

Lucas Papademos: Adoption of the euro by Cyprus and Malta

Speech by Mr Lucas Papademos, Vice-President of the European Central Bank, at the Euro Festivities marking the decision of the EU Council on the adoption of the euro by Cyprus and Malta, Brussels, 10 July 2007.

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In less than six months from now, the euro will be part of the everyday life as the new currency of the people of Cyprus and Malta. This is an essential and practical consequence of the decision taken by the ECOFIN Council today. It is a momentous decision in the history of both countries. And it is the culmination point of a process of economic adjustment and technical preparations. On behalf of the entire Governing Council of the European Central Bank, I would like to warmly congratulate all those involved in this process, and the people of Cyprus and Malta, on this accomplishment! The enlargement of the euro area to include these two countries is a significant and joyful event, not just for them, but also for all of us who are already part of the European monetary union.

We at the ECB and the Eurosystem are particularly pleased to welcome two new members in our central banking “team”. The Central Banks of Cyprus and Malta will become members of the Eurosystem. And the Governor of the Central Bank of Cyprus, Athanasios Orphanides, and the Governor of the Central Bank of Malta, Michael C. Bonello will become members of the Governing Council of the ECB. The two governors, together with the other 19 members of the ECB’s Governing Council, will thus participate fully in the decision-making concerning the single monetary policy. We are looking forward to benefit from their experience and expertise in our deliberations. Together, we will continue to analyse carefully the economic situation and outlook in the euro area and to do what is necessary to fulfil our mandate: to maintain price stability in the euro area as a whole, to the benefit of soon 15 countries and 319 million Europeans.

I am sure that the people of Cyprus and Malta are looking forward to the changeover to the euro. They rightly expect that it will take place smoothly and that they are informed about their new banknotes and coins. A smooth changeover to the euro will enhance their trust in the safety and integrity of their new currency. To this end, the ECB, in close co-operation with the Central Bank of Cyprus and the Central Bank of Malta, have embarked in comprehensive euro information campaigns on the euro banknotes and coins in the two countries and will take all measures necessary to ensure a successful transition from the Cyprus and Maltese pounds to the euro.

Thankfully, we have by now accumulated certain experience with such changeover processes. The euro changeover that took place early this year in Slovenia was a great success. Within a short period of time, Slovenians had completely accepted the new currency and integrated it in their daily life. I am confident that the Cypriots and the Maltese will also benefit from the undeniable economic advantages of belonging to the single European currency area. As part of our experiences with previous changeovers to the euro, we know that we have to monitor carefully that prices are converted properly, and that the changeover should not be used as an occasion to raise prices in an unfounded and inordinate manner. It is therefore encouraging to see the positive outcome of several “price watching” movements in Cyprus and Malta, be they grass-roots or institutionally organised. And I have no doubt that the Cypriots and Maltese will be vigilant consumers.

Entering monetary union is a historic undertaking. Both countries have taken an irreversible step towards deeper economic integration within the euro area; they are now part of what can be called a “community with a common destiny”, or – it is maybe better to use the German term – a “Schicksalsgemeinschaft”. The stability and dynamism of the economies of Cyprus and Malta, and the welfare of their people, will be of a direct and immediate importance to all of us who share the single currency. Similarly, the growth and prosperity of

the euro area as a whole will be a matter of significant interest also for the people of Cyprus and Malta. Just like the members of a family, all members of the euro area should discuss together and take the best course of action, for the benefit of each and of all.

Let me conclude by congratulating, once again, Cyprus and Malta for this great achievement, to become part of the euro area and to adopt "The EURO. OUR money."

Κύπρο, καλωσόρισες

Merħba, Malta!

Thank you very much.