

Inf€uro

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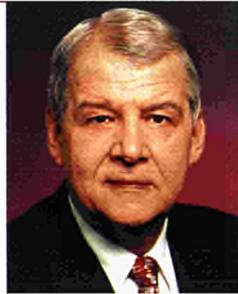
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Rudolf Edlinger, Austrian Minister of Finance, President of the Ecofin Council

Europe is growing larger and much closer

Inf€ *With only a few months before the introduction of the euro, what still has to be done and what are the priorities of Austria in its Presidency of the European Union?*

Through its Presidency of the Union, Austria will work towards a smooth change-over to the euro and the firm fixing of exchange rates, an operation already performed entirely successfully in the past. Furthermore, we shall do our utmost to ensure that 1 January 1999 is both a historic date and one to be celebrated.

The Member States party to Monetary Union must more than ever before consider the actions of the other States, especially as regards budgetary and economic policy issues, so as to guarantee stability in the euro area. For this reason, the finance ministers of countries in the future area are already constantly appraising the various budgetary, economic and employment situations of their partners. And we are making

every effort to initiate a satisfactory dialogue with the European Central Bank, which will soon exercise supreme authority over monetary policy within the area.

Inf€ *What special steps has Austria taken to prepare for the euro? When will you be ready to switch entirely to the euro?*

Like many other countries, Austria has been committed in recent years to meeting the convergence criteria and has managed to do so. We have been able to reduce the budgetary deficit by half, and firmly stem any further growth in debt. We were also thoroughly committed to achieving participation in Monetary Union. As a result, we have set our sights on the euro in all areas. The highly detailed plan we have drawn up to implement the euro is based on the principle that the "euro option" will be a reality from 1999 in all sectors of society. This also applies to public administrations and their contact with citizens. (> 2)

Heads or tails

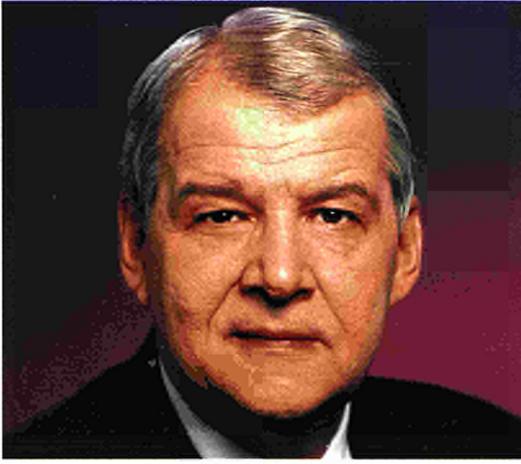
Continuing our presentation of the national faces of the euro coins, here are the designs of Ireland and Portugal.



Internet Site

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





Rudolf Edlinger,
Austrian Minister of Finance,
President of the Ecofin Council

Europe is growing larger and much closer

(< 1)

Inf€ *What kinds of programme have you established to assist businesses and the general public?*

Our plan for implementing the euro is also intended to enable businesses and private households to gradually adapt to the single currency. Firstly, there is a need to overhaul internal administrative processes, such as budgeting, or electronic data processing, which have to adopt the new currency rapidly. Secondly, special attention has to be paid to the contacts administrations have with both business and consumers, for example in payment transactions using orders or forms. Under the "euro option", Austria has decided to accept tax returns in the single currency from 1999. These regulations will be mainly to the advantage of companies engaged in international activity, which are henceforth intending to convert their accounting procedures into euros as rapidly as possible. In order to propose uniform framework provisions, we are additionally working towards adoption of this option by municipal authorities as, for example, in municipal expenditure. And, naturally, we also substantially stepped up our information campaign on the euro for our citizens last spring. Here, we simply kept to the facts, solely to inform people, without indulging in crude propaganda. For this reason, our initiative and, with it, the single currency, have been very favourably received by the general public.

Inf€ *Is the Austrian financial sector ready for 1 January 1999?*

The sector has long been very actively preparing for the single currency. From the earliest talk of Monetary Union, this sector realized that the euro was a project to be taken seriously, and meant fresh undertakings and opportunities for markets. Austrian banks are also keen to distribute substantial information about the euro themselves. Naturally, from 1999 on, they will denominate current and savings accounts in both euros and schillings, or in euros alone. And, following recent marked transformations in Austrian

financial markets, Vienna has become a financial and banking centre with very bright prospects.

Inf€ *Does Austria have a plan for limiting the dual circulation period?*

We are planning for the schilling to still be in circulation for six months from 1 January 2002, coexisting, therefore, with the euro. However, this dual arrangement should not last too long, as it is costly and creates several difficulties, particularly for small businesses. But Austrian citizens are especially glad to know that they will be able to exchange their banknotes and coins in schillings for euros, even after the former are no longer legal tender. The National Bank of Austria is to offer this facility for an unlimited period. The law required has already been passed, so no one need fear the sudden evaporation of a lifetime's savings in schillings.

Inf€ *What long-term benefits do you expect from the euro?*

We are offering Europe a new, strong currency, with a greater vitality than the other currencies combined. The population of the euro area is greater than that of the United States, and its economic performance is broadly similar. Yet, contrary to the United States, this economic area is registering a foreign trade surplus, providing the clearest possible indication of its quality. One all-important advantage of the euro is its elimination of exchange rate fluctuations within the internal market. This stability will be of very considerable benefit to investment and growth within the European Union. We are thus fortifying Europe's global economic power at a time when competition is rife on the world stage. And the Union's current sustained growth is confirmation that we are on the right track. Moreover the euro inherently represents a better deal for consumers. Given that prices between different countries will henceforth be comparable, consumers will be able to buy more cheaply and thus save too. Europe is undoubtedly growing larger and much closer. Is this surely not something we all wish to see? ■

Dr. Willem F. Duisenberg,
President of the European Central Bank

The stability of a currency is derived from the trust invested in it by people



Inf€ Now that a few months have passed since the launch of the ECB, is it possible to make a preliminary assessment of what has been accomplished? Which aspects are working well and which areas seem to require further work?

The EMI carried out good preparatory work. Experts from the national central banks also provided considerable support. Important organizational issues relating to the ECB, its monetary policy instruments and its possible monetary policy strategy were all prepared and must now be implemented by the ECB. The Governing Council of the ECB must now decide on those issues which, according to the Treaty, fall within its competence. These include decisions on minimum reserves and the large-value payment system, TARGET, which are important for the financial markets. The Council has already dealt with many issues of this programme in its first two meetings.

The management and staff of the ECB are being recruited predominantly from among employees of the EMI. This ensures a certain amount of continuity despite the complete restructuring of the organization. Before it becomes fully operational, the ECB must first recruit further new staff. Only then will the workload of the ECB employees approach a normal level.

Inf€ There are now only several weeks to go until the launch of the euro. Do you believe that current economic developments and the financial environment are favourable?

The current economic situation and level of price stability in the core countries of the future Economic and Monetary Union suggest quite favourable prospects for future stability. This cannot mask the fact, however, that the budget deficits and, indeed, the unacceptably high levels of unemployment in some countries require our vigilance.

Inf€ You have repeated on several occasions that you would like the euro to be as stable as the Deutsche Mark, while adding that this will not be easy to achieve. Why is this so? What possible obstacles are there to this stability?

The stability of a currency is derived *inter alia* from the trust invested in it by people. A completely new currency can only gain this trust in the course of time. Moreover, never before has a single monetary policy been set against eleven different budgetary policies. Against this background, it is inevitably more difficult to achieve a mix of monetary and budgetary policy which is conducive to stability.

Inf€ Price developments represent one of the essential elements of this stability. How do you plan to measure the inflationary pressures across all the Member States participating in the euro area and, in particular, how will you select a strategy which does not penalize one region while favouring another?

Certainly, it is somewhat problematic that cost and price developments in individual countries can deviate from that of the euro area as a whole. This may also hold true, in certain circumstances, for the economic development of individual countries. It is impossible for a single monetary policy, by definition, to take account of regional particularities, since it can only apply to the currency area as a whole. Hence regional differences may only be remedied using non-monetary means, budgetary policies in particular.

Inf€ You announced that the ECB would give its opinion on issues wider than monetary policy alone. What type of subjects did you have in mind? Do you thus intend the opinions of the ECB to carry the same weight as those of the other major central banks, such as the US Federal Reserve?

The prime concerns of the ECB are, of course, monetary policy and price stability. The Bank should not shy away, however, from taking a stance on general economic developments which could weaken stability within the euro area. Monetary policy alone can only ensure price stability at high costs in terms of lost output and employment. Therefore, it has to be supported by sound budgetary policies and wage developments in line with the structural growth of productivity and the objective of price stability. Whether this will enable the ECB to increase its influence will depend on the persuasiveness of its arguments.

Inf€ Is the ECB ready to help those countries which would like to join Economic and Monetary Union at a later date, in the event of exchange rate turbulence? Are the various instruments in place?

Certainly, the ECB has at its disposal the necessary means to intervene in the event of exchange rate turbulence. As experience has shown, however, intervention in the foreign exchange markets can offer only short-term alleviation of the symptoms, but cannot remedy the causes. In addition, it would be out of the question for the central bank within such a large currency area, and with relatively minimal dependence on the external value of its currency, to follow a monetary policy based on an exchange rate target. ■

Mr Del Bufalo, of the Euro Committee

Italy: adaptability and flexibility



Inf€ *The opinion polls show Italians to be strongly in favour of the euro. To what do you think this is attributable?*

Generally speaking, Italian public opinion strongly supports Economic and Monetary Union. The fact that Italian citizens so clearly and massively share the aims of EMU has been one of the key factors in the unqualified success of the Government in fulfilling the convergence criteria. It is at the heart of the decisions aimed at accelerating the process of transition to the euro, in full respect for the principles adopted at EU level, by maximizing opportunities for citizens and businesses, while minimizing the costs and liabilities involved in the change-over.

In June last year, the Euro Committee made public its "Guidelines for introduction of the euro in Italy", which identified the decisions required to finalize the reference framework determined at European level. These decisions are already embodied in the adoption of the necessary regulatory measures.

In this foregoing unitary framework, we have sought to retain the greatest possible flexibility as regards the instruments and means needed to achieve our objectives. In a country like Italy characterized by significant regional differences, we do indeed have to take account of demands that become apparent at local level. It is for these reasons that the Provincial Committees for the Euro (PCE) have been introduced.

Inf€ *Will the Italian financial system be ready for 1 January 1999?*

In collaboration with all interested parties, the Finance Sub-committee of the Euro Committee has drawn up a plan for the change-over of the Italian financial system to the euro. The third edition of the "National Change-over Plan" was published in May this year. The plan aims to co-ordinate the activity of all players involved in the transition, in order to ensure that the system as a whole is ready on time. The National Change-over Scenario has identified four main areas of intervention: payments, markets, financial instruments and statistics. From permanent monitoring, it is clear that the planned deadlines for completing projects will essentially be respected, and that the Italian financial system will be ready from 1 January 1999.

Inf€ *Are preparations in the business sector also on track?*

Naturally, Italian businesses will be free to decide when and how they change over to the euro. The principle of "no compulsion, no prohibition" has been interpreted by the Euro Committee with an eye to simplifying company decisions, through

removal of possible impediments, a reduction in costs linked to adoption of the euro, and provision of a precise, transparent framework for transition. According to information available to the Euro Committee, many large companies have decided to adopt the euro with effect from 1 January. The situation of smaller firms is far more varied. In collaboration with sectoral associations, numerous initiatives are under consideration to encourage greater awareness of the issues at stake, and to circulate the information required for adoption of the euro.

Inf€ *Is the same effort being made to inform citizens?*

One of the essential aims of the Euro Committee is to ensure that citizens are properly informed, by acting as a reference point for releasing and circulating all information liable to facilitate the euro's adoption. In order to achieve this aim, the Committee is collaborating with the European Commission, with which it has concluded an agreement for the purpose of co-financing the citizens' information campaign, a task co-ordinated at local level by the Provincial Committees for the Euro.

The initial activity of the Committee has focused on information of a general nature, in order to broaden familiarity with the new currency and to give the euro a specific identity. The event with probably the greatest impact via the media was the T.V. vote in which all viewers were able to choose the national design to be featured on one side of the new coins. The campaign is now moving into its second stage geared to more thorough information and specific sectors.

Inf€ *How will the euro be introduced in public administrations?*

The introduction of the euro in Italian public administration belongs to a context of reform in the administrative machinery, which has been changing the role of public administrations in our regulatory system since the start of this decade. The decision to ensure that public administration will be a prime mover in the transition to the euro may be seen partly as confirmation of the progress achieved in the wake of reforms already accomplished, and also as a chance to introduce further improvements.

Only on 1 January 2002 will public administration change over permanently to the euro in its own internal procedures, for accountancy and auditing. But from 1 January 1999, citizens themselves will be allowed to decide which unit of currency they use in all their transactions with public administrations. ■

Portugal

The euro is an opportunity to improve working methods

The introduction of the single currency, the euro, amounts to an extensive structural change for Portugal. With very wide-ranging implications, the move will decisively affect all economic operators. For this reason, public administration and the private sector, which view it less as a problem than a challenge and the opportunity to improve working methods, have undertaken numerous all-embracing reforms, with due respect for the subsidiarity principle which governs the market economy.

Portuguese public administration has played an active part in this process, by positioning itself as a leader and catalyst for reforms, and mobilizing private operators to undertake the investments and adaptations needed.

The Ministry of Finance has already taken in advance the basic decisions required after introduction of the euro, by drawing up a series of legislative texts and regulations for the use of public administration and, in particular, the administration of public finance.

As examples, one may cite ministerial decrees No. 10590/97 (2 October) establishing a Change-over Plan to the Euro in the administration of public finance, and No. 6393/98 (18 April) providing for the adaptation of computerized tax administration systems, as well as measures to supplement the first decree; regulation No. 5/97 of the Accountancy Standardization Commission dealing with the effects of introducing the euro; ministerial decree No. 238/98-XIII of 8 June 1998, establishing guidelines for customs purposes, as well as consumer taxes; and statutory order No. 138/98 of 16 May, which lays down the basic rules to be observed during the transition phase of change-over to the euro, harmonizes monetary and exchange legislation as required, and regulates, in accordance with an initial appraisal, questions related to indexes and rounding of figures. Finally, mention should be made of the statutory order approved by the Council of Ministers of 16 July 1998 which introduces necessary amendments to the civil code, commercial law and the code governing the securities market, as well as other legal texts covering civil, commercial and financial issues, all of which are essential for adoption of the euro by the economic operators.

The basic decisions which have been taken may be summarized as follows: the possibility for businesses, the professions and the self-employed, to complete their tax returns in euros from 1 January

1999, as well as for everyone to pay their taxes in euros by cheque or bank transfer; issue of the entire fresh public debt in euros from 1 January 1999; and re-conversion of the former liquid public debt into euros from the same date. Moreover, in exchanges of information and documents between the Ministry of Finance, government officials, citizens and businesses, any sum of money will have to be indicated in both currencies.

For the process to be made uniform, an inter-ministerial co-ordination structure has been set up to ensure that this transition goes ahead in accordance with the principles of universality, unity and proficiency. All regional bodies will likewise conduct their euro decision-making with full respect for the guidelines laid down by central government.

Because of the subsidiarity principle, the market will have to be self-regulating to adapt to the new monetary context, while the State will be responsible solely for encouraging this process and compensating for any regulatory shortcomings.

With such considerations in mind, a working group of representatives from the banking, financial and insurance sectors was created within the Euro Commission of the Ministry of Finance in 1996, with the task of supporting the individual adaptation to the euro of each institution. All banks and nearly all insurance companies are now ready for the advent of the euro on 1 January 1999. In addition, from 4 January 1999, transactions on the Lisbon and Porto stock exchanges will be effected in euros.

These bodies and institutions have an essential part to play in preparing Portuguese citizens for the euro. Nevertheless, a broad explanatory publicity campaign via a monthly newsletter (*InfEuro*), television, radio and newspapers has also been launched (according to surveys, T.V. spots reached 80.5% of the population, with each person having viewed them 10 times on average). And tens of conferences primarily targeting SMEs are still planned in various towns and venues throughout the country.

In this way, all decisions essential to the process have been taken. It is the concrete operations for adapting to the new monetary context, and for testing adjustments made as a result, particularly with regard to computer systems, which are now the central concerns. ■





Users and the euro

Consolidating confidence

The success of the euro will depend on the confidence users place in it. This realization is behind the creation of a euro confidence logo for businesses, and the organization of pilot operations for groups of people with less easy access to relevant information.

Within the consumer working party set up by the European Commission from the end of 1996, 14 experts of different nationality (psychologists, historians, economists, lawyers, etc.) have together examined the psychological and sociological aspects of the change-over to the euro. They have been entrusted with identifying obstacles likely to arise during the successive stages of the change-over for various sectors of the population, and determining lines of action enabling them to be overcome. Their studies have dealt essentially with developing confidence in the new currency, learning about a new value scale, and reconstructing people's memory for prices.

Their first observation is that the discontinuation of national currencies and the change-over to the euro cannot be regarded as a simple technical operation. A currency produces and expresses the overall values of a society. The link with the currency is at one and the same time individual, social and political. Furthermore – and this is their second observation – the change-over to the euro constitutes an unprecedented phenomenon which cannot really be compared to operations conducted in either the recent or distant past. Finally, while the public authorities exert only limited influence on economic variables with a partial bearing on the level of confidence in a currency, they do have a major part to play in defining the legal and information framework.

The legal and information-related aspects have already been discussed several times in previous issues of *InfEuro*. Here, we shall examine two very concrete projects, which constitute final outcomes of work entailing joint consideration of and preparation for the change-over to the euro, namely the euro confidence logo for businesses, and the pilot operations for less advantaged groups of people.

Six commitments for confidence

Under the auspices of the European Commission, the representatives at European level of consumer associations and professionals from business, tourism and the craft industries, signed an agreement on 30 June, which establishes voluntary rules of conduct for the years 1999 to 2001. Any professionals who so wish may undertake to respect six such rules regarding the euro in relations with their customers. As proof of their commitment, they will display the euro logo, which will serve as a sign for recognition by consumers.

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.



Once the logo has been displayed in commercial premises, the consumer may be certain that the business respects the six foregoing principles. The entire arrangement, including management of the logo, will be supervised on a decentralized basis by a neutral entity – for example, the "Local Observatories of the Change-over to the Euro" where they have been established and given this task. Chambers of commerce and professional associations may also be involved in distributing the confidence logo.

Pilot schemes

Around a third of the population of Europe is unable to read effectively, and liable to be marginalized when the euro is introduced. Conventional forms of communication, based on writing but also television-related technologies, do not take account of difficulties in adaptation affecting several categories of the population, such as the elderly, the blind or visually impaired and those suffering economic hardship. It is therefore crucial to develop the right kind of information system to avoid increasing the sense of exclusion, and misuse of the euro due to the change in the scale of values.

As individual cases are complex and vary widely, it has been hard, if not impossible, to develop aids to communication without closely studying how the change of currency would be regarded by these groups. It is vital to understand their own view of the difficulties entailed by examining their perception of currency prior to the euro's introduction. Only when this has been done can questions concerning the change of currency be considered.

Such is the objective of the pilot schemes launched this year in three regions of France, Italy and Belgium. Eighteen working parties have been formed, in particular from elderly persons and those suffering economic hardship. The aim is to get them to express their perception of currency. On the basis of a highly specialized methodology, these persons are brought to understand currency

questions in such a way that they can help explain them to others.

After a first phase devoted to group motivation, the second stage considers the notion of currency, covering the right to its use and possession, the individual and collective value scale, exchange and the exchange intermediary. This stage leads to the creation of an exchange instrument, namely a fictitious currency to be subsequently negotiated with the other groups for the purpose of creating a common currency. The third phase focuses on the approach to the concepts of exchange rate and bank rate, with the central implication that it may be worth developing a simple solution avoiding exchange. The fourth and final stage involves studying the consequences of the change of currency in the practical life of each group member.

When the working parties have completed their activity in early 1999, test groups will be organized in each country of the euro area to validate the results obtained. Tools for training and information will then be developed by the working parties and distributed in the second half of the year via the different partner institutions. These aids will relate to the methods of expression of the various participants. All spoken dialogue is recorded and the rapporteurs for the work cannot change the language used in them. These information tools will be for use, in particular, by "information mediators", namely persons who are in direct contact with the groups of people concerned, and from whom the latter readily solicit information. Such mediators include members of the medical and ancillary professions, social workers, postal delivery staff and voluntary associations, etc.

While conclusions now would be premature, it is already clear that participation in the different groups has aroused considerable interest. Weekly meetings are sometimes more frequent, and members are very active and ask many questions, thus demonstrating how important the subject is to them. ■



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target

making payment in euros easy

Developed by the European Central Bank and the national central banks, TARGET will start to operate on 4 January 1999.

For European companies, whether or not they are financial enterprises, the use of a single currency for financial transactions will help to achieve substantial economies. However, the full benefits will only be realized if payment systems are integrated at euro area level, just as they are at present within national currency areas. It is important that credit institutions should manage their liquidity positions efficiently, and that arbitrage operations are easily executed throughout the entire euro area. It was therefore vital to develop an integrated payment system which guarantees the safe, easy and quick transfer of liquidity from one participant to another within the new monetary area.

Such is the aim of TARGET (Trans-European Automated Real-time Gross settlement Express Transfers). TARGET is defined as "an EU-wide system for euro payments". It is for providing individual real-time processing and intraday finality, and is accessible and very easy to use.

Operation

TARGET is made up of 15 national real-time gross settlement systems and the European Central Bank payment facility. They are interlinked to provide a platform for processing cross-border payments. All payment orders are individually executed in under one or two minutes, or even just a few seconds after the sending account has been debited. Acknowledgement of the successful execution of each individual order is transmitted in real time to the sending national central bank. Settlements are final, and the funds can be reused several times a day.

Services

TARGET can be employed to carry out all bank transfers in euros (between banks alone, or with customers) among the 15 countries of the European Union, regardless of whether they are members of the euro area. Although the system is tailored essentially to the payment of large amounts, there is no restrictive minimum or

maximum amount. For payments directly linked to monetary policy operations involving the ESCB (European System of Central Banks), TARGET or a national real-time gross settlement system has to be used.

Virtually all credit institutions in the EU may be linked up via TARGET, so over 5000 will participate. In particular, the system offers an efficient service for large-scale transfers due within a specified period. Operators are thus advised to use it for payment of all large amounts, mainly those linked to foreign exchange transactions.

TARGET is also well suited to cross-border payments by companies where a sending and receiving institution do not participate directly in one and the same payment system.

Advantages

Besides the possibility of linking nearly all credit institutions in the EU(*), TARGET presents several major advantages. First, it enables flexible management of liquidity available in principle to participants at any time. The latter will not be limited by any net debit or credit caps, and will be able to make payments as and when they so choose. Second, TARGET facilitates risk management by giving participants the possibility of immediate final settlement in central bank currency. Third, it operates in real time within very long hours each day (from 7 a.m. to 6 p.m., and only closed on 25 December and 1 January), so that cash management is improved and liquidities turnover increased. Fourth, there is full end-to-end transmission. Fifth, the system will reduce costs, thanks to its speed and flexibility. Sixth and finally, TARGET will be reliable as a result of both the experience accumulated by the national central banks, and the thorough tests conducted since June 1997.

Web-site: www.ecb.int/target/

(* within a daily upper limit for central banks not in the euro area.





Tourism

A euro frontrunner

The tourist industry is directly concerned that there should be a fast, seamless change-over to the euro. It is crucial that this sector prepares properly for this.

The figures

The European Union represents the leading world market for tourism. Tourist expenditure stands at ECU 169 billion (excluding transport services), or 5.5% of gross domestic product in the EU, and accounts directly for nine million jobs, amounting to 6% of total employment in the EU. In terms of international flows, the annual rate of growth of this sector is 4.2%, while in terms of revenue it is 4.5% (1996 data).

Tourism is also a leading sector for transactions using bank cards, travellers' cheques, eurocheques, bank transfers, and electronic payments which, together, represent over 50% of its expenditure. Finally the demand for tourist services denominated in euros is likely to be strong from the start of next year. Annually, 22% of Europeans travel within the Union.

Preparing for the change

DG XXIII of the European Commission responsible for small and medium-sized enterprises, the craft sector, distributive trades, co-operatives and tourism, is organising a conference on the introduction of the euro in the tourist sector, on 16 October next. Since March 1998, a "euro-tourism" working party has brought together professionals from the sector, with banks, the main issuing houses for bank money and representatives of national tourist administrations in the Member States. It has examined the different steps to be taken in the transition

to the euro, as well as ways of developing synergies between the various players.

This work was finalized in collaboration with the AMUE, at a meeting in London on 23 June, to examine the setting up of a network for the exchange of information and good practice.

As a result, a practical handbook entitled "Tourism and the euro" together with pilot schemes for use of the euro in certain tourist areas, are in principle planned for 1999, with the support of the Commission.

Finally, the tourist sector is party to the agreement signed on 30 June with representatives of the consumer associations under the auspices of the Commission (see p. 6 of this issue). In this context, several tourist firms will begin dual pricing on some of the quotations in their catalogues from the start of the next summer season.

Conference: "The euro and tourism: opportunities and strategies for businesses"

Brussels, 16 October 1998

Albert Borschette Conference Centre

Info Fax (+32-2) 296.13.77

Registration: e-mail Denis Batta@dg23.ccc.be.

SME INFORMATION

To improve and diversify information sources for enterprises, the European Commission is preparing a brochure supplemented by a CD-ROM which will be available at the end of December 1998. Devised on the basis of a study of around 35 cases, these documents should be regarded as real support aimed at helping each enterprise to define its own strategy for switching to the euro. The CD-ROM is interactive. After receiving and integrating data from an enterprise about itself, the programme offers it a change-over plan adapted to its individual needs.

These new items will be distributed via recognized intermediary bodies, such as professional organizations and chambers of commerce, which may already contact the services concerned at the Commission, placing orders at the following address:

DG XXIII/A/1

Attn: Mr E. Berck

Fax: (+32-2) 295 97 84



VIENNA FORUM

The Austrian Presidency of the European Union has decided to organize a symposium in Vienna on **27 November**, on the theme "Consumers on the eve of the introduction of the euro", for which support has been requested from DG XXIV of the European Commission, responsible for consumer policy and consumer health protection.

The aim of this symposium is threefold:

- first, to draw up an initial appraisal of the Commission's action on practical aspects of the euro in the run-up to its implementation, and of its prospects.
- next, to establish a communication plan highlighting the Commission's interest in the problems of citizens (in particular, psychological aspects and behaviour related to savings), as well as its ability to make them part of its activity.
- finally, to make the general public aware of approaches under consideration regarding the withdrawal of coins and banknotes.

This event is to be primarily for the benefit of consumer associations and representatives of the professional sectors concerned, as well as elected politicians, and officials representing administrations and the social partners. It is expected to receive wide coverage by the main media outlets both in Austria and throughout Europe. In addition, several of the questions for debate should be taken up on the Internet.



Eggert Voscherau,
Member of the Board of BASF AG

BASF has a plan for change-over to the euro

Inf€ *What are the organisational measures introduced by the BASF group in preparation for the euro? Does preparation vary depending on the country considered?*

The joint stock company, BASF, has devised a plan for change-over to the euro, which is currently being implemented in successive stages, in accordance with the legislation and provisions of our different countries. From 1 January 1999, we shall be ready for work. This means, firstly, that the external accountancy documents of the BASF group will be denominated in euros from 1999 and, secondly, that our customers will be able to choose between the euro and another currency when fixing prices, processing orders, billing, ordering and making payments. And the same arrangements apply to European countries not participating in Monetary Union. It is planned that all our branches will have abandoned their national currency in favour of the euro in the spring of 2000.

Inf€ *Can you tell us what this change-over represents in man-hours or investments?*

The change-over to the euro is occurring in parallel with software adaptations linked to the problem of the "millennium bug". In fact, a range of tasks may be carried out far more quickly and efficiently thanks to the latest developments in computer technology. For this reason, it is not possible to put a precise figure on the cost associated with the change-over to the euro. But it is likely to be as high as some DM 50 million.

Inf€ *In opting for the euro, what working methods do you think will be adopted with your suppliers and customers?*

Given the exceptional flexibility of our systems, BASF is immediately able to satisfy the demand of customers who want to change over to the euro, at any moment in time; so much so that, throughout the transition period, we can offer to bill our customers in euros or their national currency. They have already been told that this is possible.

Inf€ *What are the advantages of introducing the euro for your company? And what else do you think the national and European authorities should do to make its introduction an unqualified success?*

The euro brings with it a whole range of advantages to BASF. For one thing, our economic achievements in countries within the euro area will no longer be handicapped by exchange rate fluctuations. Furthermore, the reliability of planning and calculations will be improved by the euro. As to management of finances, transaction charges will be reduced and, in this context, a certain potential for optimization is also emerging.

We expect greater flexibility on the part of national and European authorities for the transition period, in which the euro and the national currencies will coexist. During this period, it is thus appropriate to accept payment of taxes in either.

We also consider it advisable to intensify current information campaigns on the introduction of the euro, to allay the fears of part of the population. ☺



Leiv L. Nergaard,
Executive Vice-President and Chief
Financial Officer Norsk Hydro ASA (Norway)

The euro will be of benefit to a pan-European company like Norsk Hydro



Inf€ *Could you briefly present your company and situate the importance of the EU market?*

Norsk Hydro is the biggest Norwegian public company, 51 % State-owned, and its shares are listed in the main European stock exchanges as well as in the New York Stock Exchange. Its principal activities are concentrated within agriculture, oil and gas, light metals and petrochemicals. Norsk Hydro has production facilities in all EU countries. Approximately 65 % of total sales in 1997 were in the EU market and 51 % of total sales were originated in Hydro units inside the EU.

Inf€ *What is your position towards the use of the euro for Norsk Hydro? Why?*

The euro will simplify cross-border businesses and broaden financial markets in Europe. This will be of benefit to a pan-European company like Norsk Hydro. However, the transition period 1999-2001 with the parallel status of the EMU national currencies and euros gives rise to administrative and IT challenges. We will therefore apply a flexible approach to the introduction of the euro, where we aim at harmonizing the switch to the euro with our business partners. We expect that all our units will be ready to handle the euro as a transaction currency as of 1 January 1999. Some units plan to change their accounting currency to euros as from 1 January 1999 and our consolidated reporting system will accept euro figures from the first monthly reporting in 1999.

Inf€ *Could you explain the practical measures for the change-over to the euro within your company? How long have you been preparing for it?*

A company-wide project for our preparation for the euro was started in March 1997. A project team with members from different product areas, functions and countries was established where the task was to

analyse the impacts and the preparation required for Norsk Hydro. This analysis was completed at the end of 1997 and distributed throughout the company so that the findings could be used as guidelines for the preparation in operating units.

The responsibility for the euro preparation rests with the divisional presidents and managing directors of business units. A small euro coordination team has been established, with the task of channeling relevant information into our organization and to monitor the progress. A simple central reporting system has been in place since February 1998, with monthly mapping of progress towards euro readiness as of 1 January 1999 for all affected Hydro units inside and outside the EMU. We are also performing an internal audit of the euro preparation throughout our company.

Inf€ *Can you put a figure on the effort made by Norsk Hydro for this transition?*

As for the year 2000 problem, staff in all divisions of Norsk Hydro are affected by the introduction of the euro. In most cases system changes or modifications need to be implemented. In many events the euro and the year 2000 can be seen as accelerators of change processes. A separation of the euro preparation cost in this larger picture has not been attempted.

Inf€ *Do you think that the euro will play an important role in future for international energy markets?*

The euro will play a bigger role in the future compared to national currency units today. The extent to which the euro will compete with the American dollar remains to be seen. The gas markets are likely to be impacted by the euro earlier than oil. A future entry into the EMU by the UK will speed up the importance of the euro in energy markets. ■

THE TRAINING OF TRAINERS

The training of trainers within consumer associations at local, national and European levels is one of the means by which DG XXIV of the Commission is circulating information on the change-over to the euro. In particular, it is to be the subject of three training seminars next November and December, with the following programme:

- general information on the European Union;
- the transition period (1999-2002) and the period of dual circulation (early 2002) ;
- psycho-sociological aspects of the change-over to the euro;
- links between the Single Market and Single Currency;
- the legal framework of the single currency;
- the label created following an agreement between marketing professionals and consumer associations, in order to designate "euro-friendly" businesses.

A training pack containing all the necessary equipment and information will be distributed to participants.

A CONFERENCE ORGANIZED BY THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

26-27 November 1998,

Millennium Conference Centre
London

Tel : (+44) 171-957 5700/54

Fax: (+44) 171-321 2045/957 5710

Keynote speakers :

- Dr W.F. Duisenberg, President European Central Bank
- Yves-Thibault de Silguy, Member of the European Commission

This Conference brings together key EMU players and commentators to debate and examine the political, financial and practical issues for Europe's economies and businesses in the change-over period and in the longer term.



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Euro notes: printing to start in 1999

The printing of notes denominated in euros will get under way early next year after a long and meticulous preparation.

In 1992 the governors of the central banks of the European Member States decided to set up a working party with the task of preparing for the production of the future banknotes of the European currency, then not yet named the euro. Each national central bank delegated two persons to the group: a specialist in the printing of notes, and another responsible for issuing them and managing their circulation. Working party logistics were the task of the European Monetary Institute, the forerunner of the European Central Bank.

Those running the working party very soon decided to pursue activities with three other partners: national minting authority representatives, manufacturers of automatic cash facilities, and organizations representing the blind and visually impaired at European Union level. These interests were involved throughout, and the final result takes account of their wishes. Particular attention has been paid to the special needs of the blind and visually impaired to facilitate identification of notes of different denomination by touch (through surface indentations, different sizes, etc.).

Unique specifications

Preparatory activity culminated at the start of this year in the drawing up of extremely precise technical specifications. These meet two fundamental requirements: firstly, to achieve notes of exceptional quality for maximum protection against forgery and, secondly, to print notes that are absolutely identical at all issuing institutions. This latter requirement was far from easy to fulfil, given that the techniques thus far used for printing notes vary from country to country. Some of them print in sheets and others on rollers. Existing technical capacities have been closely studied and varying degrees of technical investment have been necessary in all countries.

From the security angle, work has been exceptionally thorough. Because of the considerable scale of its circulation, the euro is more vulnerable to forgery than any other national currency in the participating countries. The working party experts examined existing notes and found that their security levels were somewhat variable. It has been decided to use as models those presenting the very highest level of security, combined with several rarely-encountered specific features.

On the basis of the specifications, the national issuing institutions have this year begun the technical work to prepare for printing the notes. The very first stage is carried out in partnership between two or several institutions. It involves the production of an original for each of the seven notes in euros. From this original, each country will produce the plates needed for printing.

Comprehensive inspection and control

Proofs have been produced in the first half of the year. Production has been followed by a detailed inspection at each printing site by the European Central Bank, to check the likeness of all proofs and rigorously monitor security standards. The "zero production" phase will be reached in the autumn. It involves printing very small quantities of notes in entirely normal conditions. At this point it will be possible to regulate their visual appearance and, above all, their absolute likeness in each country. This will be verified against very high-precision confidential criteria. Zero production and tests will be carried out at exactly the same time in all participating countries.

The next stage in the timetable provides for printing in the first months of 1999, but with each country responsible for precise planning of the task. The three years are needed to take account of existing production capacities. While conventional currency production is spread over time, the introduction of the euro will mean printing, circulating and withdrawing vast quantities of notes in a single operation. The total output of the 11 countries in the euro area will exceed 10,000 million notes, calling for logistical arrangements on a massive scale. ■



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