Beat: Business

Latvia one step closer to adopting euro in 2014

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USPA News - The European Union (EU) on Wednesday announced that Latvia has taken another step forward to adopting the euro in 2014. Olli Rehn, Commission Vice-President responsible for Economic and Monetary Affairs and the Euro underlined that the Commission`s decision was based on Latvia`s experience to show "that a country can successfully overcome macroeconomic imbalances, however severe, and emerge stronger." Latvia had formally asked the Commission earlier in the year, on March 5, to deliver an extraordinary convergence report with the aim of joining the euro as of January, 1 2014. According to the EU Treaty, the Commission and the ECB report every two years or upon request by a Member State with a derogation on the subject. Following the deep recession of 2008-9, Latvia took decisive policy action, supported by the EU-IMF-led financial assistance program, Rehn explained, adding that it improved the flexibility and adjustment capacity of the economy within the overall EU framework for sustainable and balanced growth. As a result, according to analysts, Latvia is forecast to be the fastest-growing economy in the EU this year.

Commission concluded that Latvia had achieved a high degree of sustainable economic convergence with the euro area and proposed the Council decide on Latvia`s adoption of the euro for the requested date. The final decision on the adoption of the euro in Latvia in will take place in July by ECOFIN Council, after the European Parliament has given its opinion, euro area Finance Ministers have given a recommendation and EU leaders have discussed the subject at the European Council meeting at the end of June. "Latvia`s desire to adopt the euro is a sign of confidence in our common currency and further evidence that those who predicted the disintegration of the euro The conditions for euro adoption consist of four stability-oriented economic criteria regarding the government budgetary position, price stability, exchange rate stability and convergence of long-term interest rates which need to be fulfilled in a sustainable manner. National legislation on monetary affairs must also be in line with the EU Treaty. According to the Treaty, additional factors also have to be taken into account in the assessment (balance of payments, market integration) as indicators that the integration of a Member State into the euro area will go ahead without problems and to broaden the view on the sustainability of convergence.

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