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Economy of the euro zone and the Union  
**Transition issues related to EMU**

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## **SURVEY ON THE USE OF EURO CASH OUTSIDE THE EU**

Results of a survey of Commission delegations carried out during February 2004

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## Summary

*During February 2004 DG ECFIN conducted a survey on the use of euro cash outside the European Union on the basis of a questionnaire submitted to the Commission's delegations and representations in third countries. The survey aims to build up a better picture of the role of the currency as a private means of payment and exchange beyond the euro area itself, and also to update a similar survey carried out at the end of 2002. If the exercise proves useful, our intention is to repeat it in the future on a regular basis.*

*The survey dealt with three main aspects of the euro: the **ease of exchanging euro cash** outside the EU; the **use of euro cash for payments**; and **public attitudes** towards the currency. A clear picture has emerged of a strengthening in international perceptions of the euro during 2003. **In all three aspects, the role of the euro has either remained the same or shown some improvement over the past year.***

*This seems to be a trend common to all regions of the world, and has been particularly marked in the acceding countries and wider European continent, Asia (South East Asian countries in particular), and Africa. The improvement was generally weaker in Middle Eastern countries and the Americas, where the US dollar retains a strong role.*

*Overall, the **possibilities for payment with euro cash remain largely restricted to tourist areas**, with limited progress reported. However, the **exchangeability of euro cash abroad seems to have generally improved**, with a number of delegations noting wider acceptance and availability of the currency at banks and exchange offices. The **biggest progress seems to have been made in improved general awareness of the euro** on an international level, with a number of responses referring specifically to the rise in the euro exchange rate as being a major factor in enhancing the image of the currency.*

## Methodology

The survey was conducted by means of a questionnaire circulated by email to all Commission delegations in third countries between 6-27 February 2004, with a request to delegation staff to respond to a series of short questions related to the exchange of euro cash, use of euro cash for payments, and levels of awareness of the euro as a currency in the respective country. In addition, the delegations were given the opportunity to provide additional information which they might consider relevant.

The exercise followed a similar survey carried out in the context of the first anniversary of the euro changeover which attempted to gauge the situation with regard to use of euro cash outside the EU in its first year of existence. The new survey aimed to build on this first experiment and to attempt to measure any changes in the situation during 2003. It is envisaged that the survey could become a regular exercise used to monitor the international role of euro cash.

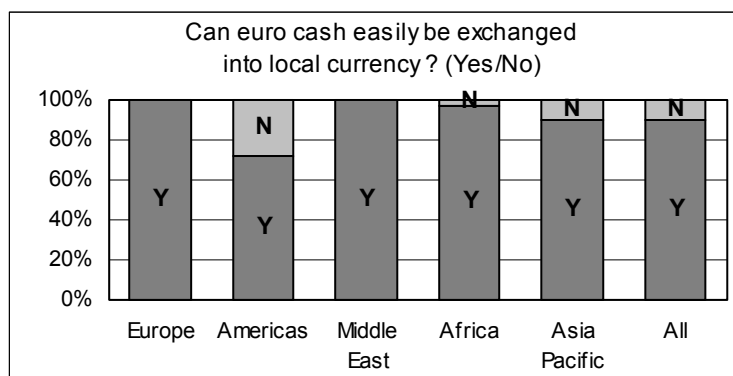
Out of a total of 162 Commission delegations and representations in third countries, completed surveys were received for 113 countries, a response rate of 70%. Those countries for which no response was received were mostly small states and territories where the Commission has no separate delegation but which are accredited to an office in a neighbouring country (for example Caribbean and Pacific island states). In addition to returning their completed questionnaires, several delegations also included useful information not specifically requested by the survey.

### 1. Exchanging euro cash

The survey addressed two main aspects of exchanging euro cash: selling and buying euros in exchange for local currency.

#### 1.1. Selling euro cash

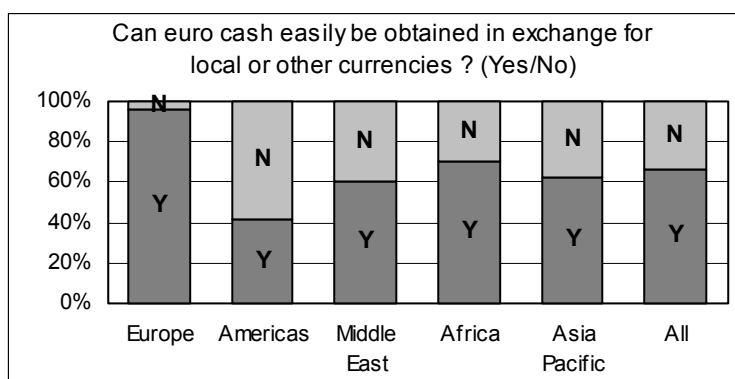
In 90% of countries responding it is possible to exchange euro for local currency without major difficulties, most frequently in banks and exchange offices. Only 10% of countries reported serious problems in this respect, although in a number of other countries visitors may encounter problems outside of tourist areas and major cities. The Americas, and in particular Central American countries, proved to be most problematic in this respect.



#### 1.2. Buying euro cash

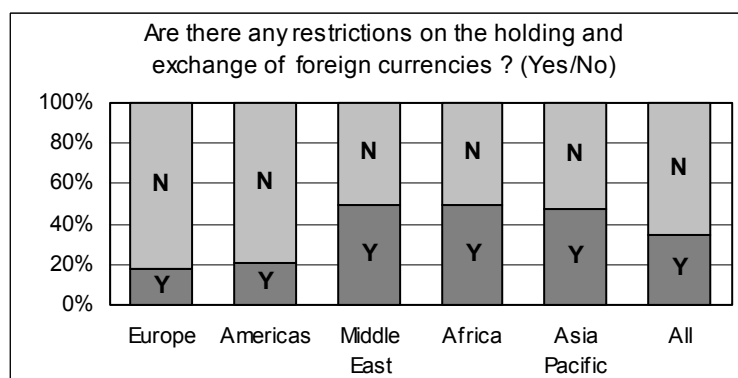
Acquiring euro cash abroad is also straightforward in a large majority of countries, with 66% of respondents stating that euros can be easily purchased in at least some outlets.

Banks and exchange bureaux were the most likely to hold stocks of euro cash in these countries. Buying euros is once again most difficult in the Americas, where only 41% of countries responded positively. Problems also exist in certain parts of Africa and Asia in this respect, where general foreign exchange shortages make it difficult to obtain hard currencies.



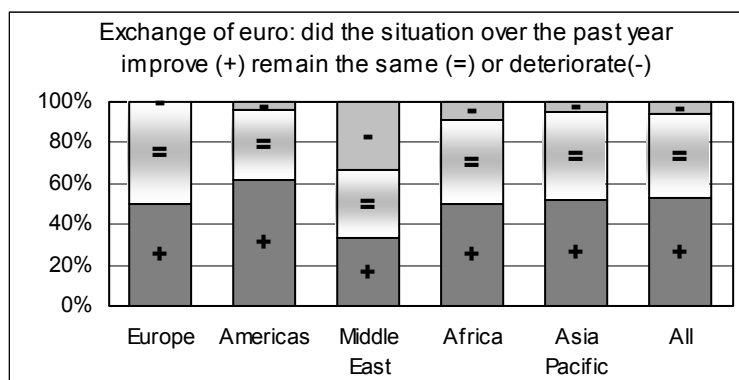
### 1.3. Limits on holding and exchange of foreign currency

With regard to limits on the holding and exchange of foreign currencies, around one third of countries reported restrictions. These were most frequent in Africa (50%) and the Asia-Pacific region (48%), where around half of countries impose some form of restriction in this respect. These ranged from requirements to declare the import of currency when entering the country to limits on the amount of foreign currency to be held by individuals.



### 1.4. Evolution of the situation during 2003

The delegations' responses to the final question in this section suggest that there has been a major improvement in the acceptability and availability of the euro for exchange over the past year. Across all responding countries, 53% of delegations noticed a significant improvement, while 41% said that the situation had remained about the same, and only 6% registered a deterioration (usually in countries experiencing shortages of hard currency). The improvement seems to have been greatest in the Americas, where the euro's starting position was probably weakest. Positive trends were also registered in all other regions. This increase in acceptability and availability of euro cash is probably due in large part to the naturally growing awareness and recognition of the currency, although some delegations also pointed to the rise in the exchange rate with the dollar as an influencing factor.



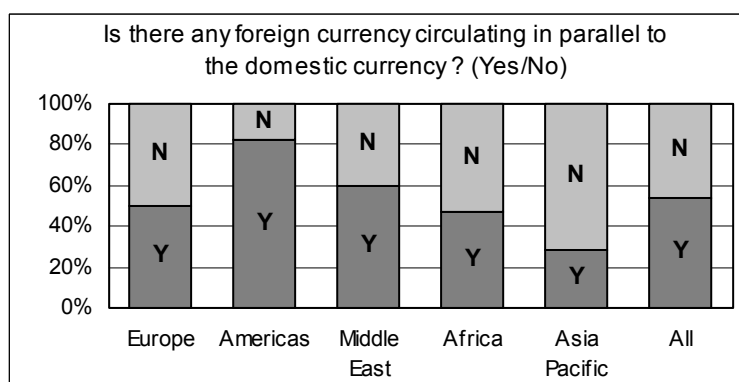
## 2. Cash payments in euro

On the issue of using euro cash for payments abroad, the survey asked delegations whether any parallel currency was in circulation in the country concerned, whether cash payments in euro were sometimes possible, and whether prices were sometimes displayed in euro together with the local currency.

### 2.1. Foreign currencies in parallel circulation

Around half of the countries responding (53%) have one or more foreign currencies circulating alongside the national currency as a means of payment at some level, and of those countries, 87% make use of the US dollar while 27% use the euro (a few countries use both currencies). A number of countries in Africa, Asia and the Pacific use another currency for payments, including the pound sterling, or the currency of a larger neighbouring country, like the Australian dollar, South African rand, or Thai baht. In Montenegro the euro circulates as the de facto currency and in Hong Kong the renminbi yuan circulates alongside the Hong Kong dollar as a domestic currency.

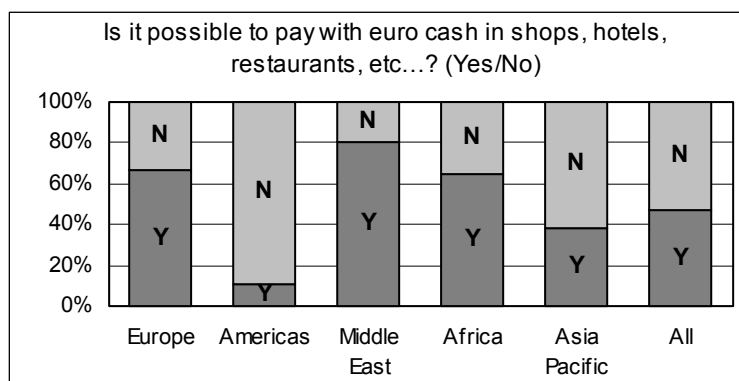
Otherwise, use of the US dollar as an unofficial currency is predictably high in the Americas (where 83% of responding countries use the US dollar at some level) and fairly widespread in the Middle East (60% of countries) and in Africa (38%). The euro, meanwhile, is used in 38% of European countries outside the EU, the same number that use the US dollar, which continues to circulate in the countries of the former Soviet Union.



### 2.2. Payments in euro cash

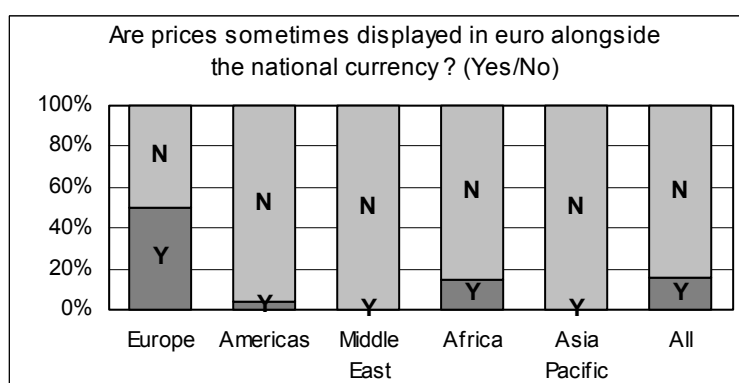
Payments in euro cash are possible in at least some outlets in 46% of responding countries overall. This figure rises to 63% in non-EU Europe, 65% in Africa, and 80% in

the Middle East. Payments are even accepted in a number of countries which are particularly popular with European tourists in Asia, the Pacific, and the Americas. Such payments are typically accepted in hotels and some shops and restaurants and are usually limited to tourist areas.



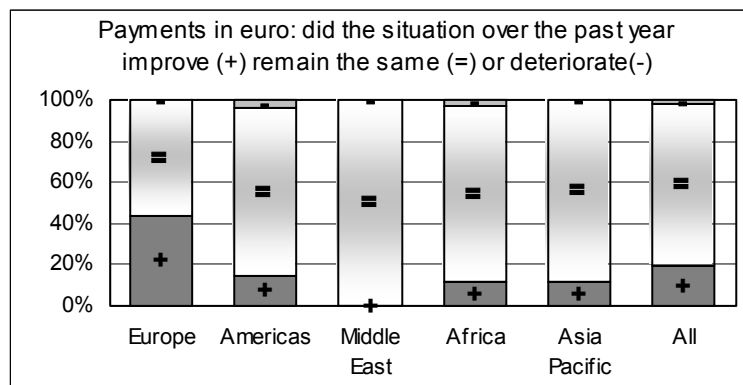
### 2.3. Display of prices in euro

The display of prices in euro alongside the national currency, on the other hand, is less widespread, with only 15% of countries reporting occasional pricing in euro. These countries are almost exclusively limited to the European continent (non-EU countries), where euro prices are used to some extent in 46% of states. Again, these are typically limited to tourist regions, although some countries use euro prices for high value items like houses and cars.



### 2.4. Evolution of the situation during 2003

The acceptability of payments in euro cash and provision of price displays in the currency have experienced a positive trend during 2003, albeit less impressive than the improvement in the exchangeability of euro cash. A total of 19% of delegations said that the situation with respect to euro cash payments had improved in their respective countries, while 79% noticed little change, and just 2% witnessed a decline. The improvement was, unsurprisingly, most evident in the non-EU countries in Europe, where 42% of delegations noticed a positive trend and 58% said it had remained the same. Meanwhile, the situation was broadly stable in Africa, Asia and the Pacific, the Middle East, and the Americas.

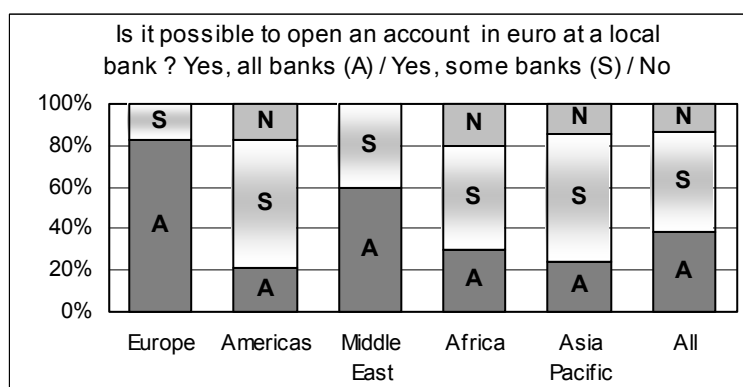


### 3. Bank accounts in euro

A further question was put to the delegations on whether it is possible to open a euro account at either some or all banks in the country concerned. Overall, 86% of delegations responded positively (38% stating that all local banks had such facilities, and 48% saying some banks), suggesting that euro-denominated accounts are widely available outside the EU. In some countries, this availability may be limited to only a handful of banks, but remains a possibility nevertheless. In others, significant progress was reported as the euro continues to gain in recognition and acceptability. This issue is obviously of particular interest to those delegations handling euro-denominated budgets for the EU's external assistance programmes.

Where euro accounts are available, restrictions are sometimes applied by the national authorities whereby the opening of an account is subject to prior authorisation, or the holding of such accounts is restricted to certain clients, like companies, institutions, or foreigners.

Euro bank accounts are most easily available in the European continent and Middle Eastern countries, while opening such an account proves more problematic in the Americas (especially smaller states in Central America) and certain less developed countries in Africa.



### 4. Awareness of the euro

On a more general theme, the survey asked Commission delegations about public and business perceptions of the euro in the country concerned, and whether these had evolved noticeably over the past year. The results for this part of the survey showed the most positive trends of all in terms of progress made by the euro during 2003.

#### 4.1. Public and business perceptions

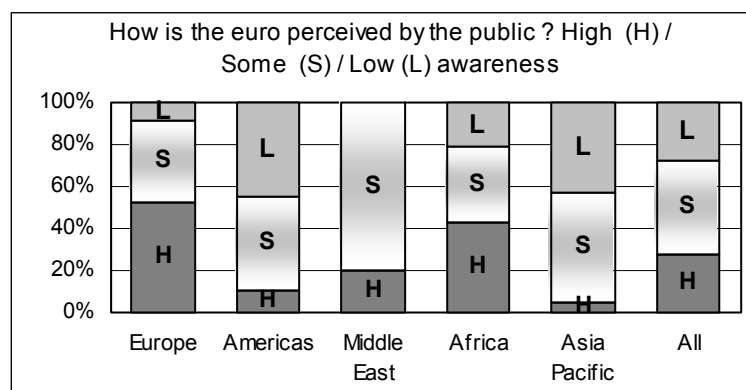
In terms of general public perceptions of the currency, more than two thirds of countries reported either some or high levels of awareness (72%) while 28% registered only low awareness. Familiarity with the euro proved to be much higher among business sectors, with a large majority of countries registering some or high business awareness (94%), and only 6% noting low awareness.

Once again, clear regional patterns were discernible from the results. Awareness both among business and the general public was highest in the European continent (non-EU), Africa and the Middle East. In non-EU Europe, 91% of delegations reported some or high public awareness (particularly high among acceding countries) while business awareness was either high (87%), or moderate (13%) in all countries.

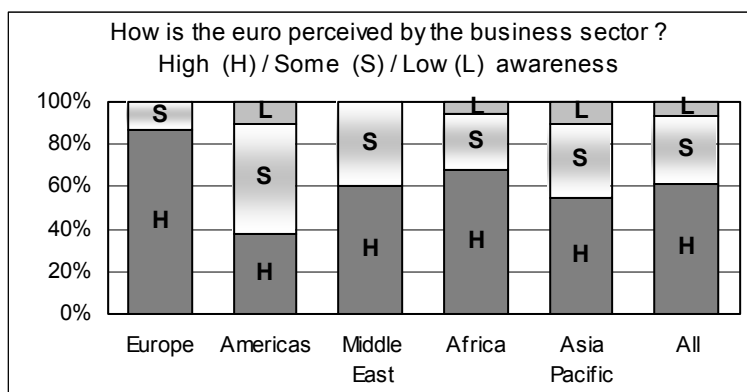
Among African respondents, 79% noticed moderate or high public awareness, with low levels reported by the remaining few. Business sectors in Africa were generally more familiar with the euro than the general public, with some or high awareness in 94% of cases and low awareness in just 6%. Knowledge of the euro was generally higher in those countries with the strongest economic links to the EU, notably members of the CFA franc zone (which have an exchange rate agreement with the euro) and the Mediterranean states of northern Africa (which have large trade volumes with the EU).

In Asia and the Pacific, awareness was moderate or high among business (90%), but lower among the general public (high awareness was noted in just one country, while some or low levels were recorded for the rest).

Familiarity with the euro was, unsurprisingly, lowest in the Americas, where the US dollar maintains a pre-eminent role in almost all countries. There were, nevertheless, respectable levels of awareness among business sectors, with at least some or high awareness in 90%. Public awareness is somewhat weaker, with high awareness in just 10% of countries, and some or low awareness in the remainder.







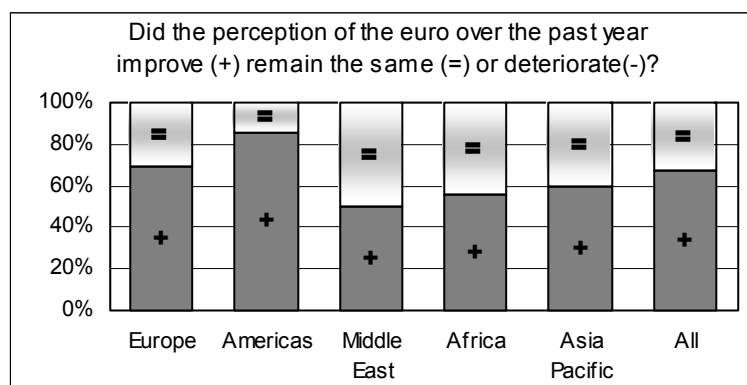
#### 4.2. Evolution of the situation during 2003

The most impressive results of the survey relate to the changes in awareness of the euro, however. Overall, two-thirds of delegations noticed an improvement in national perceptions of the currency to some extent (covering all sectors of the country concerned), while the remaining third reported no major change. No delegation reported a deterioration in perceptions, meaning that in all countries the euro either maintained or improved its position over the past year.

In regional terms, the biggest progress was made in countries in the Americas, where 86% of delegations noticed a more positive national perception of the euro. In non-EU Europe, two thirds of countries registered improved awareness, and in Asia the figure was 60%. For African countries a positive trend was reported by 56% of respondents, while the same was true for half of the questionnaires received from the Middle East.

A significant number of respondents mentioned the rise of the euro exchange rate against the US dollar as a significant factor in these improved perceptions, with several noting that the euro was seen more and more as a 'strong' currency. The change has been manifested in some countries by increased prominence for the euro exchange rate in news reports, for example, and by improved exchangeability and availability of euro bank accounts in others.

The positive trend has also been conspicuous at a more official level in some cases, with a number of national central banks (like those in Australia, China, Indonesia and Syria) increasing their foreign currency reserves in euro, and several governments starting to issue euro-denominated bonds (for example the Philippines), or strengthen their currency's relationship with the euro via an exchange rate regime (Morocco has increased the weight given to the euro in its currency basket).



## 5. Information and communication activities

The final part of the survey asked delegations whether they had been involved in any information or communication activities relating to the euro. Although the question related to the past year, several delegations also supplied details of activities conducted at the time of the euro cash changeover or during the intervening period. Overall, 72% of delegations mentioned some form of euro-related information or communication initiative, with a higher than average rate of activities among delegations in Africa and the Americas. A large number of delegations in the European continent and Asia-Pacific also carried out such work.

Commission delegations have used a large variety of means to raise awareness of the euro, ranging from distribution of centrally produced information materials (leaflets, posters, etc) to provision of information (usually in local languages) on delegation websites or through their own publications like newsletters or brochures. A number of delegations have held conferences or run stands at exhibitions, and some have targeted specific groups like businesses, national authorities in the country concerned, the banking sector, or schools and universities. Others have produced materials for the local media or given interviews on euro issues.

Several of the Commission offices have taken innovative initiatives to raise awareness and improve the status of the euro in their respective countries, for example by contacting the local media to encourage them to give a higher profile to the euro exchange rate in news reports or by approaching national authorities to request improvements in the treatment of the euro in the banking system.

