

Title:

Euro Impact on the East European Countries and Banks

Word Count:

374

Summary:

The euro will change the lives of people living in Western Europe when it is introduced into circulation at the start of next year. But it will also affect people living in Eastern Europe and the former Soviet Union, where the German mark is widely held and used as a transaction currency. Those marks will cease circulating shortly after the euro's introduction. In this third of a three-part series on the common currency, RFE/RL correspondent Mark Baker looks at what impact the euro will have outside the 12-nation euro-zone.

Keywords:

credit, credite ipotecare, europe, banks

Article Body:

Prague, 15 June 2001 (RFE/RL) -- The German central bank (the Bundesbank) estimates that more than one out of every three German marks circulates outside of Germany -- signifying billions of marks. The banks says the majority of them are in Eastern Europe and the territory of the former Soviet Union. Because of the mark's stability, and Germany's role as a place of employment for Eastern European workers who send their money home, the mark has evolved into a de facto second currency in the lands to the south and east of Germany's borders.

Montenegro and Kosovo have even adopted the mark as legal tender. Other countries have pegged their currencies to the mark through currency boards. Bosnia uses a unit of exchange called the "convertible mark," which trades on a one-to-one basis with the German mark.

But the mark -- along with the other currencies of the European Union's 12-nation euro-zone -- is about to disappear.

On 1 January 2002, more than 250 million people in Western Europe will begin exchanging their national currencies for the euro. Older currencies and euros will circulate together until the end of February. After that, the national currencies will no longer be used.

That does not mean the currencies will be worthless. Central banks will continue to exchange them for euros for several years to come. But for all intents and purposes, Western Europe's national currencies -- including the mark -- will cease to exist.

Hans-Werner Sinn of Germany's Ifo economic research institute has looked into all aspects of the coming changeover. He says Eastern Europeans, like their counterparts in Western Europe, will eventually have to exchange their marks for euros.

"Clearly, these Deutschemarks [German marks] will no longer be useful in the long run. So people will have to bring the Deutschemarks in to their respective banks and exchange them into euros. That will have to happen in the spring of next year [by the end of the February deadline]."

Antti Heinonen, the director of banknotes at the European Central Bank, or ECB -- the institution that is coordinating the switchover to euros -- says that the change should not cause many problems for most Eastern Europeans.

But the currency's first challenge -- in Eastern Europe at least -- will be to replace the mark in people's minds and mattresses.