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## **EMU Governance and Euro Changeover: Cyprus on the Path to the Adoption of the Euro.**

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### **Euro: The Consumer's point of view – Consumers Concerns**

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#### **Introduction:**

Since 1 January 2002 consumers have been using euro notes and coins in 12 member states, following the coming into being of the euro in 1999.

The introduction of the euro gives consumers many opportunities, including:

- Reducing the transaction costs of buying in a member state other than the one the consumer lives in.
- Making it easier to compare prices in different countries and identify a good deal.

However, the introduction of notes and coins posed a major challenge for consumers (as well as for firms). For example, consumers needed to adjust to handling the new currency and thinking in euro prices. They also needed reassurance that firms would not be able to use the introduction of the new currency as an opportunity to get away with sharp practices.

- **A short history of the Cyprus Consumers Association**
- **Participation of the Cyprus Consumers Association in the National Committee for the Introduction of the Euro**

### **Main part**

Using a new currency is like learning a new language: you do not really feel comfortable speaking that language as long as you are not capable of speaking it without consciously translating from your mother tongue or using a dictionary to understand it.

On behalf of the Cyprus Consumers Association I would like to emphasize the need to listen carefully to what consumers have to say about the Euro so as to proactively tackle the perceived problems associated with the introduction of it. Through our daily contacts with consumers and from the contacts we are having with other NGOs in Cyprus and other European Union members, we have found out that information about the Euro must take into account such measures as:

- explaining the practicalities of the transition to the Euro: answering questions like when will the coins and notes in Euros be available? what do they look like? how can I pay now in Euros? etc)
- preparing for the Euro also requires giving meaning to the Euro project: a consumer informed about the main reasons for and objectives of the European currency may be in favor or against the Euro, but will be much better prepared or willing to learn and accept the change than someone who just sees the change as an arbitrary decision imposed by some distant European authority.
- understanding and be able to use, the new scales of value and reference prices: if I have 1000 Euros, am I rich? If I am asked to pay 6 Euros for a bottle of milk, is it reasonable?



- Specifying the advantages from the introduction to the Euro (i.e., price stability, simplifying travel and avoiding changing currency, the single currency will allow consumers to compare prices of goods and services more easily and hence to shop around for the most attractive deal, be it in their own country or abroad etc)
- Adapting information so as to accommodate those categories of population with difficulties of access to information (elderly, economically excluded, people with disabilities). These categories of the population might need special attention in terms of the channels and format of the information: the socially excluded need accessible information from sources close to them, the visually impaired need information in a special format and specific training for the recognition of the coins and notes, the mentally impaired need information adapted to their disability.

Experience proves furthermore that any effort made for these categories of population may well be of value to the "general public" who can also benefit from accessible information close at hand.

### **Major challenges/concerns**

#### **1. Mental or psychological changeover in the current euro-area countries. Quite a few people still have difficulty thinking and calculating in euro and completely making the shift from their former national currency**

We believe that the mental changeover will invariably take quite some time. Experience from other countries that have introduced the Euro has shown to us that the changeover has been quick in the everyday small purchases of consumers and rather slow for large-value purchases where consumers still refer back to their national currency

We agree with the Government that the introduction of dual price displays as a key tool for assisting consumers in making the mental transition to the euro and in adjusting their scale of values is a good way to speed up the process of the mental changeover. It is important to note however, that as experience has shown over and over again, the dual price displays need to go beyond the shops and incorporate all sums of money such as bills and invoices, bank statements, company payroll slips etc. This measure will also tackle the widespread concern that the



costs of the changeover to the Euro could not be borne by consumers. (i.e., Banks, businesses and traders could not pass on to consumers expenses incurred as a result of the introduction of the Euro by increasing the price of products or services).

Furthermore, it is also important to recognize the threat that the prolonged use of the dual displays can have on the consumers since it can potentially preserve an artificial link to the former national currency.

## **2. The perception which has taken hold in certain countries that the introduction of the euro caused price rises**

Consumers' attitudes about the Euro are directly related to the level of information as well as misinformation available to them.

It is our firm belief that we must invest heavily in information for our Cypriot consumers - both information about the euro in general and specific information about the practical aspects. Commission surveys clearly show that those who are well informed have the least fear or apprehension about changing over to the new currency. On the other hand, a lack of information paves the way for fears and misperceptions to flourish.

As far as the Cyprus Consumers Association is concerned we have proactively initiated since 2004 a bi-monthly price monitoring mechanism for examining the price fluctuations of more than 430 products and services, which will go on well after the introduction of the Euro in Cyprus. Through this survey we will be able to inform consumers in a timely, specific and organized manner about the effects that the Euro has on their lives but more importantly enable them to appreciate the euro more and more by combating any unjustified rumors associated with the introduction of the EURO and the rise of prices.

We have also agreed with the Department of Statistics and Research of the Ministry of Finance to keep under close surveillance the prices of a limited number of highly sensitive products forming a major part of the household's basket so that the consumer is not taken advantage of by dishonest traders through unjustified price hikes of these goods and services.

### **The role of the Cyprus Consumers Association**

As a Non-governmental organization with a defined structure already present in Cyprus society for more than 30 years protecting and

informing the consumers we believe that we can play a fundamental role in the preparation of the final changeover and thus allowing for a smooth transition to the Euro in 2008.

In this task we have already proceeded to

- initiate since 2004 a bi-monthly price monitoring mechanism for examining the price fluctuations of more than 430 products and services, which will go on well after the introduction of the Euro in Cyprus.
- research, write and develop a Euro Guide for Consumers in the framework of our participation in the National Committee for the Introduction of the Euro in Cyprus. Pending its printing, the Euro Guide will be distributed through our vast network of contacts throughout Cyprus with special emphasis in covering the major rural areas of Cyprus
- provide our staff in all the towns of Cyprus with specific information about the Euro so as to be prepared to answer any questions posed by consumers about the Euro as well as guiding them to the right information center.
- select the most useful information material available about the Euro and look for means of reproducing it in the most economical manner and distribute it to the Cyprus consumers.

In conclusion, I want to add that with this brief presentation I have tried to give a picture of the situation of the Cyprus consumer today together with his anxieties and concerns.

It is our firm belief that there are in our economy all the necessary pre-requisites to ensure a smooth and uneventful transition to the introduction of the Euro in Cyprus. The few and justified concerns of the Consumer can effectively be addressed by a close cooperation among the social partners – Government, Chambers of Commerce, Banking Institutions, Trade Unions, the Consumers Association,



Municipalities, Farmer's Organizations and organized civil society in general. The experience of other European Union members, the proposed introduction of relevant legislation as well as the value of the Cyprus pound is additional positive factors.

Thank you.

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