
Role Of Euro In World's Economy, Business And Trade

Monetary Union represents a major step forward in the building of Europe and one of the most ambitious collective projects at the tail-end of this century. All European citizens should be fully aware of the extent of the change taking place, a change which goes far beyond the framework of the financial markets alone. Today's presentation, which is aimed not at the experts but at the future users of the Euro, that is, all of us, offers an excellent opportunity for highlighting the impact of Euro.

From the very first day of this year something amazing happened in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. From January 1, these 11 countries have a single currency, the Euro. A currency that will be the only one used among the European Union. The first person who had the idea of creating a single currency for his country was the Roman Emperor, Diocletian back in 300 AD. He established a primitive gold standard and set up a coin that was used throughout the realm. After many centuries passed, in 1958 the European Economic Community was formed having as an objective the monetary unification. But the year that the final agreement was signed, was 1992 in the Maastricht Treaty of the European Union, which points to the introduction of a single European currency in 1999.

The Euro is the name of the single currency of the European Community. Essentially the Euro is the ECU renamed, since ECU's will be exchangeable one-for-one for new EUROS. The ECU is currently the basis for the European Monetary System. ECU stands for European Currency Unit, but is pronounced "EK-you", after the name of an old French coin with an equivalent spelling. The ECU is defined in terms of pieces of European currencies, making it a composite currency in origination since its creation it has become a currency of denomination for eurobonds and bank certificates of deposits, among many other uses.

But some of you will start wondering why do we need the Euro? Well, the answer is obvious. Europe's economy is now built on a single market and the single market will work much better with a single currency. Just imagine a situation in USA, for example, with every state having its own currency! Total chaos. Of course we cannot expect from Euro by itself to solve all our problems, but one thing is sure. It will make the newly established European economy strong and with great potentials for the future.

In a business forum, which took place in Thessaloniki last February, a research was conducted. 110 top executives and Chief Executive Officers were asked if Greece should join European Monetary Union and 98% answered positively.

But what about the benefits that we, citizens of the European Union, would have? Firstly, the Euro will hit the problem of unemployment, which has reached 11.7% in Europe, in 1999. A stable currency will lead to lower average interest rates and this will be good for investment and as a result good for jobs. Also, the rate of growth will be greater, the standard of living will rise and there would be more job opportunities.

Secondly, there would be some obvious advantages in everyday life. It would be simple to

compare prices for the same goods in different member states and choose the least expensive one. For example, in May 1, 1998 a Ford Mondeo in Germany was priced 15,005 EUROS while in Spain only 10,491 EUROS! The difference was 4,014 EUROS approximately 1,300,000 Drs! So it would be easier to find a good deal through the Internet or mail order without having to calculate exchange rates.

Thirdly, put yourself in the position of a person who likes to travel a lot, and wants to see European Union's sightseeing. Or even imagine you being a businessman having to make business trips all the time around Europe. Think how much money you now lose from the exchange rates losses and charges travelling from country to country. Not to mention the time loss, of course, in the banks changing coins and paper money. With Euro you would be able to travel around European Union without losing time or money in charges.

Individuals will benefit but what about businessmen? Will they gain anything? Well, the impact on the companies will be something more than positive. Euro will help especially the small and new companies to grow and prolong their life cycle. The open borders will create a target market bigger than they expected, with potential customers all around Europe. In the same research, 43% of the executives answered that Euro will have a positive impact on firms in the short-run. But 81% believed that businesses would benefit in the long-run.

The exchange rate risk and uncertainty will be eliminated and the transaction cost will be much lower. As a result it can be said that conducting businesses would be simplified. No need to handle more than one currency; Euro for businesses inside European Union and dollar or yen for overseas.

Generally speaking, the single currency will increase the competition between firms. That is what 73% of the executives believe, while only 11% thinks that competition will become less intense. Opening of the borders means big foreign firms entering new markets with much lower cost than they used to suffer. That's why local firms have to become stronger, attract more customers and decrease their operational cost. Also they have to follow the technological advancements and base their marketing strategy on information.

But speaking particularly for Greece, will the stock exchange benefit from the introduction of the Euro? Of course. It will receive a lot of privileges. Its credibility has already rose due to the quick reaction it had towards the new environment. Also the stock market will lead the way and help significantly the Greek firms to pass this transitional period having the least possible harm. Moreover, it has already started functioning according to the laws of stock exchanging in others members of the European Union. Finally it will minimize the danger of dealing with investments in EUROS. All the above, mainly mean that foreign funds will have an easier access to the Greek stock market and Greek economy in general.

But does the Euro have only positive impact on European business and more generally in our lives? There are many problems that the European community has to overcome. Just imagine the case that an old relative of yours, who has never used a bank and keeps all his money hidden at home... or an old lady trying to buy potatoes and tomatoes from the grocery. Of course it won't be easy for the elderly to adapt to the new era of the single currency. It will be very difficult to persuade them that the money that they already have is not used anymore and they have to exchange them immediately. Negative beliefs concerning prices along with complaints for speculation will be a natural phenomenon in everyday life.

What is more, the introduction of the Euro will be very expensive. You see all the old money must be collected, destroyed and replaced by EUROS. This would cause a huge expense without offering any benefits. But people, who support the Euro, believe that this would be a one-off expense.

In addition, will the EURO be accepted as easily as is thought? That is a personal matter. Some people fear that they will lose their identity if they pay in EUROS that do not originate in their own country. For instance, Greeks may not accept Finnish EUROS, even if officially they should.

This is where the government comes to solve any problems, before even appearing. The Greek government has already taken some measures that will help people to be ready for the Euro. It's almost a year that police has started charging its tickets in EUROS. Telephone, electricity and water bills show the amount of money that is about to be paid in both drachmas and EUROS.

In the first 11 countries that already participate in the euro-zone, prices are already in both local currencies and EUROS in all supermarkets and department stores. Stock exchanges and other financial markets have begun doing business in EUROS. But are all these actions enough? Well, according to the European Union's leaders no. They give special attention to the banks and financial institutions to inform people with seminars, spots in the media and brochures. So it seems that everybody is working with great team spirit towards the goal of European Monetary Union.

4 more countries will be added to the euro-zone in January 1, 2001: Greece, Britain, Denmark and Sweden. Until then the use of Euro is optional in the 11 countries that have joined in 1999. Based on the previous research, 72% of the asked think that Greece will manage to catch the train of European Monetary Union in 2001.

By the time that all 15 countries will be legal members, EUROS will start circulating and used along with local currency. Each country will begin withdrawing national bank notes and coins. July 1, 2002 will be the deadline for local currency. From this date and on, EUROS will be the only legal tender around the European Union. European Monetary Union has all the capabilities to succeed. The words of Mr. Spraos, economist and consultant of the Greek Ministry of Finance are characteristic: "It's early to open champagnes for the European Monetary Union, but we should start polishing the glasses."