

THE EURO AND YOUR WELFARE

Adopting the Euro Means More Investments, Manufacturing and Jobs

 Adopting the euro will serve as a positive statement of Latvia's stable economy and its foreseeable policies, making it more attractive to investors.

 Higher credit ratings mean a safer investment environment and a greater trust from the investors.

 Investments drive the economic growth: more jobs will be created, bigger projects realised, and SMEs aided.

FOREIGN EXPERIENCE

 In Estonia, the amount of foreign investments over the course of it using the euro has risen almost three times as fast as in Latvia.

2x During a year spent in the Eurozone, the amount of investments in Estonia doubled in 2011 with 857 million euros, compared to the 420 million euros a year before¹.

AA The credit rating of Estonia was upgraded three notches when it joined the Eurozone. Latvia is also seeing a similar trend – the road to Eurozone and the adoption of the single currency will surely let its credit ratings rise.

 In Slovakia, the adoption of the euro ensured a significantly swifter increase of investments in the long-term than the EU average after the crisis.

Euro is Reliable

 Euro is one of the two biggest currencies in the world. It is used by more and more companies and people, Latvia included.

 Approximately 25% of the world's financial reserves are kept in euros. Latvian people and businesses also have faith in it:

- Almost half of the money deposited is euros.
- More than 80% of credits are in euros.
- 60% of external payments for goods and services are done in euros.

 In moments of economic uncertainty, Latvian people are known to hastily exchange their money to euros, losing a fraction of their wealth to the privately owned currency exchange institution rates.

FOREIGN EXPERIENCE

 The strongest countries in the Eurozone have invested a lot of time and resources in the existence of the single currency because they benefit from the euro, as does the rest of the EU.

Euro Allows Latvia Greater Influence and Sense of Belonging to the EU

 By adopting the euro, Latvia's influence in the EU will increase.


 Latvia will gain the opportunity to be a part of the decision making process in a time when the future models of both, the EU and Eurozone, will be forged.


 Latvia will become one within the core of the EU states.


FOREIGN EXPERIENCE

EE Estonia has gained a much greater involvement in the common decision making.

Euro Means Stability and Security in Times of Crisis

 It makes sense for a region as big as Europe to operate with a single currency in the modern world.

 To ensure the safety of the financial system, the European Central Bank supports all Eurozone banks that have liquidity issues due to the crisis. It lets the savings and lending to continue, meaning there is no need for additional austerity in the state budget.

 Eurozone states support each other because they are closely bound and interdependent. Eurozone states establish funds (similar to insurance fees) to enable mutual crediting in times of need. It is cheaper than borrowing from the IMF.

FOREIGN EXPERIENCE

US The U.S. would not have become one of the world's most powerful economies if it had 50 states with separate currencies.

MT The people of Malta used the euro as a shelter from the crisis storm: "Without the euro, Malta would probably be doing much worse than Iceland today: we would be bankrupt. The Maltese lira was stable but had left Malta vulnerable to foreign exchange fluctuations."²

%

- Slovakia borrowed during the crisis on relatively favourable terms (4% per year or less for 10 years)
- Finland – 1.5% per year on 10-year bonds
- Germany – 1.2% per year
- Meanwhile, during the crisis, Latvia could only get loans with a 10% and greater interest rate or use the IMF's "Rapid Credit Facility".

Euro Adoption will not Increase Prices

 **Eur 1,42**

 The draft law for joining the Eurozone also includes a price control mechanism that follows the "carrot and stick" approach, praising honest merchants and using sanctions against the rest.

 The switch to the euro is planned to pass, using the exchange rate of the Bank of Latvia – 0.702804 lats for one euro. The prices will be numerically greater, but so will the wages, pensions, benefits etc.

FOREIGN EXPERIENCE

 None of the five newest Eurozone states experienced a significant price increase. After adopting the euro, the prices don't grow more than a 0.2-0.3% due to the expenditures of technical implementations. Those are 2-3 santims per every 10 lats.

 In Estonia, the price increase stood at 0.3%, which is rather insignificant, compared to the 4-5% increase that was experienced because of the global food and oil price rise.

 **IN COMPARISON:** a month-long period of heavy rain or drought in Russian cornfields causes a much greater price increase than the adoption of the single currency.

Euro Means Smaller Debt Servicing Costs for Latvia

 By adopting the euro, Latvia will save an average of 90 million euros annually for paying back its debt.

NB! Every Lats will be Exchanged. The Euro Adoption is NOT a Monetary Reform

 Every lats will be exchanged – not a single one will be lost.

 It will always be possible to exchange money in the Bank of Latvia – even after ten or more years. Other banks will exchange money free of charge for six months.

 Adoption of the euro will not make wages or savings lose their value as was the case with the introduction of lats.

After introducing the euro, credits in lats will become cheaper


 During times of economic uncertainty, the rate for lats used to skyrocket. As a result, the monthly credit payments in lats occasionally could rise as much as 3-4 times from, say, 150 lats to 500 lats.


 Thanks to the stability of the currency and lowered risks, the credit rates in euros will be smaller than those in lats. Whereas credits in lats will become cheaper after joining the Eurozone.

Euro Adoption Will End the Speculation about Devaluing Lats


 "The ghost of devaluation scares ourselves and drives the investors away from Latvia!" These periods of speculation have been barren; they paralyze the economy and manufacturing. Time is lost as well as income and jobs. The euro banishes this ghost.


Euro Does Not Mean a Loss of Identity

 Latvian euros will feature a silhouette of a Latvian folk-maid and the coat of arms of the Republic of Latvia.

 The edge of the two-euro coin will feature the first line of the Latvian national anthem.

FOREIGN EXPERIENCE

 Neither Germans, nor French, nor Estonians have lost their national identity by replacing Deutschmarks, francs and krooni with the euro.

 The euro adopted in the Vatican City has not lessened the identity of the microstate.

¹ Finance sector excluded
² (23 January 2009; (c) Reuters Limited) by Prime Minister Lawrence Gonzi