Abstract

Legal issues of euro introduction in the Czech Republic

On 1st March 2002 the euro has been established as an official currency of 12 European Union countries. As of today the number of EU countries using it has grown to 16 out of 27. When entering the EU the Czech Republic has also pledged to introduce the euro, as is clearly stated in article 4 of the European Union Act. However, the Czech Republic enjoys a temporary exemption from introducing the euro in accordance with article 139 of the European Union treaty, which will last until all the economic criteria are fulfilled and the country can thus enter the monetary union.

Introducing a common European currency is not a matter of the last few years. Indeed, the first steps towards it have been considered as early as 1957. Back then the idea was to link the exchange rates of national currencies to an artificially created unit called ECU, which in turn has been based on a range of currencies of member states. The plan for euro introduction was, however, accepted as late as 1989. It has been later embedded in the Maastricht Treaty, where member states, with the exception of United Kingdom and Denmark, pledged to drop their national currencies.

The Maastricht Treaty, however, is not the main source of rules for euro introduction in the newly entering countries. It is true the rules and regulations of European institutions do establish the basic principles and policies for the introduction process. Most importantly, they handle the principles of neutrality, continuity, rights protection, prize rise prevention, et cetera. These and other necessary changes will be incorporated into the Czech law through General act, Act on the Czech National Bank and Changing Act.

For the newly entered members the set rules are obviously binding. On the other hand they can still choose the method of changing their law the way they consider more convenient.

Two examples are used to describe the specific changeover that is introducing the necessary principles and policies and form and method selection: Spain and Slovakia, which both opted for a different way.

The ‘Madrid Scenario’ establishes a three-year transitional period, when the euro is used only in its virtual form along the national currency, and has been put in practise by all the founding member states. One of the typical features of this approach is the fact that it is the economic

subject who chooses the form of his payment. Only the conversion rate has always been set for each particular national currency.

The other, so-called ‘Big Bang’ scenario requires no such transitional period and euro is used both in cash and virtual form at the same time. The coexistence of the two currencies is limited.

Concerning the necessary law amendments, however, both countries used the method of ‘gradual change’ - the strictly necessary changes are introduced prior to euro changeover and the rest is superseded by the European law.

It is understandable as the other option of ‘once-and-for-all’ law amendment would make it necessary to attend to every single regulation affected by the changeover prior the introduction of common currency itself. But even the gradual way does end up with the law containing only the new currency eventually.

Based on the comparison of Spain and Slovakia the essay suggests some general recommendations, which could be used when switching from the Czech crown to the euro.