companies.





## Inf€uro 14

**Pedro Solbes Mira, Member of the Commission with responsibility for Economic and Monetary Affairs**

*The euro zone does not include the entire European Union. Is this situation likely to continue in the long term?*

Personally, I am in favour of the broadest possible monetary union. Four Member States of the European Union are not yet part of the Economic and Monetary Union (EMU). They will be able to join the euro zone once they meet the entry criteria or, in the case of the Member States with a derogation, once they have taken a political decision to do so. In my opinion, the enlargement of the euro zone to the whole of the European Union is in the interest of the Union itself as well as in the interest of each of the countries concerned. As for the states which will join the European Union in a few years' time, they will also be able to adopt the euro. EMU is part of the 'Community patrimony' which those countries that have applied for membership must adopt to be allowed to join. So it is probable that the new Member States will take part in EMU from the outset, with a derogation for the adoption of the euro. Participation in the euro zone will depend on the ability of these countries to meet the conditions laid down by the Treaty, i.e. their ability to achieve a high level of sustainable convergence.



## Inf€uro 18

**Didier Reynders, President of the Eurogroup (as of 1 January 2001) Belgian Minister of Finance**

*'The task of the Eurogroup should be a more ambitious one'*

The way in which the Eurogroup operates should be improved still further and the task entrusted to it should be revised so that it will be more ambitious. The Eurogroup should be far more than an informal club of Ministers of Finance. I am in favour of a permanent dialogue with the European Central Bank as this would undoubtedly contribute to the effectiveness of the policy mix adopted.

The Eurogroup should also lead to a forum in which initiatives are taken which can transform our part of the globe, viz. the euro zone, into a real catalyst for growth: the permanent structural changes taking place will make the markets for goods, services and production factors more flexible and competitive.

## Inf€uro 15



*'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 ...

### 80%

of citizens in the euro area consider that the introduction of the notes and coins went well.

## Inf€uro 16



*The ECB's  
EURO 2002  
information  
campaign*

The introduction of the euro banknotes and coins in the euro area countries in 2002 requires thus an extensive information and education campaign in the period up to 1 January 2002 in order to familiarise everyone with the new euro banknotes and coins and to prevent counterfeiting.

The main goals of the information campaign in respect of the introduction of euro banknotes and coins are:

- to gradually prepare the general public for the introduction of the euro banknotes and coins by drawing attention to their visual appearance,
- to ensure that the euro banknotes and coins are favourably received,
- to educate the general public and, more specifically, the different target groups in how to recognise genuine euro banknotes and coins,
- to show shop and bank cashiers how to examine the euro banknotes in a fast and efficient manner in order to detect possible counterfeits.

## Inf€uro 17

*50 billion coins and  
14.5 billion notes have  
to be produced!*

With a view to their actual introduction on 1 January 2002, the work of producing euro notes and coins is making great progress. The task is quite out of the ordinary: 50.3 billion coins will have to be minted and 14.5 billion notes will have to come off the printing presses. With the exception of Luxembourg, which has entrusted this task to the Dutch Mint, each Member State will mint its own coins, while the production of notes will be the responsibility of central banks. At the halfway stage the production timetable has been adhered to.





1096

The number of days in the second phase of the implementation of EMU, i.e. between the creation of the euro as book money and the introduction of notes and coins.



Inf€uro 20



*Dummy euro banknotes for trainers of the blind, deaf and handicapped persons*

47,000 kits containing dummies of the new euro banknotes are currently being distributed to trainers of the blind and visually impaired, deaf and hard of hearing as well as the mentally handicapped in the euro area. Produced by the European Central Bank and distributed by the European Commission, these dummy banknotes are an excellent tool for people who need specific practice in the recognition of the new euro banknotes.

The euro dummy banknotes look and feel like the real euro banknotes that will be put into circulation from 1 January 2002 onwards. They have the exact size, paper, colour and feel of the real banknotes. However, in order to avoid confusion with the real banknotes, they are printed on one side only and are stamped with the words 'NO VALUE'. In order to avoid the risk of counterfeiting the dummy banknotes are individually numbered and do not have any of the security features which were unveiled by the European Central Bank in September 2001. They will be distributed to trainers through the European Commission's and Member States' registered specialised networks.

Inf€uro 19

*The ECB lays down the principles for frontloading banknotes outside the euro-area*

- 1) Credit institutions which are counterparties for monetary policy operations within the Eurosystem will be allowed to distribute frontloaded euro banknotes to their branches or headquarters, as appropriate, located outside the euro-area. The general conditions of frontloading indicated in August 2000 apply accordingly.
- 2) Credit institutions with their main place of business inside the euro-area will in turn be allowed to sub-frontload to their subsidiaries that are also credit institutions and are located outside the euro-area or to other credit institutions which have neither their registered office nor their head office inside the euro-area. The financial procedures indicated in August 2000 are to be applied equally for such sub-frontloading outside the euro-area.
- 3) Branches, headquarters and subsidiaries of credit institutions based in the euro-area, as well as other credit institutions located outside the euro-area, to which euro banknotes would be distributed or sub-frontloaded, as appropriate, are not allowed to further sub-frontload euro banknotes to any third parties whatsoever.

Inf€uro 21



*The euro: our 'motto'*

For three years we have been waiting for this moment! Three years during which the euro has already been the currency of all of us, although we have not been able to use it in everyday life. At times, this period seemed to us to be very long. It was necessary, however, in order to make preparations for the euro notes and coins and to establish our new currency in international markets.

There has never been an event on this scale in the history of money. This world première, which - we must admit - has not always been easy, is not now reaching its conclusion; it is actually just getting started. With the euro in our pockets as well as in our accounts, we shall all have the same monetary tool, from Helsinki to Lisbon and down to the smallest village in each participating country.

In the future, a lot more of us will be using it as a currency. The enlargement of the European Union is under way and the new Member States will eventually form part of economic and monetary union in accordance with timetables which still have to be established. What is certain, however, is that the euro will be called upon to increase and grow during the next few years. We shall be increasingly European in making it our everyday currency.

45  
is the number of irrevocable  
bilateral exchange rates  
pre-announced on  
3 May 1998, eight  
months before the euro  
was launched  
as book money.



91%  
of Danes think that their  
country will ultimately  
adopt the single currency,  
and so do 75%  
of Swedes and 70%  
of British respondents.







## The euro, an example of citizens participating in the governance of Europe

Citizens' aspirations to be taken greater account of in the decision-making processes received a particularly interesting response in the context of the introduction of the euro.

Application of the principle of "good governance", which is based on the involvement of citizens in the conception and implementation of decisions affecting them, resulted in the creation by the Commission in 1996 of a "euro group". This working party involved in particular representatives of consumers' associations, older people, people in difficult social situations, blind and sight-impaired people, deaf people and hard of hearing and mentally handicapped people, plus specialised researchers.

The "euro group" was closely involved in drawing up major decisions like the definition of the characteristics of notes and coins, the "euro logo" agreement and the "Euro Made Easy" project.

### Defining the characteristics of the notes and coins

Despite the sensitivity of the problems, particularly those relating to security, both the European Central Bank (ECB) and the Mint Directors, who were respectively responsible for the preparation of the notes and coins, agreed to go along with the consultation process.

The ECB focused on collaboration with the representatives of the European Union of the Blind (EUB), resulting in the choice of a note size that increases gradually with value and of colours that make it easy for those with impaired sight to recognise the denominations. The theme of the notes was submitted to a huge panel of citizens.

As far as the coins were concerned, the Mint Directors agreed to submit their consensus on the specific technical features for inspection by the 'euro group'. This highlighted certain conditions for easy recognition: different shapes and colours, logical progression of coin size to reflect value, etc. Samples were made in order to carry out handling tests and to test the risks of allergy to the various alloys. This consultation resulted in modifications to seven of the eight coins, including the choice of a specific shape, known as the "Spanish flower", for the 20 cent coin, as well as the adoption of Nordic Gold instead of nickel for the 10, 20 and 50 cent coins.

### The 'euro logo' agreement

The 'euro group' also gave some thought, along with the representatives of the distributive trades,

as to how to inform consumers. This gave rise to the idea of carrying on negotiations to define a code of conduct for informing employees and consumers as well as the principles of dual price display. Shops that agreed to put the code into practice could affix a "euro logo" on their windows, which would be identical throughout Europe. All European associations in the sector were represented in the negotiations, from SMEs to direct selling businesses or petroleum products distributors: this led to the implementation of the euro-logo in almost all Member States.

### The 'Euro Made Easy' project

The 'euro group' had very quickly drawn attention to the difficulty of disseminating information about the euro to certain people, due to their social or geographical isolation, age, poor reading ability, or sensory, mental or physical disabilities.

Member associations of the euro group were asked to run a pilot project in order to develop information and training aids targeted at these groups. Several working groups were set up in Germany, Belgium, France, Italy and Portugal, and the project took place in several stages.

First of all, based on a participatory methodology, these groups worked in order better to understand and explain to others what the currency meant to them. After analysis of this work and validation of their findings by qualitative studies in the 15 Member States, these groups were requested to make proposals for information aids that would help their peers to understand the problems that they themselves had raised. It was also decided to train trainers, who would pass on their training to other volunteers in the field, capable of reaching the most remote places and the most isolated people.

A number of Member States decided to adopt this methodology and these aids produced by the DG Health and Consumer Protection, and several tens of thousands of volunteers were trained by the Commission or by NGOs. Their contribution to the success of the transition to the euro for the most vulnerable groups was essential, without a shadow of a doubt.

**7**  
Seven different euro notes were printed, i.e. denominations of 5, 10, 20, 50, 100, 200 and 500 euros.



**3%**  
The famous Maastricht criterion that stipulates that the budget deficit may not exceed 3% of gross domestic product for a long period.





## Brief history of the euro coins

### The notes

Following a competition, it was Robert Kalina, designer at the Austrian National Bank, who designed the euro notes. On the front side of each note, windows and portals symbolise the spirit of openness and cooperation that reigns within the European Union. The twelve stars of the European flag symbolise the dynamism and harmony of Europe. On the reverse, there is a bridge, symbolising the close cooperation and communication between the peoples of Europe and between Europe and the rest of the world.

These motifs, as well as the following characteristics, are presented in detail below:

- the name of the currency, which appears in the Roman (EURO) and Greek alphabet (ΕΥΡΩ);
- the initials of the European central bank in their five variants – BCE, ECB, EZB, EKT, EKP – corresponding to the 11 official languages of the European Union;
- the © symbol protecting the copyright;
- the European Union flag.

Euro notes were specially designed to prevent forgery. They contain important security features that are visible to the public, and others that are invisible but detectable with machines, which make it possible to check their authenticity. The production of series of euro notes is carried out by eleven different printing firms in Europe.

In 1991, which was one year before the signature of the Treaty of Maastricht, the Mint Directors of the Member States took the initiative of setting up an informal working group in order to study the technical characteristics of the coins of the future single currency. The Commission services became involved in the work from May 1992 onward. In February 1994, the Ecofin Council approved a draft mandate. The working group was assigned the mission of examining the technical aspects and identifying the problems to be resolved in order to produce and introduce the future European coins into circulation successfully. The question of the denominations (in other words the value) of the coins was soon decided technically by the Mint Directors' working group, based on an analysis of national practices and requirements. It was necessary to strike a balance between great variety, which could cause problems in recognising the coins, and a limited number of different coins, which would have made it complicated to give change. The average number of different denominations within the European Union was 7.17. After discussion, the Mint Directors proposed a set of 8 coins: 1, 2, 5, 10, 20 and 50 cents, 1 and 2 euro. The possibility of producing a 5 euro piece was discussed, then rejected after it was decided to produce a note of the same amount.

### One common side, one national side

At the informal Ecofin Council in Verona in spring 1996, the governments decided that euro coins would have a European side and a national side. They also charged the Commission with organising a design competition for the common side, leaving the Member States free to choose the national side (with the only obligation being to incorporate the twelve stars). The design competitions were organised for the common side during 1996, in every Member State, with the aim of selecting a maximum of three sets of coins. The entrants had to propose a full set of coins, with a choice of one of the following three themes: 'architecture and ornamental styles', 'objectives and ideals of the European Union' and 'famous Europeans'. On 13 March 1997, a European jury, chaired by the Secretary General of the European Commission, consisting of independent experts drawn from very varied

professional backgrounds (art, design, numismatics, consumers' representatives, etc.) selected nine series from the thirty-six series received from Member States. The Mint Directors were consulted in parallel on the industrial feasibility of the various designs. A survey (a quantitative and qualitative study on a sample of 2000 people) was then organised by the Commission in the whole of the European Union with the general public and the professional organisations representing the sectors that are large-scale users of coins. The series chosen by the Finance Ministers and confirmed by the Heads of State and Government at the Amsterdam European Council was the one that came out on top in an opinion poll, with nearly 64% of positive responses, without major differences between countries, gender or level of education. The winning designer was Luc Luycx, a graphic designer at the Belgian Royal Mint.

### Beware of the details!

The design of the coins represents a map of the Union in various forms, with – according to the press release – a “dynamic background consisting of stars”. The first 3 coins (1, 2 and 5 cents) situate Europe in the world. The 10, 20 and 50 cent coins symbolise the Union as a grouping of nations. Finally, a frontier-free Europe is shown on the 1 and 2 euro coins. Complex modifications were made by the author to the design of the coins at the end of 1997, to take account of requests by the Member States with a view to improving the quality of the geographical representation: Luxembourg was not visible on the 1 and 2 euro coins, likewise for Portugal on the 2 euro coin, while Denmark was astonished to see the island of Funen joined to the mainland on certain coins, while Greece considered the outline of the Peloponnese peninsula was incorrect on the 10, 20 and 50 cent coins. It also wanted to show Crete on the 1 and 2 euro coins, while Sweden wanted to include the island of Gotland, Finland the island of Aland, and the UK wanted to include the Hebrides. Germany was the wrong shape on the 10, 20 and 50 cent coins, while there was no border between Northern Ireland and the Republic, or between Spain and Portugal, and the Spanish wanted to include the Canaries on the 1 and 2 euro coins. ■

4,000

Over 4,000 European legislative texts referred to the Ecu or national currencies. The continuity principle meant that amendments were kept to a minimum.





## SMEs: a change-over at top speed

Unlike large companies, small and medium-sized enterprises started the process of thinking about the changes entailed by the switch to the euro at a relatively late stage. However, by implementing an appropriate preparation strategy, SMEs were able to be the first to feel the beneficial effects of the single currency. Some of them understood this very well. But the vast majority of SMEs initially perceived the transition to the euro as a constraint or a source of expense, which explains why they left it very late before taking the measures necessary for the switch. Although the equivalence between the euro and national currency was announced legally and guaranteed from the outset, for a long time the euro appeared to be a virtual currency both for citizens and small businesses, especially shops. This is partly due to the fact that the notes and coins only appeared on the scene at the end of 2001. But several factors contributed to inhibiting the development of use of the euro. The basic principle of the transitional period 'no compulsion, no prohibition' had the effect of keeping many business transactions in national currencies, while from 1999 to 2000 the euro was only used by a handful of businesses, mainly large international groups.

Small or medium-sized enterprises, like individuals, tended to snub the euro, not seeing any practical advantages in using it, and not being subject to any particular constraint compelling its use. SMEs, which represent nearly 18 million businesses in the European Union, were lagging well behind large companies in their preparations during 2001. Very many of them waited until the last minute, i.e. 1 January 2002, or even until the end of the transitional period for withdrawal of notes and coins in national currencies. So in a very short space of time, many SMEs had to carry out important operations like converting prices, adapting computer software or the changeover of accounting systems.

### A rapid and successful switch

Nevertheless, overall, the fears relating to possible lack of preparation by SMEs did not prove founded. The substantial efforts made by national administrations, banks and professional associations to increase awareness among businesses finally paid off. The Eurobarometer survey carried out in mid-February 2002 shows a very satisfactory picture which contrasts sharply with the previous surveys: many SMEs seem to have switched successfully to the euro at the last minute. Over 85% of SMEs said

that they had not encountered any practical difficulties in switching to the euro. The result was relatively satisfactory in all the countries participating. Businesses with less than 10 employees generally experienced fewer problems than those employing over 50 people.

The same survey reveals that nearly 2/3rds of businesses think that the transition to the euro will not have any impact on their business, while just over one in five is expecting a positive impact. Several months after the launch of euro notes and coins, businesses are better able to appreciate that the transition to the euro produces positive effects like the reduction of expenses linked to the use of several currencies, greater market opportunities, price transparency, a stable economic environment favourable to trade and investment, or simplification of accounting and bookkeeping, etc.

The advantages of the euro are particularly numerous for SMEs, because they were often reluctant to handle several currencies. In addition, they suffered most from currency fluctuations, as they rarely had the resources to protect themselves against foreign exchange risks. As a result, they often did not try to establish trade relations beyond their national borders. Today, however, the euro gives these businesses the possibility of benefiting from the existence of a stable monetary area, freed from monetary restrictions, within which there is no longer any risk of competitive devaluations. The introduction of the euro gives companies new and very attractive business prospects, whether in terms of exports, procurement or investment. To take advantage of these opportunities, these firms need to think about the size of their ranges, the quality and packaging of their products, pricing policy, etc. If they want to gain a foothold in new markets, they need to think about the tastes and habits of the consumers they want to reach.

That is why, even today, companies must be aware that the switch to the euro is not just a monetary conversion, but involves taking the euro into account in every field (commercial, financial, marketing, personnel management, accounts, etc.). A company that fails to adapt its strategy correctly (price levels, taking account of new competitors, choice of market opportunities and suppliers, bearing in mind increased price transparency) risks suffering the consequences.



200,000 Estimate of the number of cash dispensers adapted to the euro.



## The banks

After having played a major role in the introduction of the euro as book money in 1999, the banking sector kept up the momentum by encouraging use of the euro during the transitional period, participating actively in the introduction of euro notes and coins on 1 January 2002, as well as in the enormous exchange process during the period of dual circulation.

For the European banking sector, most of the preparation for the introduction of the euro was carried out to meet the deadline of 1 January 1999. Unlike other businesses, particularly SMEs, which only switched to the euro at a late stage, it was imperative that the banks should be ready to deal with the euro as book money. As the Banking Federation of the European Union (BFE) points out, banks not only succeeded in carrying out their own change-over by 1999, after years of meticulous planning, but also contributed greatly to making the euro a reality in the financial world and among large companies.

This effort needed to be maintained in order, on the one hand, to increase the level of utilisation of non-cash payment transactions in euros (by SMEs and private individuals) and, on the other hand, so that the launch of notes and coins could occur under ideal conditions. For non-cash payments, the banks accelerated work on adapting payment terminals so that they were able to accept payments in euro, and in the second half of 2001, organised the changeover of their customers' accounts to the euro, unless the customer expressly requested otherwise, with a three-fold aim: to encourage businesses to make greater use of the euro in order to reduce apprehension about the subsequent introduction of euro notes and coins, to facilitate learning of the scale of value in euro, as well as to spread the technical changeover by banks themselves over a period of time. Like other key players, they also performed a key role in the job of informing and raising awareness of companies and individuals about the practical aspects of the transitional period, and later about the introduction of the notes and coins and dual circulation.

### Converting 170,000 cash dispensers

As the euro notes and coins were to be introduced according to the big bang scenario chosen, the banking sector was really at the heart of the challenge. The banks took up the logistic challenge, and contributed forcefully to strengthening the general feeling of security by collaborating in an active, continuous and attentive manner with the national authorities, central banks, the cash transport sector and other economic players concerned. In this context, they also played a major role in the process of front-loading businesses and professionals during the final months of 2001, as well as private individuals during the month of December: the success in distributing the first kits of coins was boosted by the ease with which they could be obtained at bank branches.

Finally, the banking sector made its contribution to the process of withdrawal of national notes and coins and replacing them with euro notes and coins during the period of dual circulation. If, as we know, the new notes and coins soon took over in the transactions of everyday life of the citizens of the euro area, this was partly due to the effectiveness of the banking sector, which mobilised substantial financial and human resources to ensure that the launch was trouble-free. Almost all cash dispensers were operational from 1 January 2002 and bank branch staff facilitated the process of exchanging notes and coins, so that the success of the changeover was assured by the end of the first fortnight of January 2002. Finally, the banks continue to play a role in the current period following the period of dual circulation, by accepting, at least in certain countries and for a transitional period, the exchange of old notes at bank branches.

It is no coincidence that, according to the Banking Federation of the European Union, the banks were 'often praised for the role that they played in this smooth, fast and efficient transition, both by consumers and by the national authorities'.

**218,000**  
bank branches or  
post offices distributed  
euro notes and coins  
from 2 January 2002.

**2.8 million**  
shops adapted to the euro in  
the 12 participating countries.



## Citizens adopted the euro in just two weeks

While people took up euro notes and coins quickly and enthusiastically, the difficulty of creating a new scale of value in euro remains.

People all over Europe adopted the euro notes and coins with complete calm, tinged with moderate caution (particularly old people and those in a precarious situation), but also with a mixture of curiosity and excitement about an event considered a powerfully symbolic moment. This is one of the conclusions of the qualitative study on 'citizens and the euro in the months following its introduction', carried out at the request of the European Commission's DG for Health and Consumer Protection.

This study confirms that the switch to the euro was carried out very quickly by the vast majority of citizens, and most people said that they had made most of the changes within one or two weeks. The reasons given included "voluntarist enthusiasm and the wish to enter fully into a new era", "the wish to take it up despite the difficulties perceived and the personal effort required", as well as, quite often, the very pragmatic concern to "avoid as far as possible the complications involved in the coexistence of two currencies".

The factors leading to a wait-and-see policy were, to varying degrees, fear of not knowing how to cope with the unfamiliar notes and coins, of being incapable of grasping the value of things or, more rarely, of being cheated, of fraud, or of counterfeit money. Some psychological resistances to the new currency, or at least the nostalgic desire to keep "the" national currency until the very end, were also mentioned.

### A new scale of value

The main problem lies in the difficulty, which is still there after a few months, that many people have in forming new reference points for figuring out the value of things, and deciding if a price is too high or not. In every country people say that, in the absence of such reference values, people are afraid of spending more than they could normally afford. This fear is particularly widespread in countries where the people have the impression that prices have risen sharply, and it contributes to the impression that 'money disappears faster'.



Except in rare cases, people continue to carry out an intermediate conversion into their national currency. Often this is a rough mental calculation, with varying degrees of difficulty. While the process appears relatively simple in countries like Germany, Portugal, Finland, Italy, Belgium or Luxembourg, it is more complex in Ireland, Austria and France, and very difficult in Spain and Greece. In one country, the Netherlands, the effort involved in conversion is off-putting and sometimes leads to a certain amount of irritation.

People are beginning to memorise a few prices in euro, but without these yet being genuine reference points. The prices remembered and 'well assimilated', are usually those of a few basic products or services that are bought frequently like bread, milk, fruit and vegetables on the markets or a litre of petrol. More rarely, it may be the price of an expensive item that someone has recently considered buying (e.g., a car or a domestic appliance).

Analysis of the means used to adapt to the new values shows that the special vigilance which was shown in the first few weeks has already been relaxed by most people. But to varying degrees, they continue to ask for help from friends or relatives (particularly people in difficult social situations), sometimes postpone expensive purchases and make greater use of payments by card. Some people still use the dual pricing as a reference point, or as a means of checking, and still, especially in the countries where the conversion rates are more complex, use technical aids for conversion (calculator, for example).

### The players who helped to switch to the euro

We should point out that the fact of having disseminated or even "hammered home" the information just before the deadline of 1 January is acknowledged to have played a useful role, especially as many people remained passive until then. In particular, people mentioned the following players who helped with the switch: the media, the banks or post offices (used more by people in a precarious situation), public authorities and friends and relatives. ■



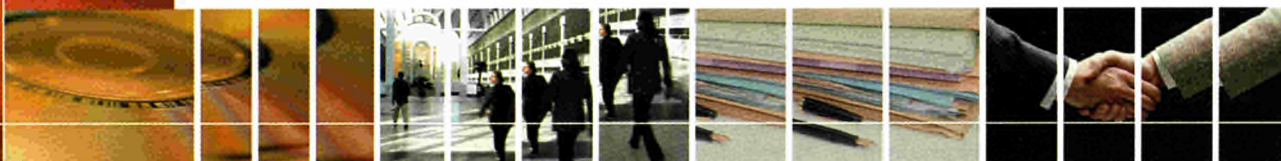
**4 million**  
The number of copies of *InfEuro* over 22 issues, mostly in all eleven languages of the euro area countries.

**10 million**  
The number of automatic machines using notes and coins in the participating countries.



## Public administrations: preparations that date back years

Administrative preparation over (many) years, combined with a communication campaign in the final stages, form the cornerstone of the essential contribution made by public authorities to the introduction of the euro.



After the reference scenario for the transition to the single currency was adopted by the Madrid European Council in December 1995, and the main elements were enshrined in the Council regulations of June 1997 and 1998, setting out the legal framework for the euro, the Member States of the euro area then had to bring various parts of their own legislation into line. A large number of national measures taken at that stage facilitated the switch by the financial sector to the euro, so that the financial markets were, to a large extent, ready to use the euro unit on a large scale as soon as it was introduced on 1 January 1999. The administrations themselves prepared themselves so that companies could draw up their accounts, file their tax returns or pay taxes in euro from 1999 onwards. Citizens themselves could choose to file their tax return in euros in many Member States according to the principle of "no compulsion, no prohibition".

This first large-scale challenge having been accepted, by mid-2000 there were still some major measures to be initiated to make possible the actual introduction of euro notes and coins for 304 million people spread across 12 states and nearly 70,000 regional and local authorities. Playing the "catalyst role" given to them by the Commission Green Paper, public authorities took action in various fields essential to the successful introduction of the notes and coins: continuing to make their own preparations, regulatory and logistical planning, handling of relations with the other key players (the banking sector, professional federations, consumers' associations, etc.), and continuing their information and awareness campaigns for certain target groups (SME managers, people at risk of being excluded from the information process, etc.).

### Information exchange

From the outset, the European Commission monitored this work in accordance with the subsidiarity principle, leaving to the Member States and their public administrations the job of continuing with

their own preparations and of deciding on the most appropriate actions to take, following their own national changeover plan and their own projected timetable, but also ensuring coordination and the exchange of information.

One of the main tools in this respect was the informal European network of national public administrations. Consisting of national euro missions, it was charged with exchanging good practice without imposing any particular model on its members, opening up its work to other institutional partners like the European Central Bank. Several important issues were the subject of a constructive dialogue within this network: the length of time taken to prepare people for the introduction of notes and coins, the appropriateness of whether or not to impose compulsory display of dual pricing in euro and national currencies, or the duration of dual circulation after 1 January 2002.

In parallel with this exchange of information, twelve national changeover plans for the introduction of notes and coins had been drawn up and followed by the Member States. Here too, the Commission services scrupulously observed the principle of subsidiarity cataloguing the main choices in these national plans and drawing up regular reviews of the progress of changeover plans by means of presentation forms for the main measures taken by the Member States, all of which generated some gentle "peer pressure".

At the end of this enormous operation, one conclusion must be drawn: having been prepared over years, the public administrations were at the very heart of the successful introduction of the euro, whether one considers the purely administrative and logistical preparation of the switch, the catalyst role that they played with regard to other key players, or the enormous effort that they made in communication and information for businesses and citizens coming within their sphere of responsibility. ■



## Euro and non-member countries: a mutual synergy



Let us start with practical considerations: with the introduction of the notes and coins in Central Europe. According to the European Central Bank, in December 2001 the central banks in the Eurosystem front-loaded 26 central banks or specialised institutions located outside the euro area with approximately 4 billion euro. There is no data available about the sub-front-loading carried out by commercial banks, which was probably the main vehicle for supplying euros to financial institutions outside the euro area. According to information received from the Commission delegations in some forty countries, euro notes were available everywhere from the first days of January onward. Many consumers, particularly in applicant countries, were curious and wanted to obtain some.

Many old notes from countries in the euro area, particularly German ones, were kept or used in the countries of Central and Eastern Europe. Their return started on a massive scale in 2001, particularly via deposits in foreign currency accounts. Foreign exchange operations or payments into accounts were also very high in the early weeks of 2002. According to data collected by the European savings bank association, returns of national banknotes of euro area countries to financial institutions belonging to their association and located in Central or Eastern Europe amounted to a total equivalent to 333 million euro. It should be noted that people received (in value) more euros than they handed in national currency in the Czech Republic, Hungary, Latvia and Lithuania. On the other hand, they withdrew fewer euros than they handed in the old national units in Poland, Albania, Bulgaria and Slovakia, without it being possible to determine whether the exchange was against the local currency or the dollar.

### EMU: advantages all round

The Monetary Union was founded on rules of sound economic management and it is contributing to the economic growth of the regions. As a result, companies worldwide, not just those in Europe, can benefit from the context of European growth. The new currency has improved prospects for exporters from the rest of the world to Europe. From the viewpoint of a non-member country, there is now one single market on which they can sell rather than eleven, and so the associated costs should be greatly reduced.

The impact of the euro on non-member countries should be positive for four reasons:

- exports and imports from non-member countries benefit from a reduction in the cost of foreign

exchange transactions, because payments will be made in the single currency;

- companies will benefit from greater competition and more efficient capital markets;
- non-member countries can also see the euro as a reference currency. It is expected that the euro will have a stabilising effect in the long term.
- the European capital markets are more stable and the cost of borrowing should fall, depending obviously on the overall economic climate.

The geographical areas that will be most influenced by the euro area are Central and Eastern Europe, the Mediterranean Basin and Sub-Saharan Africa. However, even for developing countries, which are heavily influenced by the dollar, the presence of the euro should bring transparency and a simplification of commercial activities.

**The countries of Central and Eastern Europe and the Baltic States:** the objective of the euro is to quickly become the reference currency for this geographic region. Traditionally, this function was fulfilled by the Deutsche Mark, and the euro will need to be an effective replacement for not only the mark, but also the other currencies used by these countries in their trading relations with the countries of the euro zone. Trade has been booming in recent years, and the euro should have an accelerator effect.

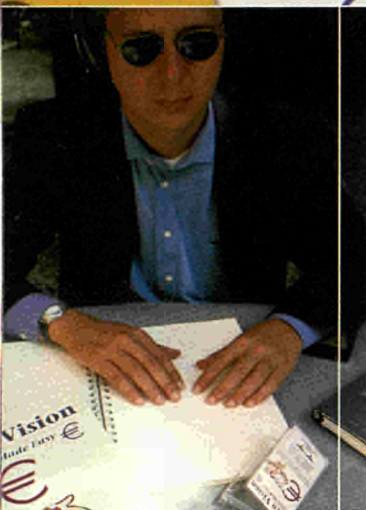
**The countries of the Mediterranean Basin:** the European Union is the main economic and financial partner of the countries of the Mediterranean Basin. Half the trade in goods and services of the region is carried out with the European Union. Economic cooperation and integration both in terms of trade and finance have been considerably accentuated between the Mediterranean countries and the rest of the countries of the Union over the last 20 years. This will strengthen the use of the euro for trade and financial purposes. The euro represents an opportunity for these countries to redefine their exchange rate policies.

**The countries of the CFA franc area:** the euro has taken over from the French franc as the reference currency for the CFA franc. The countries of the franc zone should benefit from the Economic and Monetary Union. In practice, the euro area should help these economies to develop, intensify their regional integration, and make their role in the world economy more important.

To find out more about this subject: 'Trade in Euro : A guide for enterprises and trade support agencies in developing and transition countries', published by the International Trade Centre.

**7.4 million** citizens of the European Union have eyesight problems. A great deal of preparatory work was carried out with their representative organisations.





## Communication: multiplier effect and local approach

The launch of the Economic and Monetary Union on 1 January 1999 and the trouble-free introduction of euro notes and coins was a prime objective for the EU. A prerequisite was the implementation of effective communication and information campaigns from the outset. In 1995, the Green Paper on the scenario for the switch to the euro adopted by the Commission emphasised the importance of communication.

When it launched its own communication strategy at the beginning of 1996, in cooperation with the European Parliament in the context of the Programme for Information of Citizens (PRINCE), the Commission was pursuing a dual objective: to strengthen the idea, throughout the Union, that EMU would be created in accordance with the Treaty on European Union, and making the banks, financial service providers and large companies aware that they needed to prepare for the transition to the euro without delay. These objectives were attained through information and communication campaigns developed by the Commission and the European Parliament based on decisions taken by the Heads of State and Government.

In a second stage, essentially from 1999 to 2001, the communication strategies focused on four very specific areas:

- explaining the euro to the largest possible number of citizens, so that it would be more easily accepted and used, particularly by explaining the advantages;
- enabling each citizen to familiarise themselves with the new currency, to understand its value and use it with ease and confidence. This approach was aimed at certain rather broad target groups (consumers) and also at narrower groups (with particular social problems);
- encouraging small and medium-sized enterprises in all sectors of the economy to start their preparations quickly, by helping to make them aware of the advantages of thorough preparation;

- ensuring that EMU was properly understood by political, administrative and economic players in non-member countries.

### Subsidiarity and coordination

To be credible and effective, communication campaigns had to be designed taking account of the culture, language and concerns of citizens. That is why Member States took on the main responsibility for communication. They created information aids and encouraged regional and local authorities, public services and networks of non-governmental organisations, like trade unions, professional associations and consumers' organisations, to act as intermediaries and as channels for passing on information about the euro. Preparing the entire population for the euro was not to be a task for the public authorities alone. Information intermediaries were used as much as possible, to benefit from the multiplier effect. They were encouraged to be as active as possible. For example, retailers played an important role in increasing the awareness of their customers.

The Commission, in collaboration with the European Central Bank, especially during the final phase, played an instigating and coordinating role. In particular, it engaged in the following activities:

- provision of information, basic material and technical support to the various euro communication channels and to specialised audiences;
- participation in the design and implementation of national euro communication plans in the framework of a partnership, by entering into co-financing agreements with the Member States;
- ensuring coherence at Community level of the information campaigns about the euro and the facilitation of contacts and exchanges between the Member States;
- the encouragement of and participation in transnational initiatives, as well as information and communication campaigns about the euro intended for non-member countries. ■

### Specific categories

The impact of traditional or standardised media is very low on certain specific categories of people (blind or sight-impaired people, the illiterate, the homeless or those living in extreme poverty, etc.). Informing these groups about the euro relied on original media specially adapted to their situation. This approach involved, in particular, the introduction of "trusted mediators" who were close to these people and familiar with their circumstances, and with appropriate information aids or communication methods. Many soundings were taken beforehand, to ensure that the actions launched subsequently would be as effective as possible.



## Good governance for a stable economic and monetary Europe

When its history comes to be written, the launch of the euro will certainly be one of the highlights of the construction of Europe, whatever happens to it in future. For the first time, twelve countries have joined forces to share the same currency, and there will be many more of them in future. The challenge of the launch was enormous, but it was a success. The challenge of the new few years will be just as great, however, and the euro is only one of the factors in the equation. That is why, as part of the mission assigned to it, the Commission regularly examines the main directions of the economic policies of the Member States. The recommendations published at the end of the April 2002 set out the main priorities. Here is the gist of that report.

From an economic viewpoint, the European Union in its entirety, not only the states participating in the euro, faces four main challenges: preserving and consolidating the economic framework, encouraging a qualitative and quantitative improvement in jobs, strengthening the conditions for high productivity growth, and promoting sustainable development in the interest of present and future generations.

### The four challenges

*1. Preserving and consolidating the macroeconomic framework* allowing the economy to be steered appropriately under all circumstances, thus offering an environment in which macroeconomic stability is guaranteed, economic cycles are cushioned and dynamism and internal adaptation capacities are strengthened. By avoiding price fluctuations, monetary policy plays an important role because it stabilises production while creating an environment that favours increasing supply and potential growth. Taking this direction has led to the creation of a culture of stability, which has reduced uncertainty and encouraged pay restraint, thus allowing the foundations to be laid for an environment that fosters investment. The great uniformity of inflation forecasts, below 2%, is evidence of this. We should also add two equally important elements. First of all, it is essential to continue running a sound budgetary policy. Budgetary positions that are balanced or in surplus in the medium term will allow a steady reduction in public debt and in interest payments, which strengthens the ability to meet budgetary challenges, particularly those caused by ageing populations. Secondly, Member States need to complete the transition to sound public finances.

*2. Encouraging qualitative and quantitative improvements in jobs, increasing activity rates and tackling the persistence of unemployment.* Despite highly positive results, particularly in terms of flexibility and reduction of social security charges, human resources are still under-utilised in the European Union and structural problems still remain. Unemployment, particularly long-term unemployment, remains high in a number of Member States, although very often there is substantial demand. So there is a disparity between supply and demand. In addition, activity rates, especially of older workers and women, are too low. So it is necessary to pursue energetic campaigns aimed at reducing unemployment and to adopt a comprehensive strategy to increase the activity rates. To do this, measures aimed at boosting incentives to accepting a job should be taken, enabling people to enter the labour market (via better child care facilities, greater flexibility in the way work is organised, etc.), improving information about job opportunities, coaching the long-term unemployed back into work with active labour market policies, and making an increase in employment more attractive for employers.

*3. Strengthening the conditions for high productivity growth.* In the long term, improvement in living standards is largely determined by the rate of productivity growth. With this in mind, maintaining high living standards, while the proportion of the population of working age is starting to wane due to an ageing population, will increasingly depend on improvements in productivity. In the Union, the growth of labour productivity is relatively low. Since productivity levels largely depend on investment, it is necessary to improve the investment climate. A high level of innovation in a context of strong investment growth also improves the quality of the capital stock. Investment and innovation will both benefit from an environment which is more competitive and which fosters a spirit of enterprise, stimulated by structural reforms in the market for products, capital and labour. Other important factors tend in the same direction: a suitable regulatory environment, efficient public services, adequate supply of network infrastructures and increased investment in research, education and training to improve the skills and adaptability of labour.

( > 20)



**14.7 million**  
The number of Internet pages returned in a web search for the word 'euro'.



(&lt;19)

4. *Promoting sustainable development in the interests of present and future generations.* Taking account of the needs of present and future generations, particularly in terms of a sustainable environment and of regional and social cohesion, is essential to improving the well-being of Europe's people. Without being able to provide global solutions to these objectives, economic policies can make an essential contribution to the promotion of a sustainable environment, by ensuring that the external effects of economic activities on the environment are fully reflected in prices. These same economic policies may also prove very useful in meeting the challenge posed by the ageing population, particularly with regard to participation in the labour market and its financial consequences. The objective is to ensure a positive interaction between economic and social policies in order to encourage a long working life, while making optimal use of the potential of human resources. Economic policies can also contribute in various ways to economic and social cohesion. Good economic performance encourages the creation of jobs, which are the best protection against poverty and social exclusion. A modern and active welfare state which encourages the population to work is also important from this point of view.

#### Recommendations

To achieve the objectives described above, the Commission has issued a whole series of recommendations that it would take too long to reproduce here. We have picked out the recommendations for the medium and long term. If you want to find out about all the recommendations, you will find the full text on the Internet site of DG Ecfm ([http://europa.eu.int/comm/economy\\_finance/index\\_en.htm](http://europa.eu.int/comm/economy_finance/index_en.htm)).

*For macroeconomic policies focused on growth and stability,* the Commission recommends in particular that the Member States should steer their budgetary policies to achieve and maintain balanced budget balances over the whole economic cycle. In parallel, they should ensure that tax reforms respect the commitment to sound public finances and avoid procyclical budget policies. With regard to pay, the rate of increase must take account of compatibility with

prices and the level of labour productivity. The objective is to guarantee the competitiveness of the European Union.

*For improving the quality and viability of public finances* with an objective of sharing in growth and employment, the Member States should continue their efforts to make their systems of contributions and social security benefits more favourable to employment, which implies, where appropriate, a reduction in the overall tax burden, targeted reforms of these systems of contributions and benefits, particularly for those on low pay, while continuing with budget reforms and improving the efficiency of tax systems. The Member States should also allocate public expenditure to the accumulation of physical and human capital, as well as to research and development. The preservation of an adequate level of pensions based on the financial viability of the schemes must also be a major objective.

*To increase the dynamism of the labour market,* the Member States should take measures, particularly tax measures, to make work more attractive from the financial point of view, reducing marginal tax rates, in particular for those on low pay, and encouraging older workers to remain in the labour market. It is also necessary to build up active policies in favour of job creation, to reduce obstacles to mobility within Member States and between them, promote more flexible organisation of work in consultation with the social partners and eliminate the barriers to women working.

The Commission has also issued recommendations in four further areas *relaunching the structural reforms of product markets* by completing the internal market and making competition effective, *promoting efficiency and integration of financial markets* in the European Union with the implementation of the action plan for financial services and the action plan for investment capital, encouraging a spirit of enterprise by creating an environment favourable to business and promoting the knowledge economy by increasing overall expenditure on R&D and improving access to information and communication technologies.



**18 million**  
SMEs in the euro area took the great leap towards the single currency, although most of them waited until the last minute to prepare. 97% of them were already drawing up their bills in euro at the beginning of January 2002.



**150 million**  
kits of euro coins, or 4 billion coins, were put into circulation at the end of 2001.





## The euro, an international currency ?

The answer to this question is 'yes', because the euro is already the currency of twelve countries and it will have a much larger base in the next few years. But of course, this question goes much farther. What will be the role of the euro in future in world financial markets ?

To obtain an objective answer, we asked Patrick Lenain of the Economic Affairs Department of the OECD. The text below is an extract from an article published on 14 March 2002 in the *OECD Observer*.

"Another long-term benefit of the euro often claimed by fervent supporters is that the single currency ought to become a more important international reserve currency than the sum of its legacy currencies. This would bring greater immunity from international financial fluctuations, as well as a more prominent role for Europe in designing the international financial system's architecture.

"But the euro's performance in international markets has so far been disappointing. Since its launch in 1999 its exchange rate has declined by close to 25% in US dollar terms. And balance of payments data indicate that residents in the euro zone make more portfolio and direct investment outside the area than non-residents make inside it. Euro-denominated issues on the international market for bonds and notes still lag well behind those denominated in dollars. According to the Bank of International Settlements, during the first three quarters of 2001 gross international debt issuance denominated in US dollars came to \$732 billion compared with only some \$535 billion in euros. About half of outstanding amounts of international debt securities are denominated in US dollars, compared to a relatively modest 30% in euros. Central banks also preferred to keep 68% of their

foreign exchange reserves in US dollars at the end of 2000, compared to just 12.7% in euros, according to the IMF annual report.

'How to achieve a more internationally attractive euro is not clear, though making Europe a more attractive place to invest would be a helpful start. Surveys and business reports indicate that most of the euro zone remains stifled by cumbersome administrative regulations, rigid labour markets and high operating costs – although some progress has been made to address those issues. Investor caution may also reflect the problems of building political cohesion across Europe. After all, despite the fact that Europe has one money and a European Parliament, it is still represented by separate nations in international financial organisations like the IMF and the World Bank. It also sends separate delegations to international economic forums, such as those of the Group of Seven. With the euro, Europe will have to overcome these national prerogatives and speak with one voice in the international monetary arena. It will take work. But if achieved, and if single market reforms are pursued with the same determination and vision as for the euro, then the new currency will not only bring Europeans together, but will also become a harbinger for greater prosperity.'

The importance of the euro area in the world based on the following figures (2000 data):

	euro area	United States	Japan
Population	291.9	275.7	127.2
Per capita GDP (euro area = 100)	100	150.4	112.3
GDP (billion \$)	5.904	9.719	4.652
Exports (billion \$)	924.9	782.4	479
Share of trade	19.9 %	12.5 %	7.8 %

**25 million**  
withdrawals of euro  
notes were made on  
1 January 2002.





## About InfEuro

InfEuro is published six times a year in the 11 EU official languages by the European Commission's programme "Euro: one currency for Europe".

Production and layout:  
De Visu Digital Document  
Design, Brussels

Coordinator:  
SCAT - Juan Arcas, Brussels

Translations: ISO, Brussels

Editorial coordination :  
Synedi, Brussels  
with the editorial collaboration  
of Benoît July and ECO-European  
Communications, Brussels.

Neither the European  
Commission nor any person  
acting on behalf of the  
Commission is responsible  
for the use which may  
be made of the information  
contained in this publication.

# The euro in the applicant countries

From their launch, the euro notes and coins have been used far beyond the frontiers of the twelve participating countries. This is just a step on the way to a much broader economic and monetary union.

In fact it is envisaged that the euro will be based on a much larger area, which will ultimately coincide with that of the European Union, with the possible exception of the three 'pre-in' countries which retain the possibility of joining or not joining the euro over the next few years.

As explained elsewhere in this special issue, the euro has been used in the countries of Central Europe and beyond. Of course, it is still only a foreign currency there. In several countries, this is a temporary situation. The European Union is committed to a major enlargement process which will considerably reinforce its international influence over the next few years. The case of each country will be examined individually depending on the progress of the work to prepare its accession to the Union. Progress has not been the same in each case, which means that the timetable for joining will also be different. The list of countries applying for accession to the European Union is currently as follows: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, Slovakia, Cyprus, Malta and Turkey.

Whatever the date of their entry into the Union, it is important to point out that the future members will also become members of the economic and monetary union, but this dual membership will not occur simultaneously. Before joining the EMU,

the country concerned must first become a member of the European Union.

Beyond this essential condition for being part of the euro area, countries must meet the criteria required for EMU by going through three successive stages:

1. Stage 1 stipulates that, according to the criteria drawn up by the Council of Europe at Copenhagen in 1993, the applicant countries must confirm their transition to a market economy, and their ability to withstand competition within the single European market.
2. The second stage stipulates that the country must meet the economic and monetary conditions necessary to enter stage three of the process of Monetary Union.
3. Thirdly, they must meet the convergence criteria established by the Treaty of Maastricht. This will enable applicants that join the European Union to adopt the euro as their currency. To summarise, these criteria consist of having a low rate of inflation, stable long-term interest rates, control over the deficit in public finances and the public debt, and stable exchange rates against the euro. The independence of the Central Bank must be guaranteed, and in parallel, appropriate restrictions must be imposed on public financial loans from the Central Bank, particularly on security discount. ■

**15 billion**  
euro notes have  
been printed.



**51 billion**  
euro coins have  
been minted.

**70 billion**  
Number of **national**  
coins in circulation  
before the arrival  
of euro coins.

**12 billion**  
The estimated  
number of **national**  
currency notes  
in circulation  
before the  
introduction  
of euro notes.



OFFICE FOR OFFICIAL PUBLICATIONS  
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg