

Euro heralds new era for Europe, global finance

BRUSSELS, Dec 31: Europe's dream of monetary union becomes reality today when 11 nations irrevocably lock their currencies together to form the euro and create an economic giant whose boundaries stretch from beyond the Arctic Circle to the shores of the Mediterranean, says AP.

The euro's birth is being hailed as a historic turning point in international finance and is arguably the greatest single step in the drive to create a united Europe from the ruins of World War II.

On what Europeans are calling "E-day," economic and finance ministers from the 11 nations will huddle at European Union headquarters to agree to the rates at which German marks, French francs and the rest are absorbed into euro.

There will be solemn speeches and champagne, then schoolchildren will release thousands of blue balloons bearing the "e" symbol which may soon become as familiar as the dollar sign.

The euro will formally come into existence at midnight on New Year's Eve. It will be worth about \$1.17.

As an euro-balloons float into the skies above Brussels,

employees at banks, stock exchanges and other financial institutions around Europe will start a race-against-time to adapt computer systems and convert countless financial holdings — from Dutch government bonds, to Italian shares and Finnish bank accounts — into euros before markets reopen Monday after the long holiday weekend.

"It is a major logistical effort. We have catering facilities. We have booked hundreds of hotel rooms. We have hired mini-buses," said Vendeline Von Bredon, euro project manager at Merrill Lynch.

After Thursday, the old currencies will no longer be traded in foreign exchange markets around the world. Stocks and bonds will be quoted in euros. The euro will increasingly be used for bank transactions, business deals and public finances.

The European Central Bank will set a common interest rate of 3 per cent for all 11 nations. For the first time in decades the US dollar will have a rival as the world's reference currency.

Euro cash will only be issued to replace the old national bank notes in early 2002. Until

then, the euro will only be used for non-cash transactions.

Consumers will see prices marked in euros making it easier to shop across frontiers and they'll be able to buy in euros using checks or credit cards. But they'll still have to change money for cross-border cash purchases.

Citizens will start to see euro figures alongside national currencies on pay checks, phone bills and bank statements. On Wednesday, winners of the French and Irish national lotteries will have their prizes announced in euros.

French Riviera flower sellers, Belgian supermarkets and trendy Viennese cafes where among businesses who jumped the gun and began posting euro prices before the official launch.

In the euro tempo store selling souvenirs in the shadow of the EU's Brussels headquarters, there was a brisk trade in pocket calculators programmed to convert to and from euros.

"It's a real success, people have been buying up dozens at a time to offer as gifts," said sales assistant Isabel Fernandez. The store's shelves also contained neckties and alarm clocks adorned with the euro symbol,

and chocolate euro coins.

Plans to forge a common European currency date back to the 1960s, but only after then German Chancellor Helmut Kohl and late French President Francois Mitterrand threw their weight behind the project in the late 1980s did Economic and Monetary Union or EMU, take flight.

Supporters say euro-zone's 290 million people will give European companies a huge, secure home market like that of their American rivals. Exchange-rate costs and currency fluctuations within the euro zone will disappear.

Germany, France, Italy, Spain, the Netherlands, Belgium, Austria, Portugal, Finland, Ireland and Luxembourg will join the euro, hoping their combined economic weight will give Europe a greater voice in world affairs.

For some the price to pay was too great.

Britain, Denmark and Sweden opted out of the euro because of public anxiety that dropping the national currency means giving up too much independence. Greece failed to meet economic conditions for joining but hopes to be in by 2001.



Travel Consultant Sarah Kingswood holds the new travellers cheques in euro denominations in central London Wednesday. The single European currency (euro) travellers cheques are on sale to Britons travelling to the European countries participating in the new single currency. Britain is one of the European countries not taking part in the European single currency launch today. — UNB/AP photo

Euro a novel option for French lottery winners

PARIS, Dec 31: In a sign that a dramatic economic change is looming in Europe, France's national lottery gave contestants an unprecedented choice on Wednesday.

If they won the jackpot, winners could take their cheques in French francs or they could choose to receive their winnings in a new currency, the euro.

That new currency will not appear as banknotes and coins for another three years. But beginning Friday, it will hold the economic fate of 11 nations and 290 million people.

With the dawn of the new year at midnight Thursday, European nations will merge their monetary policies and launch a joint currency.

The euro will exist as a virtual currency at first, traded only in banks, bond and stock markets until January 2002, when it becomes available as cash.

But the new joint currency will have significant impact on individual European economies, as each nation surrenders its right to unilaterally set interest rates or devalue the currency to fix regional economic problems. From now on, the Frankfurt-based European Central Bank will handle those decisions.

On Thursday, finance ministers and central bankers from 11 of the 15 members of the European Union will meet in Brussels to lock the exchange rates of their currencies against the euro. Britain, Sweden, Denmark and Greece will not be part of the monetary union, at least for now.

Financial world working overtime

Once the exchange rates are set, the euro's birth is essentially unstoppable.

To mark the occasion, thousands of balloons will be released from EU headquarters in Brussels, accompanied by the popping of champagne corks. Bankers and brokers are gearing up for the launch, working overtime to reconfigure computer systems and adapt trading floors to accommodate the euro.

"We will be forced to deal simultaneously with francs and euros in our whole computer system during the first three-year period," said Francois Colin, euro coordinator of France's Banque Nationale de Paris. "That's why we had to change 60,000 of our computer systems."

For the rest of the world, the euro will make visiting the 11 participating countries somewhat easier. Travelers will be able to use euros when they pay with credit cards and checks, and it will make comparing prices between countries simpler. — CNN Internet

India to allow 100 pc FDI in highways, ports

NEW DELHI, Dec 31: The Indian government will give a nod to 100-per cent Foreign Direct Investment (FDI) in highways and ports through an automatic approval route under the Reserve Bank of India (RBI), official sources said here yesterday, reports Xinhua.

Currently, 100-per cent direct investment in the sector is allowed only on a case-to-case basis by the Foreign Investment Promotion Board (FIPB), while FDI accounting for only 74 per cent in a project is allowed via the automatic route.

The new move is aimed at boosting foreign investment in the infrastructure sector. In the highways segment alone, the government is targeting to attract investments of at least 1,250 billion rupees (29.31 billion US dollars) to meet the cost of expressways that will link all major ports in the country.

The surface transport ministry has sought to raise 95 billion rupees (2.23 billion dollars) in the ports sector through private investment.

The conversion rates

The countries joining Europe's Economic and Monetary Union (EMU) have formally approved the conversion rates for moving their old national currencies into the single currency, the euro.

It was one of the last steps towards monetary union, which is now only hours away. At midnight local time, just when the New Year parties are really going, 11 European countries will embark on their biggest economic venture this century and merge their currencies into one, creating the euro.

The rates were announced at a meeting of central bankers and EU finance ministers in Brussels. Jacques Santer, the president of the European Commission, said the launch of the single currency was a historic event, which would bring stability and growth to Europe.

After the finance ministers had signed the EU regulation for the single currency's introduction, the chairman of the special televised session, Austria's Finance Minister Rudolf Eidlinger, said: "The euro is born."

There are eleven countries joining monetary union, but only ten currencies, because Luxembourg and Belgium already have a currency union.

After jubilant but sombre speeches from EU finance ministers, school children released 3,000 blue balloons bearing the euro symbol - which cannot be displayed on the Internet because most computers in the world do not yet have the sign in their font sets.

Europe's single currency will

soon be a veritable force on the financial markets, although nobody will be able to predict how strong it will perform. As one euro will replace the artificial European Currency Unit (Ecu) on a 1:1 basis, the last Ecu rates are an indication to the euro's external value.

The rates fixed by Europe's monetary officials are slightly lower than expected, a move that will help export industries in the eurozone.

The final countdown to Europe's Economic and Monetary Union (EMU) followed a care-

One euro will be worth:	
6.55967	French franc
1.93627	Deutsche marks
1936.27	Italian lira
40.3399	Belgium (and Luxembourg) franc
166.386	Spanish pesetas
0.787564	Irish punt
2.20371	Dutch guilders
13.7603	Austrian schillings
200.482	Portuguese escudos
5.94573	Finnish marks

fully laid out script:

1130 Central European Time (CET) - 1030 GMT: European central bankers conducted their regular "concertation" procedure to establish the market value of the European Currency Unit (Ecu). The single currency will replace this basket of European currencies on a 1:1 basis.

1230 CET - 1130 GMT: Based on the value of the Ecu the European Commission calculated the euro-value of each currency

joining EMU. The Commission then formally proposed the conversion rates to the Council of EU Finance Ministers for approval, and published its suggestions on the Internet.

1330 CET - 1230 GMT: The ministers then adopted the new rates during a televised session.

1500 CET - 1400 GMT: The conversion rates will be formally published in the Official Journal of the European Communities in Luxembourg and on the Web.

On 1 January 1999, at midnight local time of countries joining EMU, the conversion rates and monetary union will come into force.

Currency speculators were unable to force any last-minute changes in EMU conversion rates, because the relative values of all participating currencies were already fixed at a EU summit in May this year.

What next?

At first monetary union will not appear to bring much change. Consumers and shops will continue to use the old national currencies for another three years, and nobody can be forced to use the euro if they don't want to.

Nonetheless, monetary union is already a reality. The exchange rates of all EMU currencies will be "irrevocably" fixed. Old currencies like the guilder, the franc or the escudo will be denominations of the euro, just like the cent to the dollar or the penny to the pound.

—BBC Internet

Euro to represent 30 pc of global trade

MADRID, Dec 31: The euro will represent 30 per cent of world trade, EU Monetary Affairs Commissioner Yves-Thibault de Silguy said in an interview published today, reports AFP.

The dollar is used for 80 per cent of financial transactions in the world and for 50 per cent of trade transactions.

"In the future the euro will represent 30 per cent of trade, on the basis of estimates which do not appear to be exaggerated," he told the newspaper El Mundo, two days before the launch of the single currency.

The euro offered the possibility of trying to rebuild the Bretton-Woods system of managed exchange rates which had collapsed in 1971 when the United States ended conversion of the dollar into gold, he said.

De Silguy said that the two outstanding challenges were coordination of economic policies in the euro zone and an untroubled transitional period until notes and coins were replaced by euro money in 2002.

"We must work to ensure that Mrs Gonzalez acquires the habit of handling euros and no longer fears that shopkeepers will round prices upwards. That could take 40 years if efforts at communications are not made," he said.

Meanwhile, another report from Paris says: The euro zone

is heading for growth in 1999 of 2.25 to 2.50 per cent, the President of the European Central Bank (ECB), Wim Duisenberg, said in remarks published on Wednesday.

Duisenberg also told the newspaper Le Monde that he wanted to see a stable relationship between the euro and the dollar.

Duisenberg warned that countries in the euro zone were not reducing public deficits quickly enough.

The rate of reduction towards zero was particularly slow given that the zone was experiencing growth, and even though growth was less than had been expected, it remained firm.

Duisenberg also repeated that he would not resign as President of the ECB in four years time.

The President of the ECB is appointed for eight years but when Duisenberg was appointed, after extremely tough negotiations because France had put forward a rival candidate, Jean-Claude Trichet, French President Jacques Chirac said on May 2 that Duisenberg had agreed to resign after four years to make way for Trichet, currently the French central bank President.

At the time Duisenberg agreed to write to leaders of the 15 European Union countries saying that he did not want to serve a full term of eight years, but would stay in office at least until euro notes and coins were introduced in 2002.

However, asked by Le Monde if he would resign after four years Duisenberg said: "The reply is no."

Egyptian trade fair to be held in Iran

CAIRO Dec 31: An Egyptian trade fair is to be held in Iran in June, the first in 20 years, Egyptian officials said yesterday, reports AFP.

A variety of Egyptian products will be on display at the fair from June 21-26, The MENA news agency quoted organizer Mohammad Said Saleh as saying.

"Iran is one of the most important Asian markets as well as a transit point for Egyptian products towards the Muslim nations" of Central Asia, he said, adding that the fair would provide an opportunity for Iranian and Egyptian businessmen to discuss joint ventures.

An Egyptian parliamentary delegation flew to Iran this month for the first visit of its kind in 20 years.

Santer pays tribute to new alchemy

EU president Jacques Santer said "the euro is at long last with us" and paid tribute to the "subtle alchemy" that has led to the advent of the single currency against a background of a closer Europe that can "direct its own future" in a unified way.

"The euro is now in your hands, it is in your interests to use and to give it life," Mr Santer told the 290m people of the eurozone which stretches from the Arctic Circle to the Mediterranean.

The birth of the euro confirms the emergence of a powerful new currency bloc centred on the industrialised economies of Europe. The euro will join the US dollar and the Japanese yen as the major trading currencies on international financial markets with its architects hoping for a stable unit that will encourage economic expansion in Europe.

ECB executive board member and chief economist Otmar Issing said in an interview with Boersen-Zeitung newspaper the euro is expected to be stable after its launch.

"I cannot even say approximately in how far the euro will be used internationally shortly after its launch," Mr Issing said.

Time differences

The rates agreed take full legal effect at midnight local time in each of the eurozone countries. It will happen first in 2200 GMT in Finland, which is one hour ahead of most of the other eurozone countries.

Facts about euro

Some common questions and answers about the euro:

Q. How much will a euro be worth?
A. The exact value of the euro will be set Jan. 1. It is expected to be slightly stronger than the dollar, around \$ 1.10 to \$1.20 to a euro.

Q. What will happen when the euro is launched?
A. The euro becomes the official currency in the 11 nations. That means stock exchanges will trade in euros and large businesses will keep track of finances in the euro. However, euro notes and coins won't enter circulation until 2002. To ease the transition, bank customers can keep accounts in euros — alongside national currencies — starting Jan. 1.

Q. Will travellers from outside the 11-nation euro bloc need euro notes, coins or travellers' checks after Jan. 1?
A. No. Euro notes and coins won't be available until 2002. For now, the local currency is still good. Travelers checks will be available in euros, but aren't a must.

Q. Will there be any effect on the dollar?
A. That's not yet known. No sudden change is expected although the euro eventually could challenge the dollar as the international currency of choice.

Q. Who outside the 11 countries will be affected?
A. Managers at firms that buy or sell in Europe or have subsidiaries there.

Q. What are the advantages for business of the euro?
A. The size of the new currency bloc — with 290 million inhabitants — will provide a stable economic and business environment. Businesses will save money; the costs of changing currencies from country to country will be sharply reduced. Comparing prices will be quicker and interest rates will stabilize. All this will make long-term planning easier.

Q. What are the advantages for ordinary consumers?
A. Residents of the euro countries also will benefit from it being easier to compare prices across borders.

Q. Why did the countries choose to give up their national currencies?
A. The original idea was developed shortly after the end of World War II. The goal was to link Europe so closely that another war would be impossible. Political union proved too difficult, with countries refusing to give up national sovereignty. Economic union, as symbolized by the common currency, remains a feasible goal.

UK will lag behind in Europe

TUC General Secretary John Monks has warned that Britain's decision to stay out of the launch of the euro will be bad for the economy.

Monks said the 11 countries involved in the launch at midnight on 1 January will attract more overseas investment than Britain and will gain a "real economic advantage".

"It is beginning to look as if we have repeated the standard British error of coming too late to Europe to secure the best deal possible," he said in his New Year address.

Monks highlighted the 3 per cent interest rate now applied across the euroland countries and contrasted it with Britain's 6.25 per cent rate.

He spoke as the Confederation of British Industry's President Sir Clive Thompson called for Britain to be at the centre of the European debate.

"Standing on the sidelines, watching others make decisions that affect us will achieve nothing," he said.

But he said the outcome of the single currency was still uncertain.

"We are entering uncharted waters and nobody can be precisely sure of the outcome. We

will soon see if one interest rate does work for 11 countries, as well as the effects of Britain's decision to stay out of the euro."

"All this should contribute to a more grown-up debate about the single currency," he said.

'Big advance' for workers

Monks also hailed the government's Fairness at Work proposals, which will go before Parliament next year. The plans include forcing companies to recognise a union if a majority of their employees vote for it.

"While we have some concerns about some points there is no doubt that it represents a big advance for people at work," he said.

However, other business leaders were less positive about the government plans for employment law.

Chris Humphries, director-general of the British Chambers of Commerce, warned in his annual message to members that government regulations were threatening jobs, by burdening companies with bureaucracy.

—BBC Internet

\$26b Russian default unlikely to hit US banks

NEW YORK, Dec 31: Russia's default on \$26 billion in Soviet-era debt to commercial banks worldwide this week won't sting top US banks further since most wrote off their Russian debts months ago, economists said, reports AP.

But the move gives banks an even stronger case for denying crucial new loans to help rescue the country from its crisis, analysts and economists in London and New York said Wednesday.

"Any US bank is going to be extremely cautious about getting involved with Russia in the near future," said James J. McDermott, chairman of Bank of America analyst Keefe, Bruyette and Woods in New York. "Russia is persona non grata as a borrower."

Chairman Viktor Gerashchenko said Wednesday in a Russian television interview that the bank had dug deep into its hard currency reserves recently to pay off its foreign debts. He said the reserves were down to \$11 billion, about \$ 1 billion less than on Dec 11.

Nevertheless, Russia failed Tuesday to make a \$363 million cash interest payment on \$26 billion worth of Soviet-era loans that must be repaid to more than 600 commercial creditors worldwide.

Bank of America, the payment agent for the lenders, on Wednesday officially declared Moscow to be in default on the payments, according to Dow Jones Newswires.

"An event of default... has occurred and has not been cured," Bank of America wrote to fellow creditors, according to Dow Jones. A spokesman for Bank of America said he could not confirm the report.

Major foreign creditors now may be asked by Bank of America to either give Russia time to resolve the matter or to ask for an acceleration of payments. If more than 50 per cent of principal debt holders ask for accelerated payment, Russia would be bound to repay the full debt — a sum it doesn't have.

Under a 1996 restructuring agreement, Russia was granted a grace period through 2002, during which it only had to make debt service payments.

Russia maintained that missing the payment didn't constitute a default because more than 70 per cent of debt holders agreed to accept new bonds instead of cash.

But the commercial creditors' committee, known as the London Club, stoutly maintained that 95 per cent of its members needed to approve such a plan to avoid calling the payment failure a default.

Whatever Russia's move is called, economists and bankers agreed that big US banks won't be hard hit by the country's payment failure.

Most banks wrote off their Russian debt after August, when the country defaulted on \$40 billion in domestic treasury bills, most of which was held by foreigners.

"We didn't take a hit" this week, said Chase Manhattan Bank spokesman Andrew Tuck. "Our writeoffs for exposure in

Russia took place earlier in the year."

He said Chase had approximately \$200 million in direct exposure to Russia as of Sept 30 — \$ 250 million less than at the end of August.

Republic New York Corp. became the first big US bank to take an earnings hit from Russia's troubles in October, when officials reported that losses from Russian investments wiped out third-quarter profits. The country's 17th-largest bank holding company has since reduced its exposure to Russia to zero.

Stockholm takes tourism capital title in North Europe

STOCKHOLM, Dec 31: Stockholm has taken the title of tourism capital in North Europe from Copenhagen, capital of Denmark, with 6.5 million tourist arrivals this year, says Xinhua.

A total of 6.5 million tourists have visited the Swedish capital so far this year, three million more than those who came to Copenhagen during the same period, Stockholm city tourism department said.

The number of tourists from Italy and Spain rose by 50 per cent and 30 per cent respectively. The city also received more tourists from Japan.