

ALBANIA AND EURO

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Keywords

- Euro - Euro zone - Information campaign - Awareness campaign - Public education campaign -

The approaching termination of 2001 corresponds with a very special event for the world international finances and business: with EURO "introduction" as physical cash. The size of this event is really great when remembering that the economic and social formations closely connected and interested are just the same either from the number or the geographical stretch.

The monetary unification of United Europe reached since at early 1999 will mark a new development from January 2002, becoming a noticeable and tangible reality for all. It seems that it is time to start self-education and familiarization with this newly expected phenomenon. It is reasonableness to get surprised from the reducing basket of foreign currencies in two or three major currencies, or more precisely we should not besieged by panic when instead of DEM, ITL or GDR we will hear a single word EURO.

From this paper or broad public practical interest's point of view, having a bit retrospection in history does not seem so very important. Just for curiosity, it would be interesting to mention some two or three basic moments bringing the introduction of the United Europe currency, to further pass on to the interpretation of many practical elements as its "virtual look", importance it has

for the Albanian economy, and the Bank of Albania's measures ahead, etc.

SOME HISTORY

The first political step to establish the United Europe corresponds with Rome Treaty of year 1957 when European country leaders agreed on the establishment of Common European Market intending the increase of economic welfare and a very close cooperation through peoples of Europe. Meantime, with the passing of years, it was added the cooperation and common European initiatives, especially, in political area, genuine decisions that preceded the economic and monetary unification of EU reached at something a bit later, at the beginning of 1986 through the Single Act on Europe (1986) and European Union Treaty later in 1992.

The most important development corresponds to January 1, 1999 when it was started the so-called third stage of monetary unification. More precisely, it was decided that the monetary policy of Euro-countries be common from the moment Euro was accepted as the common currency to count. The conversion of Euro component currencies with one other will be made based on fixed ratios, from the moment the 11 participating countries' currencies became national expressions, simply.

On January 1, 2001, Greece added the number of Euro-area countries, bringing the number of member countries in 12.

NEW EURO NOTES. HOW WILL THEY BE?

Perhaps not right from the start at January 1, 2002 but in the days to come everyone will get the opportunity to own an Euro note? Of what denominations it may be? What will be its common features and what is the meaning of used symbols and figures stamped on it?

These are natural questions arising right from the start. This intuitive curiosity becomes bigger, when, as already known until

now, Euro results a currency to account and the perception of individuals for this type of money is difficult as long as it remains intangible and it can not be carried in the portfolio.

Euro designers have tried to maintain balance through each country identity and by means of used symbols indicate their unification. Denominational values of Euro coins are 1, 2, 5, 10, 20 and 50 cent as well as Euro 1 and 2 comprise the coin series¹. The eight coins vary in size, weight, material and thickness.

Upon designing the coins it has been agreed that they bear a common front, whereas the reverse be national or otherwise reflect national symbols² for every member country. Reverse from banknotes, coins bear the same front side, whereas the reverse side is national, which means that it varies with the countries.

Irrespective of the reverse side, all Euro coins are legal tender in all member countries of EU.

Reverse from coins, Euro notes have the same aspect in all member states. The whole series is comprised of seven denominations EUR 5, 10, 20, 50, 100, 200 and 500 (figure 2-8). Inspired from "European Epochs and Styles" Euro notes are designed by the Austrian art-designer Robert Kalina. The seven selected architectural styles symbolize seven periods of European culture: Euro 5 = Classicism, Euro 10 = Romanticism, Euro 20 = Gothic Epoch, Euro 50 = Renaissance, Euro 100 = Baroque and Rococo, Euro 200 = Iron and Glass Architecture, Euro 500 = The Modern Architecture of Century XX. Architectural elements reflect each epoch typical style and they do not represent real monuments.

Common elements of each denomination specify the European flag additionally to EU 12 stars and the initials³ of the European Central Bank in five linguistic variants, and Euro lettering in both Latin and Greek.

We find the reflection of other symbols such as the bridge on the reverse of the Euro notes symbolizing the close co-

operation and harmony existing between the people of Europe and between Europe and the rest of the world.

In conclusion, it must be said that Euro reverse size and color of each denomination is to facilitate their identification. The higher the denomination, the larger the banknote. On the other side, to assist the blind and the partially sighted, there are incorporated special distinguishing features.

To further extinguish the curiosity, it has been decided that on January 1, 2002, 14, 545 million Euro notes be available and dispensed according to the states and denominations, respectively presented as in figure 9-10.

The further curiosity may be further extinguished by giving more details on security features and printing techniques. It has been thought on how to provide more detailed explanations, but individuals and economic agents at the moment are more interested on how they will sound and the measures taken by the Albanian authorities in order that the issuing currency be as more natural as possible.

EURO AND THE ALBANIAN ECONOMY

The fact that majority of the trade developed with Euro area countries and the bulk of financial aids and credits launched to Albania from EU are in EUR, does not represent a new thing. In addition, foreign exchange inflows from emigrants working abroad will be in EUR, as long as most of them are settled in Greece, Italy and Germany. In this sense despite the Albanians liking of USD, most of foreign exchange inflows, as observed, will be expressed in EUR.

In this way, the domestic economy is exposed to a certain risk related to EUR exchange rate to other foreign currencies as well as against Albanian currency, Lek. A descending value of EUR against Lek would enforce that for every unit of imported goods, the Albanian traders pay less Lek(s) and the pressure of import prices over the domestic developments is smoother, consequently.

If the Albanian trader has to pay more than in the previous day for EUR unit, it is understandable that he will correct all retail prices in Lek with the tendency to increase them.

Additionally to macro implications, Euro flowing in circulation may be accompanied with different types of panic. A good part of Albanians set in liquid equity (with the banks or at home) is held in EUR. Although USD is estimated, as Albanians most preferred currency to treasury, it still exists the next alternative, that of holding them in Euro component currencies⁴. On the other hand, owing to the existence of informal economy, it may appear the case when many individuals and economic agents (businesspersons or foreign exchange dealers) hold a certain quantity of DEM, ITL etc. In these conditions it is not excluded the possibility that bank windows be "crowded" at a certain moment, which phenomenon at the absence of a previously conceived management may take the dimensions of panic, and the consequences may be felt either on the financial system stability or government itself.

Although two years have passed from launching Euro as a currency at accounts, still the majority of persons prefer to say that they own DEM, ITL or GDR. Indeed, they do not know that their exchange ratios to Euro are once fixed for good and there is no need to ask in the market on the daily exchange rate of GDR to Euro. Common people lacking knowledge on that may turn into a speculative factor, which combined with the likely consequences, above explained, may take bigger size.

Turning once more to conclusions drawn from the above paragraphs, we would evidence that while exchange rate related risk has mostly to do with core macroeconomic principles, other implications are mainly affected by subjective reasons. As a result, to avoid them is absolutely possible and, the Bank of Albania has for quite some time started the preparations.

WHAT IS THE BANK OF ALBANIA PLAN?

The Bank of Albania has considered the remaining term to January 1, 2002 as an intensive period for public information

and education, especially from September 2001. Practically, the conceived measure-plan additionally to the information campaign also consists in performing some operating actions, related to Euro issuing in circulation, as well.

However, these latter are more technical details, and handling them would be part of bankers' debate. What's most interesting is the public information campaign, whose purpose will be establishing an as more appropriate environment as to the more natural reception of Euro currency from the Albanian reality.

To serve this end, the Bank of Albania has understood that public information and education campaign will fail, if it (the Bank) can't cooperate and share this responsibility with other financial institutions in the country, with the bankers' association and media, generally.

This was the cause that urged the Bank of Albania after the termination of the first stage⁵ (to August 31, 2001) commence an information campaign⁶ on Euro aspect, security features, Euro component currencies' legal expiry dates, etc. The ample information on the above characteristics of the new Euro currency will be available in all ATMs of banking system, foreign exchange agencies and the rest of financial institutions licensed by the Bank of Albania.

To publish the information, both the written and the electronic media are invited to give their contribution. During the second phase, workshops organized by the Bank of Albania with detailed explication for the above dealt matters will provide great assistance. At the same time, to serve to a broad number of interested people, the Bank of Albania will be ready to hold special issues for visual media.

The second group of forecasted measures has an operating nature and will be intended to ensure that:

- On January 1, 2002 Euro be present in Albania as well;
- The conversion of foreign exchange holdings in domestic

currencies of Euro-area countries will be performed without excitement;

- It will be guaranteed control on exchange rate potential speculations.

To precede the completion of these three targets, the Bank of Albania deems that additionally to its operations, it (the Bank) will also require from the second-tier banks to take measures:

- To ensure sufficient cash funds in compliance with their Euro holdings in component currencies before December 30;
- To compile a measures' plan on how banks will solve this question.

The Bank of Albania, on its side, will take all measures to ensure own funds in cash based on the structure and volume of denominations to evade the likely exchange rate speculations.

INSTEAD OF CONCLUSION

The remaining period should not be considered as acceptably long, but on the other hand, it should be besieged by panic. Similar facts like the non-existence of an approximate estimation on the total amount of Euro holdings held by the Albanian economic environment and individuals comprise worries nevertheless they can and must be exhausted.

On the other hand, it must be admitted that in the public information campaign every party must play its own role and the respective responsibility for the public awareness and education must be considered as shared in three, by the Bank of Albania, financial institutions and media.

NOTES

* A presentation of Mr. Gramoz Kolasi, Deputy Director of Bank of Albania's Research Department in the workshop "Euro flowing in circulation and dissemination".

¹ Euro coin is equal to 100 cent.

² Belgium, Luxembourg, Netherlands and Ireland have decided on one motif respectively, King Ludwig II, Henry, the Great Duke, Beatrice the Queen, national symbol of harpsichord. Coins minted in Italy, Austria and Greece have a single motif, as well. From coins minted in Germany Euro 1 and 2 bear the eagle of the Federation, meantime Euro coins 10, 20 and 50 cent inscribe the Gate of Brandenburgh, and three other smaller-value mints Euro 1, 2 and 5 cent, a limb from an oak-tree. France, Spain and Portugal have used three different motifs, as Germany.

³ EZB-BCE-ECB-EKT-EKP include initials based on 11 official languages of EU.

⁴ Domestic currencies corresponding to 12 Euro area countries.

⁵ During this phase, there are expected different informational publications and consultations with bankers' association.

⁶ This campaign corresponds to the second stage, starting from September 1, 2001 to December 31, 2001. Breaking the campaign in two periods is relative to the fact that the European Central Bank has declared an intensification of its information and educational campaign starting from September 2001.