

Latvia becomes 18th state to join the eurozone

Latvia has begun the new year by joining the eurozone, becoming the 18th member of the group of EU states which uses the euro as its currency.

The former Soviet republic on the Baltic Sea recently emerged from the financial crisis to become the EU's fastest-growing economy.

Correspondents report much scepticism in the country after recent bailouts for existing eurozone members. But there is also hope that the euro will reduce dependency on Russia.

The government and most business owners also welcomed the single currency, saying it would improve Latvia's credit rating and attract foreign investors.

However, some opinion polls suggested almost 60% of the population did not want the new currency.

Leonora Timofeyeva, who earns the minimum wage of 200 lats (£237; 284 euros; \$392) per month tending graves in a village north of the capital Riga, said: "Everyone expects prices will go up in January."

[...]

The governor of the Latvian central bank, Ilmars Rimsevics, said: "Euro brings stability and certainty, definitely attracting investment, so new jobs, new taxes and so on. So being in the second largest currency union I think will definitely mean more popularity."

Alf Vanags, director of the Baltic International Centre for Economic Policy Studies, told Bloomberg news agency he personally did not like giving up the familiar lats but it was an "entirely irrational sentiment".

Euro adoption was good for Latvia "on balance", he argued, since it provided a mutual insurance policy that countries could draw on when they got into trouble.