

# Inf€uro

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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***

**Inf€** *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.

Just over a year ago, the Chancellor of the Exchequer announced that, while the UK Government would exercise its opt-out from the first wave of euro membership, it was not opposed to joining as a matter of principle. Rather, the Government would in due course – and the Chancellor said that this would be unlikely to occur during the lifetime of the present Parliament, which could run to May 2002 – take a decision on membership on pragmatic grounds, and submit that decision to Parliament and to the British people in a referendum. This timeframe recognises, in particular, that the UK has experienced a substantial cyclical divergence with the major Continental countries.

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. The British Government is committed to these objectives, both as a matter of national economic self-interest, and

to ensure that the UK is a strong dynamic trading partner for the rest of Europe. Moreover, these objectives reflect the philosophy which underlies the Maastricht Treaty, which is common to all the fifteen members of the European Union. More specifically, the Bank of England has been given the responsibility of delivering, consistently, underlying retail price inflation of 2 1/2 %, an objective which appears to me to be compatible with the ECB's target for the European Harmonised Index of Consumer Prices of less than 2 %.

Second, the UK can contribute directly to the development of the euro through the City of London's financial markets. To take its place as one of the world's major currencies, the euro needs well-developed Pan-European financial markets, and, providing liquid and transparent, competitive and innovative, but well-regulated, financial markets is a great strength of the City of London.

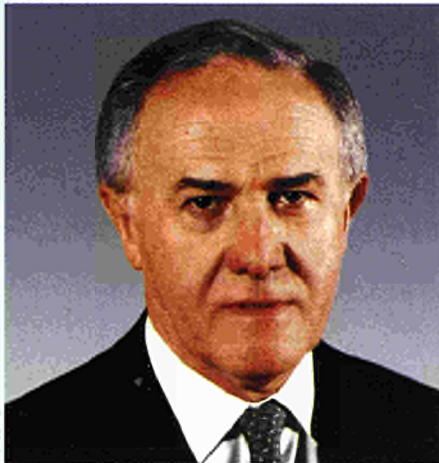
**Inf€** *How will the Bank of England's monetary policy be influenced by that of the ECB?*

Since the UK is not a member of the euro area, our current framework, under which the Government sets the inflation target and the Bank's Monetary Policy Committee decides on the level of short term interest rates needed to meet that target, will continue unchanged. But the economic conditions in the euro area, and the policy actions taken by the ECB, will certainly be among the factors that the MPC will wish to consider when reaching its decisions on UK rates. I would not expect any simple mechanical relationship between UK and euro area monetary policy to emerge, however, particularly while the cyclical divergence which I mentioned earlier continues to persist. (➤ 8)

### Internet Site

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





Mr Jorge Jardim Gonçalves,  
Chairman of the Board of the BCP  
(Banco Comercial Português) and  
the BPA (Banco Português do Atlântico)



**Inf€** *What is the importance of the EMU for Portugal's economy?*

Portugal's relatively small and highly integrated domestic market and the rapid modernisation and expansion of the economy since its accession to the EU in 1986 help to understand the nearly unanimous support to its participation as a founding member of the EMU.

Successive governments have pursued austere macroeconomic policies aiming to satisfy the Maastricht convergence criteria, leading to a more stable and competitive economic environment with subdued inflationary pressures, shrinking budget deficits and lower unemployment levels. Sharply lower interest rates, stable exchange rates and increases in real wages based upon productivity gains have led to improved business and consumer expectations, sustaining a boom in investment and private consumption and contributing to narrow the real gap vis-à-vis other EU partners. These benefits by far outweigh the theoretical costs of giving up monetary policy autonomy and capacity to counter any unanticipated asymmetrical shock.

In parallel with macroeconomic stability and budgetary discipline, the advent of the euro has been a catalyst for many Portuguese companies. The euro has led them to appraise thoroughly their competitive positioning, to identify and exploit new business opportunities, to set up strategic alliances, to develop new distribution channels and to prepare tighter competition in a broader market.

Notwithstanding those benefits, we should not overlook some hurdles on way to the success of the EMU. We refer to the social and regional cohesion, the Community enlargement and increased co-operation in areas such as taxation, security and external affairs.

**Inf€** *A working group of representatives from the banking, financial and insurance sectors was notably created within the Euro Commission of the Ministry of Finance in 1996. What is your assessment of its work?*

The Group BCP Atlântico has been an active member of all commissions and working groups that have

been set up by the Government, the Bank of Portugal, the Instituto de Seguros de Portugal and the Portuguese Association of Banks. We have a very positive assessment of the work that has been developed, namely concerning the readiness of the Portuguese Financial System.

**Inf€** *Was the Group BCP ready to adopt the euro with effect from the beginning of 1999?*

Yes. All products and services provided by BCP and Atlântico and the insurance companies of the Group are offered in euro and in escudo right from the 1st of January 1999. In other words, the euro and the escudo are dealt as true alternative denominations of the same currency. All conversions into euro and vice versa are completely transparent and account numbers are kept unchanged, with no gaps in the information flows to clients.

**Inf€** *How do you estimate the impact of the introduction of the euro on your activities?*

The impact of the euro in the short term basically comprises the decrease in trading gains from exchange operations and the disappearance of the market-maker position in the escudo money market as well as the costs of preparation for euro. The latter are estimated to attain approximately 2 % of annual operating costs.

However, in the longer run, lower interest rates and the easier access to global markets will certainly foster the development of the Portuguese economy. This will bring new pressures for the creation of innovative financial solutions to more complex needs of the clients, sustaining the continuation of the very positive trend in commission income and other income from the sale of more specialised financial services.

The longer-term gains will certainly more than offset the immediate costs of the introduction of the euro.

**Inf€** *Do you think that Portuguese companies are well-prepared for the EMU? When shall the smaller firms decide to change over to the euro?*

We have organised a large number of seminars and in-house sessions to clients on the preparation (> 9)

Alain Courtois, Manager of the Football Euro 2000

## Football fans will be the most fervent of euro supporters!



**Inf€** *The next European football championship will be organised jointly by Belgium and the Netherlands from 10 June to 2 July 2000. As the manager of Euro 2000, why are you taking such pains to encourage use of the euro?*

As you have just pointed out, Euro 2000 will be jointly organised by two countries. This means that the 16 national teams that qualify will be playing both in Belgium and in the Netherlands, each of which is providing four host towns (Amsterdam, Arnhem, Bruges, Brussels, Charleroi, Eindhoven, Liège and Rotterdam). Following the players, no fewer than 1.2 million spectators will be travelling: we have decided to simplify things for them by avoiding – as far as is possible – the need for them to keep changing currency as they pass back and forward between the Netherlands and Belgium. From these spectators' viewpoint, the organisation must be transparent and not take into account specific national features. And this is why we have adopted the theme of "football without frontiers" for Euro 2000. This also symbolises the progress of European integration. From a practical viewpoint, the euro is coming just at the right moment. We are its most fervent fans! Things would be even easier for our organisation, which works daily to harmonise national particularities in a wide range of fields, if the coins and banknotes were already physically available.

**Inf€** *In which ways will the spectators be able to pay in euros?*

For the moment, we have concentrated our efforts on two points: tickets and transport. For the tickets, we have opened bookings from March this year for the public and for our business customers, particularly via our website. Anyone who wishes can book in euros. On the tickets themselves, the sums will be automatically printed in euros, and the conversion tables for the currencies of the qualified countries will be given on the back. Spectators will also be able to make hotel bookings in euros. For public transport, euro options will be fully used in order to

help the visitors' mobility: when a fan arrives in Belgium or the Netherlands, he will be able to buy a "pass" in euros which will give him access to public transport in both countries. We are also working on a "credit" card specially for Euro 2000, which will enable the bearer to make purchases in the European currency in the stadiums and the official sites of the organisation.

**Inf€** *Do you think a large part of the supporters will use the euro for their transactions?*

I'm sure they will! For a foreign spectator, it will be much simpler to use the euro than to keep converting into Belgian francs or florins. What is more, we shall be doing all we can to encourage them. Our communications campaign is already stressing this option of using the euro on a large scale and its advantages. We are also planning to give each spectator a pocket calculator in the Euro 2000 colours, and the numerous happenings that will take place in Belgium and the Netherlands on the occasion of this championship will probably also be largely open to use of the common currency.

**Inf€** *If the introduction of the euro is giving de facto support to the organisation of Euro 2000, do you think that, reciprocally, this event will help European citizens, by its media coverage, to become familiar with their new currency?*

It is obvious that the dates will coincide particularly favourably, since Euro 2000 will be taking place right in the middle of the transitional phase. Football has the unique advantage of being a sport that is popular in all classes of society. In terms of audience, the European championship is the most watched event throughout the world after the World Cup and the Olympic Games. It will reach over one million spectators and over 7 billion television viewers. In my opinion, it would be hard to imagine a better occasion to promote the euro, in a pleasant and attractive manner, in people's daily life. In any case, we are particularly aware of the positive role we can play to help this process. ■



## "Euro options" are now open

### The European public administrations play a key role

The principle of "no obligation, no prohibition" that governs the use of the euro during the period of transition has obviously permitted private operators to use the euro between themselves since 1 January 1999.

International businesses and commercial banks, followed by small and medium enterprises geared towards exporting, very soon asked to be able to make all their operations in euros well before 2002, including the realm of financial flows and communications with the national administrations; for example, the filing of company accounts, and the declaration and payment of tax or social security contributions.

The publication, in July-August 1996, of the Belgian transition programme, which allowed these very options, incited the great majority of the Member States to act likewise during the following fifteen months. In view of the specific character of each national administrative system, and the varying degree of difficulty linked to the concrete use of these options in exchanges between administrations and private operators,

the range of options naturally varies from one Member State to another.

We must point out that the great majority of Member States have allowed the optional use of the euro from 1 January 1999 for most, or even all, financial flows and communications between private economic operators and public administrations. Numerous Member States have passed laws on the transition to the common currency. The frequent granting of "euro options" implied modifications in the laws, and these came into effect on 1 January of this year.

It is now clear that, thanks to these "euro options", daily use of the euro during the transitional period is developing much faster than had been foreseen, even on the level of small companies, self-employed persons and the general public. The part played by the public administrations, as was recognised by the Green Book of the European Commission ("A Currency for Europe", May 1995), as "vanguards and catalysts of change", is also being confirmed: by their decisions, the public administrations have certainly sent out a positive signal to all economic players.

#### EURO OPTIONS OFFERED FROM 1999 TO ENTERPRISES AND CITIZENS – STATUS AT 3 NOVEMBER 1998

(source: European Commission)

Country	Enterprise	Enterprise	Enterprise	Enterprise	Enterprise
	Establishment and conversion of capital in euros	Legal publications	Financial information	Statistics	Fiscal declarations
Belgium	yes	yes	yes	yes	yes
Denmark	yes	yes	yes	no	no
Germany	yes	yes	yes	yes	yes (1) partially
Greece	under study	under study	under study	under study	under study
Spain	yes	yes	yes	yes	yes
France	yes	yes	yes	yes (2)	yes (3)
Ireland	yes	yes	yes	yes	yes (6)
Italy	yes	yes	yes	yes	yes (7) (8)
Luxembourg	yes	yes	yes	yes	yes
Netherlands	yes	yes	yes	yes	yes
Austria	yes	yes	yes	yes	yes
Portugal	yes	yes	yes	yes	yes
Finland	yes	yes	yes	yes	yes
Sweden	under study	under study	under study	under study	under study
United Kingdom	yes (12)	no	no (13)	no	no

(1) Relates to provisional annual VAT declaration and the declaration of tax deducted at source on salaries

(2) Depending on the nature of the information.

(3) For companies that have switched their accounting to the euro.

(4) Contribution summary forms may be prepared in euros from 1999 on. Annual declarations of company data may be prepared in euros in 2000.

(5) Possibility of change during the period.

## in preparation for the transition to the euro

### Detailed account of the preparations undertaken by the public administrations <sup>(1)</sup>

First of all, it must be pointed out that the 11 Member States participating in the common currency have all published a national changeover plan.

- Several countries have passed laws on the introduction of the euro: Belgium, Germany, France, Ireland, Italy and Portugal. Similar laws should be passed shortly in Spain and Austria. In Luxembourg, the Netherlands and Finland, various legal dispositions have been passed, particularly in order to introduce the euro options.
- All the participating States have authorised companies to establish their capital, keep their accounts, pay and declare their taxes, pay their social security contributions and fulfil their obligations of legal publication in euros from 1999. All the countries have accepted the social declarations of companies in euros from 1999, with the exception of Germany, Austria and Spain.
- Private individuals may pay their taxes in euros from 1999 in the euro area. They can also declare their taxes in euros from this year in Austria, Belgium, Luxembourg and the Netherlands and, subject to certain conditions, in Italy, Finland and Portugal.
- Several national administrations practice double displaying of sums in euros and in the national currency during the transitional period for civil service salaries, administrative fees, and the bills of the major bill-producers in the public sector (electricity, telephone, public transport, etc.).
- Training programmes are also under way in the administrations.

(1) *Inasmuch as the preparation of the public administrations is an ongoing process, this account is obviously provisional. The present version was brought up to date at the beginning of phase three of the transition.*

Enterprise	Enterprise	Enterprise	Enterprise	Citizen	Citizen
Tax payments	Company declarations	Payment of social security contributions	Tax controls and fiscal documents	Tax declarations	Tax payments
yes	yes	yes	yes	yes	yes
no	no	no	no	no	no
yes	under study	yes	yes	under study	yes
under study	under study	under study	under study	under study	under study
yes	no	yes	yes	no	yes
yes	yes (4)	yes	yes	no (5)	yes
yes	yes (6)	yes	yes	no	yes
yes	yes (7) (8)	yes	yes	yes (8) (9)	yes (8)
yes	yes	yes	yes	yes	yes
yes	No(10)	No(10)	yes	yes	yes
yes	No	yes	yes	yes	yes
yes	yes	yes	yes	yes (9)	yes
yes	yes	yes	yes	yes (11)	yes (11)
under study	under study	under study	under study	under study	under study
yes (13)	no	no	no	no	no

(6) 6/4/99 start of the tax year for employers and social insurance. The choice is irrevocable.

(7) For those companies whose accounting is in euros.

(8) All taxes or none must be declared in euros.


(9) Depending on the tax category (liberal professions only).


(10) Social security: no; private insurance policies: 1999 or 2002.


(11) Where income is in euros.

(12) Already permitted in foreign currencies where capital >€50 000


(13) Already authorised in foreign currency subject to conditions.

	European Parliament	<a href="http://www.europarl.eu.int/">http://www.europarl.eu.int/</a>
	European Commission	<a href="http://europa.eu.int/euro/">http://europa.eu.int/euro/</a>
	Council of European Union	<a href="http://ue.eu.int">http://ue.eu.int</a>
	European Central Bank	<a href="http://www.ecb.int/">http://www.ecb.int/</a>

 België Belgique	Adres / Adresse	Telefoon / Téléphone	Internet sites / Sites Internet
Commissariaat-generaal voor de euro Commissariat général à l'euro	de Berlaimontlaan 14 / Bvd. de Berlaimont 14 B - 1000 Brussel / B - 1000 Bruxelles	(+ 32-2) 221.33.42	<a href="http://www.nbb.be">http://www.nbb.be</a> <a href="http://www.bnb.be">http://www.bnb.be</a>
Federale Voorlichtingsdienst Service Fédéral d'Information	Résidence Palace Wetstraat 155 / rue de la Loi 155 B - 1040 Brussel / B - 1040 Bruxelles	(+ 32-2) 287.41.11	<a href="http://euro.fgov.be">http://euro.fgov.be</a> <a href="http://www.eurochallenger.be">http://www.eurochallenger.be</a>


 Danmark	Adresse	Telefon	Internet-side
Økonomiministeriet	Ved Stranden 8 DK - 1061 København K	(+ 45-33) 95.55.55	<a href="http://www.oem.dk/eurohotline">http://www.oem.dk/eurohotline</a>
EU-repræsentationskontor	Østergade 61 (Højbrohus) Postbox 144 DK - 1004 København K	(+ 45-33) 14.41.40	<a href="http://www.europa.eu.int/euro/">http://www.europa.eu.int/euro/</a>

 Deutschland	Dienststelle	Telefon	Internet
Presse-und Informationsamt der Bundesregierung	Welckerstraße 11 D - 53113 Bonn	(+49-228) 20.80 (+49-228) 208.32.10	<a href="http://www.bundesregierung.de">http://www.bundesregierung.de</a> <a href="http://www.youngnet.de">http://www.youngnet.de</a> <a href="http://www.bundesfinanzministerium.de">http://www.bundesfinanzministerium.de</a>

 ΕΛΛΑΣ Greece	Διεύθυνση / Address	Τηλέφωνο / Phone	Internet
Εθνική Συντονιστική Επιτροπή Ευρώ (ΕΣΣΕ) Υπουργείο Εθνικής Οικονομίας Πλατεία Συντάγματος Euro National Coordination Committee Ministry of national economy	Syntagma Square οδός Νίκης 5 - 7 TK - 10180 Αθήνα Nikisstreet 5 - 7 TK - 10180 Athens	(+ 30-1) 333.27.50	<a href="http://www.ee.gr">http://www.ee.gr</a>

 España	Dirección	Teléfono	sitio internet
Dirección General del Tesoro y Política Financiera Ministerio de Economía y Hacienda	C / Cedaceros nº 11 - 2a Planta E- 28014 Madrid	(+34-91) 360.07.91	<a href="http://www.euro.meh.es">http://www.euro.meh.es</a>
Representación en España - Madrid	Paseo de la Castellana 46 E - 28046 Madrid	(+ 34-91) 423.80.00	<a href="http://www.euroinfo.cce.es">http://www.euroinfo.cce.es</a>
Representación en España - Barcelona	Av. Diagonal 407 bis, Planta 18 E - 08008 Barcelona	(+ 34-93) 415.81.77	<a href="http://www.euroinfo.cce.es">http://www.euroinfo.cce.es</a>

 France	Adresse	Téléphone	sites Internet
Ministère de l'Economie des Finances et de l'Industrie	139, Rue de Bercy F - 75572 Paris CEDEX 12	(+33-1) 53.18.88.05	<a href="http://www.finances.gouv.fr/euro">http://www.finances.gouv.fr/euro</a>

	<b>Ireland</b>	<b>Address</b>	<b>Phone</b>	<b>Internet sites</b>
	Euro Changeover Board of Ireland(ECBI)	15, Lower Hatch Street IRL - Dublin 2	(+353-1) 639.62.00	Department of Finance <a href="http://www.irigov.ie/ecbi-euro">http://www.irigov.ie/ecbi-euro</a>
	Forfás EMU Business Awareness Campaign	Forfás Wilton Park House Wilton Place IRL - Dublin 2	(+353-1) 607.32.99	Information for professionals from Forfás <a href="http://www.emuaware.forfas.ie">http://www.emuaware.forfas.ie</a>  Information on tax and customs aspects of the switchover, tax receipts <a href="http://www.revenue.ie">http://www.revenue.ie</a>
	<b>Italia</b>	<b>Indirizzo</b>	<b>Tel.</b>	<b>sito Internet</b>
	Ministero del Tesoro, del Bilancio e della Programmazione economica - Comitato Euro	97, Via XX Settembre I - 00187 Roma	(+ 39-06) 474.40.89	<a href="http://www.tesoro.it">http://www.tesoro.it</a>
	<b>Luxembourg Lëtzebuerg</b>	<b>Adresses</b>	<b>Téléphone</b>	<b>Sites Internet</b>
	Ministère des finances Cellule euro	3, rue de la Congrégation L - 2931 Luxembourg	(+35-2) 478.26.08	Ministère des finances <a href="http://www.etat.lu/FI">http://www.etat.lu/FI</a>  Banque centrale du Luxembourg <a href="http://www.bcl.lu">http://www.bcl.lu</a>
	<b>Nederland</b>	<b>Adres</b>	<b>Telefoon</b>	<b>Internet sites</b>
	Het Nationaal Forum voor de introductie van de euro	PB 20205 NL - 2500EE Den Haag	0800 15.21 (Freephone, you can only call inside the Netherlands)	Het Nationaal Forum voor de introductie van de euro <a href="http://www.euro.nl">http://www.euro.nl</a>
	<b>Österreich</b>	<b>Dienststelle</b>	<b>Telefon</b>	<b>Internet</b>
	Euro-Initiative der Bundesregierung	Himmelfortgasse 9/5 A - 1010 Wien	(+43-1) 514.33.22.62	<a href="http://www.euro.gv.at">http://www.euro.gv.at</a> <a href="http://www.austria.gv.at">http://www.austria.gv.at</a>
	<b>Portugal</b>	<b>Morada</b>	<b>Telefone</b>	<b>Internet</b>
	Comissão Euro do Ministério das Finanças	Praça do Comércio P - 1100 Lisboa	(+ 351-1) 882.40.00.12	página da Comissão Euro do Ministério das Finanças <a href="http://www.infoeuro.pt">http://www.infoeuro.pt</a> página da Comissão Euro - Empresas <a href="http://www.euro-empresas.min-economia.pt">http://www.euro-empresas.min-economia.pt</a>
	<b>Suomi Finland</b>	<b>Osoite</b>	<b>Puhelin</b>	<b>Internet</b>
	Valtiovarainministeriö/Tiedotusyksikkö Finansministeriet	PL/PB 286 FIN - 00171 Helsinki / Helsingfors	(+358-9) 160.30.99	<a href="http://www.euro.fi">http://www.euro.fi</a>
	<b>Sverige</b>	<b>Adress</b>	<b>Telefon</b>	<b>Internet</b>
	Finansdepartementet Euroinformationen	SV - 103 33 Stockholm	(+46-8) 405.10.00	<a href="http://www.regeringen.se/euro">http://www.regeringen.se/euro</a>
	<b>United Kingdom</b>	<b>Address</b>	<b>Phone</b>	<b>Internet</b>
	Euro Preparations Unit HM Treasury	Parliament Street UK - London SW1P 3AG	(+ 44-171) 270.30.00	<a href="http://www.euro.gov.uk">http://www.euro.gov.uk</a>



## Eddie George, Governor of the Bank of England

( < 1 )

Our policy discussions and decisions will certainly be informed by our close relationships with the ECB and the national central banks of the euro area. At the institutional level, I am a member of the ECB General Council, which, amongst other responsibilities, will monitor the convergence of performance in those EU member economies which will not participate initially in the single currency with the euro area. Beyond that, the Bank will continue to participate actively, where appropriate, in the work of the European System of Central Banks, and I am sure that just as we have benefited greatly from participating in this work in the preparation for Monetary Union, we will continue to do so in the future as we witness the fascinating progress of this historic step of merging national currencies. And, of course, we will continue to maintain the many bilateral contacts that we already have with the ECB and the national central banks of the euro area.

### **Inf€** *How has the Bank of England been involved in providing information about the euro in the UK?*

The Bank has played a leading role in coordinating the preparations across the City for the euro for some three years now, ever since Heads of Government agreed (at the Madrid Summit in December 1995) the way in which the euro would be introduced to replace the participating national currencies. We have been engaged in intensive discussions with market practitioners to explain what is envisaged and to identify the practical implications, helping in the process to resolve difficulties that have arisen. We have communicated the results of this collaborative exercise through our quarterly publication, *Practical Issues* arising from the Introduction of the euro, of which we have issued ten editions – the latest being on 14 December. This publication has a circulation of 42,000, of which 6,000 are sent directly overseas. *Practical Issues* has become an important guide to the practical preparations, not just for those operating in, or using, the UK financial markets but for practitioners across the whole of Europe and indeed beyond. I regard this as an accolade for the City of London as a whole, because *Practical Issues* would not have been possible without the input that we have received from a very large number of practitioners.

Since early 1997 we have held three symposia on the euro at the Bank, and senior Bank executives have taken roadshows around Europe, North America and the Far East to explain the implications of the single currency and London's preparations to use the euro.

Whilst we have concentrated our work on the extensive and immediate impact the euro will have on the UK's wholesale financial markets, we have also assisted euro preparations in the business, retail and public sectors. More generally, the Government has taken the lead in disseminating information on EMU to the UK business community, and it has recently conducted a media campaign to ensure that businesses understand the possible implications of the euro for them from the beginning of 1999.

### **Inf€** *Is the Bank of England ready, from a legal point of view, for EMU?*

For Member States that join the single currency, Article 108 of the Treaty requires them to ensure that their national legislation is compatible with the Treaty and the ESCB/ECB Statute. This includes the statutes of their national central banks (NCBs), which must be appropriately independent and legally integrated into the ESCB. However, these provisions do not apply to the UK, since it is not joining EMU in 1999.

The Bank of England Act 1998, which came into force in June 1998, provides, inter alia, for the operational independence of the Bank for the conduct of monetary policy in the UK. The Government made clear that this provision was not intended to be compatible with the Treaty requirements on independence. Further legislative changes regarding the Bank of England would, therefore, be necessary before the UK could adopt the euro. And of course many more changes to the body of UK legislation would be needed if the UK were to adopt the euro to replace sterling as its national currency.

### **Inf€** *Is the Bank of England ready, from an operational point of view, for EMU?*

As an "out" NCB, the Bank of England is only required to participate in a limited number of ESCB functions from the beginning of 1999. We are not required to take part in the ESCB's monetary, foreign exchange or reserve management operations. However, we are involved in other areas and, over the last six months, the Bank has been participating with other NCBs in the testing of all the relevant ESCB systems. We are involved, for instance, in the operation of Europe-wide payment arrangements, and we have been participating fully since 1994 in the design and testing of the interlinking of the EU real-time gross settlement system (TARGET). We are also participating in the EU's Correspondent Central Banking Model (CCBM) system, which allows assets located in one EU country to be used as collateral in another. ■



Mr Jorge Jardim Gonçalves, Chairman of the Board of the BCP  
(Banco Comercial Português) and the BPA (Banco Português do Atlântico)



for the euro throughout 1997 and 1998. On the basis of that experience, we would say that most Portuguese firms did not start preparing themselves for the euro until the middle of 1998, when it became clear that Portugal would definitely be part of the first wave of countries into the euro, in 1999. Since then, all firms with a significant trade with suppliers and/or clients within the euro area have been moving pretty fast and we do not anticipate any major difficulties for the everyday running of their business. On the other hand, we are fully aware that the most important changes will occur in the firm's competitive environment; this requires a well thought strategy. Notwithstanding the late start and the great effort that will be required, the experience tells us that Portuguese firms will be able to face the new threats and opportunities with success.

All contacts with our clients have shown that the speed of their preparation for the euro depends on the importance of their trade contacts with foreign and international firms. It is the correlation between firm size and the importance of their foreign and international trade contacts that explains the fact that small and medium size enterprises tend to be less advanced in their transition to the euro.

**Inf€** *Are Portuguese citizens properly informed? Are they strongly in favour of the euro?*

Yes. The large majority of Portuguese citizens is in favour of EMU and looks forward to the euro as a challenge to be welcomed with good sense. This is particularly true among the younger generations. Some people could have had some reservations, but the uncertainty has dwindled away as time elapsed and information became more accessible. ■

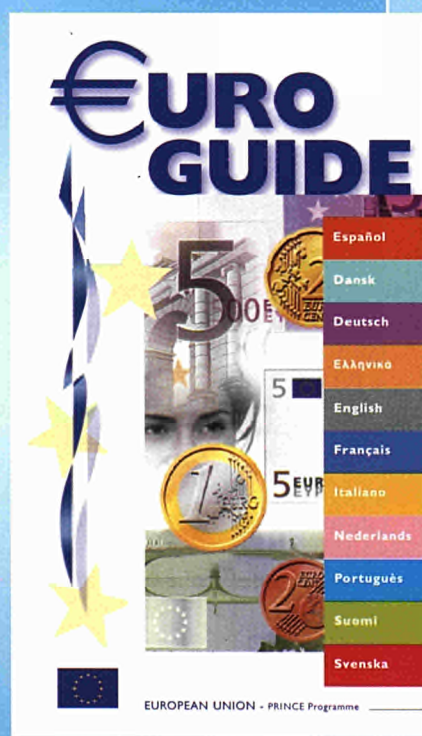
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## A guide to find quick answers to all your questions

What is the euro worth in my national currency? What effect will it have on my salary, my pension and my savings? Will it help my children find a job? Can I hold a bank account in euros? How can I use the euro today, when there are not yet any euro banknotes and coins?

This guide, specially published by the European Union, will direct citizens to people who can answer these questions and many others they could ask on Economic and Monetary Union. It gives all the main sources of information in all the Member States of the European Union. A large number of these structures have been specially updated in order to help citizens understand the euro and to familiarise them with its use.

In other terms: answers to your questions exist. All you need to know is whom to ask! In this guide, some pages of which are reproduced in *Inf€uro*, you will find the addresses, the telephone numbers and the websites of useful sources of information. ■



# When the euro comes to school, students rediscover the whole of Europe



## FURTHER INFORMATION:

The European Commission (DG XXII Education, Training and Youth) proposes on its website an Observatory of Teaching Initiatives and Tools on the euro, with the aim of providing complete, up-to-date information and of permitting easy access to the pedagogical sites on the euro available on the WEB.

Its address: <http://www.europa.eu.int/en/comm/dg22/euro/>  
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You can also consult the DG XXII site if you are a teacher looking for information in order to reply to your students' questions. You will also find a great deal of useful information on the European Commission's euro site ([www.europa.eu.int/euro/](http://www.europa.eu.int/euro/)).

Europe and its currency concern all citizens, even the youngest of them. Schools are therefore a prime pole in the euro information campaign. Young people, who are to-morrow's active population, are a "very receptive sector of the population with undoubted spin-offs on the environments of their families, friends and relations", as is stressed by report of the "Euro-education" group of experts, which was transmitted to the European Commission in January 1998.

The message addressed to this audience must therefore be formulated in a pedagogical manner, avoiding advertising or technocratic language, since the classroom is perceived as the place where debates are conducted to solve children's questions and doubts and, through them, those of their parents.

The euro also provides teachers with an opportunity to heighten young people's awareness of the wider issue of the building of Europe. "The need to teach pupils about the euro is the first time every school of the European Union has had to teach pupils about Europe", states the "Euro-education" group. "This need represents a superb opportunity to fix in the children's minds the idea of European citizenship, by situating the euro in its historical perspective, showing how it is a symbol of peace and economic well-being, and placing the euro in its civic dimension".

### "On the Way to Europe, on the Way to the Euro"

The States are preparing a whole series of teaching projects all over Europe for the transition to the euro. We can make special mention of the one conducted in France from late March to early April 1998, with the aim of starting wide-ranging reflection with the pupils on the entire spectrum of European themes concerning them. This operation (directed at adolescents) was conducted by the association "Europe & Liberté" (Europe and Freedom), with the approval of the French Ministry of National Education, Research and Technology, and with the active support of the European Commission, in particular. It took place in two parts.

1. The project began with preliminary information as a basis for the global reflection on the introduction of the euro. This information was backed up by 5 posters to be put up in the classroom, to attract the pupils' attention by inviting them to follow young people across Europe, in the style of a strip cartoon. These posters were completed by files giving details on 4 specific themes. The file on the "European Union" gave an account of the fifteen countries of the Union with their different constitutional systems as an introduction to a description of the institutions of the Union. The file on "Multilingualism and Community Exchange Programmes" stressed the importance of living languages as vectors of openness to others and as professional tools in a context of globalisation. The third file ("Citizenship") reviewed all the rights and advantages conferred by the Union upon its citizens in addition to those deriving from national citizenship. The fourth file on the "Euro" explained how the euro is a new stage in the building of Europe and an indispensable complement to the common market.

2. The second part of this project was an Ideas Competition designed to continue the reflection, with the aim of leading the pupils to propose a practical idea to help the introduction of the euro. They were asked to imagine a method, a game, an object, etc., to help those who had difficulty in understanding the change in currency.

As Europe & Liberté emphasise, the true aim of this operation was to "respond to young people's questions by showing them that European openness is an important factor for the success of their studies and their professional lives, as well as an outstanding opportunity to discover other ways of life, other individuals, and to be enriched by contact with them. The coming of the euro provides the opportunity for this reflection". ■

## Small, medium and large enterprises together on the way to the euro

How can large companies help their smaller partners make the transition to the euro? In November 1988, this question was on the agenda of a meeting attended by DG II (Economic and Financial Affairs) and the Association for the Monetary Union of Europe (AMUE), as well as people representing the worlds of large and small enterprises, the service industries (banks, information technologies), professional associations and national administrations.

The conclusions of this meeting highlight the role that large enterprises can play by supplying information and technical assistance to their partners, and through a constructive dialogue that is profitable for all concerned. In point of fact, numerous large companies have assisted their sub-contractors, and clear guidelines have often made it possible for the latter to start on the transition to the euro. These initiatives must therefore be continued and encouraged.

### *What is the advantage to large companies in following this policy?*

There are several advantages. The transition to the euro is not simply a technical or organisational question: it is also a matter of genuine strategic reflection. For this transition to be a success, the whole chain must act together: even companies that are perfectly prepared internally may see the results of their efforts diminished if their partners are not equally well prepared. The following are some of the advantages observed: the possibility of limiting the risks of delay or of a break in the distribution chain; a better grasp of common strategic problems

as regards pricing policy, marketing, and product specifications; building up a better image of products with consumers, especially in franchise networks; or better final control of the costs of the transition.

### *And for the small and medium enterprises?*

The benefits of the information and assistance programmes organised by the large enterprises are also numerous. Often enough, SMEs decide to prepare their transition to the euro after contacts with their main customers or suppliers. These large companies can help them not only to identify their specific needs, but also to look beyond the purely technical dimension and analyse the strategic issues. If they have clear information on procedures or timing, the SMEs can also hope to see the costs of their adaptation reduced.

### *A process of exchange and dialogue, with priority given to negotiation*

These discussions also show that rather than imposing a ready-made solution, it is clearly in the interest of the large companies to integrate into their own reflection the contributions of their smaller partners, and to start a process of gradually heightening awareness of all the aspects of the transition, technical, financial, human, or other. Consequently, the large companies must consider which are the appropriate means for establishing this dialogue with the SMEs, giving priority to individual personal contacts or holding working meetings between several partner companies, and using the whole range of communication tools (manuals, information letters, seminars, etc.). ■

## A changeover agreement for the European car industry

In order to prepare the introduction of the euro, all the French and German car manufacturers have joined forces and have drawn up a joint programme which will make the transition to the euro easier for their suppliers, that is to say, for over 100,000 European companies.

The members of the Committee of French Car Manufacturers (Comité des Constructeurs Français: CCF) and the German Car Industry Union (Verband der Automobileindustrie: VDA) — PSA Peugeot Citroën, Renault, BMW, Daimler-Benz, Ford, Opel, Porsche and VAG — have published a joint document giving the practical rules that each of the manufacturers will follow for its relations with its suppliers for the transition to the euro. This document covers all the aspects of the transition: accepting orders, layout of bills, book-keeping, payment, etc.).

With the same aim of simplifying suppliers' working in the euro and reducing costs to a minimum, the manufacturers have adopted the most flexible policies possible: joint discussions between the

customer and the supplier to set the best changeover date, the formulation of all commercial documents (offers, orders, bills, etc.) in a single currency in order to avoid any risk of confusion, etc.

In order for these common rules to be given the widest possible dissemination, this joint programme — the first of its kind in European industry — is being published in four languages (German, English, Spanish and French) and distributed by the manufacturers and the national professional associations of suppliers.

Common conversion procedures embracing a whole sector, like this agreement produced by the car industry, are particularly appreciated by SMEs because they give them the benefit of standardised assistance, which they welcome if they do not have the support of a specific large company. The directors of SMEs can also consult the various sources of information available such as the Chambers of Commerce, the AMUE, or banks whose role as suppliers of information to SMEs must also be stressed. ■





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## Get into practice with our euro converter!

It has been in use since 1 January and is a reference tool: the Commission's official converter will convert for you into euros each of the currencies of the eleven Member States which have adopted the common currency, and vice versa, according to the dispositions of Council Ruling 1103/97 of 17 June 1997 "establishing certain dispositions concerning the introduction of the euro".

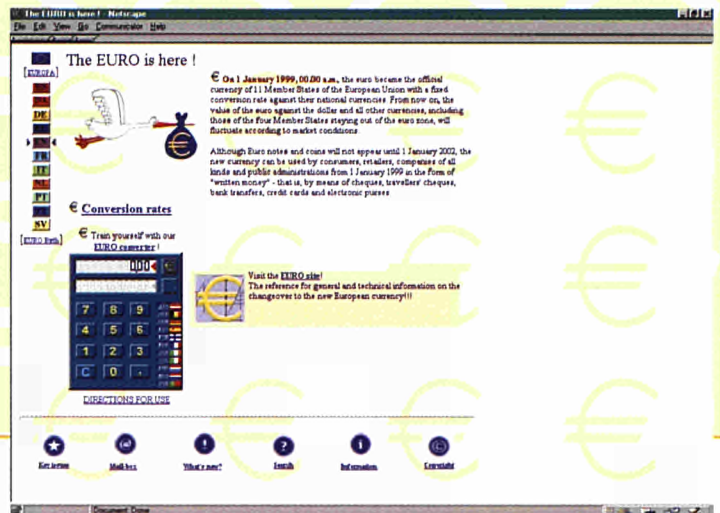
This converter can be downloaded from the Commission's "Eurobirth" website at the following address:

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

It is particularly simple to use:

1. Select the monetary unit you wish to convert by clicking on the flag of the corresponding country.
2. The buttons on the right of the screen permit you to choose to convert the euro into national monetary units, and vice versa.
3. Enter the sum to be converted, using the numeral keys.
4. Clear by clicking on the "C" button.

Do not hesitate to use it without moderation so as to become familiar with the new currency! ■



## Europe changes with the birth of the euro .... and so does InfEuro

This is the last edition of *InfEuro* in its present format. Launched at the beginning of 1997, it has been much in demand as a source of information on the political, legal and administrative preparations that were being made for the launch of the euro. But the euro is now the single currency in 11 Member States and the main task of directly informing citizens, companies and organisations on the practical aspects of the new currency and its use has passed to member governments.

Now the challenge is to ensure that everyone is comfortable about handling euro notes and coins when they are introduced on 1 January 2002. The European Institutions are playing their part in a number of ways, and so will *InfEuro*.

Using the euro in its present form and preparing for the circulation of bills and coins raise specific issues and require attention to be paid to the needs of particular groups of people. This is why the next four editions of *InfEuro*, while maintaining some columns of general information on the euro, will be four special issues with an in-depth focus on particular topics. The last issue at the end of the year will review the development of the euro during its first year of life.

*InfEuro* will be made available through the various relays and networks of the European Union and will be accessible to all through the Europa web site. However, the list of individual subscribers will not be extended. ■



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