EUROPEAN UNION ACADEMIC PROGRAMME
HONG KONG

EU BUSINESS NEWS & INSIGHTS

Latvia becoming 18th state to join the Euro

Latvia has become the 18th member state which adopted the euro on 1st January 2014. The euro replaces the Lat as the currency of Latvia, at the exchange rate of 1 EUR to 0.702804 LVL. Public opinion in Latvia is mixed about this move. While some believe that being part of a huge European market is important, others have concerns over the prospect of inflation and the loss of monetary autonomy.[1] However, the governor of the Latvian central bank commented: *"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."*

Like other Eurozone countries, Latvia was hard hit by the financial crisis in 2008-9 and experienced a shrinking of GDP by nearly a quarter over the two years. Although the international bailout has saved Latvia from bankruptcy, the country needed to implement stringent austerity measures. Nevertheless, Latvia's economy has bounced back in recent years with GDP growth of 5 percent in 2011-12 and an expected growth of 4 percent in 2013.[2] On 5 March 2013, Latvia formally requested to join the euro, which was approved by the EU Finance Ministers on 9th July. It is believed that Latvia's step will deliver a positive message about the prospect of the euro in general.

Read more about the topic:

1) http://www.bbc.co.uk/news/world-europe-25567096
2) http://www.eubusiness.com/news-eu/latvia-economy-euro.sp0

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Europe in 2014

In 2013, Europe's economy experienced various challenges, especially in the first half of the year before it became stabilized. Recent statistics show that the GDP and employment figures are improving. There is growing optimism about the outlook of the European economy in 2014. It is important to note several events or factors in 2014 which would affect the EU policy-making.

European Parliament Election

In May 2014, there will be an election for the MEPs in the European Parliament. Politicians and media are particularly concerned with this election due to the growing popularity of anti-establishment parties. If these parties will manage to win more seats, this will have significant impact on EU policy-making.

Change of Leaders of the EU Institutions

In 2014, there will be a change for the presidency of the Commission, the presidency of the European Council and the presidency of the Parliament. At this stage, there are different speculations about the potential candidates of the various posts but it is still highly uncertain who will obtain these positions.

Member States

It is also important to watch the political and economic situation of the EU member states. France, Italy and Spain are still struggling to boost their economies, to create more jobs and to reduce debt. It is questioned whether the new German coalition government between Angela Merkel and the Social Democrats will pursue a more "socialist" economic model, with more spending on social welfare and better labor protection regimes. In 2013, the UK has announced its intention to renegotiate its relationship with the EU, and the year 2014 seems vital for this negotiation.

EU Commissioner visiting Hong Kong

EU Commissioner for Internal Market and Services, Michel Barnier visited Hong Kong on 2-4 January and had meetings with the key representatives of the business and trade sector and Hong Kong government officials.

He emphasized the need to ensure the interoperability of financial regulation in the EU with that of other

Romania and Bulgaria EU migration restrictions removed

On 1st January 2014, transitional restrictions on the citizens of Romania and Bulgaria were lifted as the 7 years transitional period since both countries joined the EU on 1 Jan 2007 just ended. Previously, nine EU member states, namely Austria, Belgium, France, Germany, Luxembourg, Malta, Netherlands, Spain and the UK[1], imposed different measures to regulate the right of Romanian and Bulgarian citizens to work in their countries.

In the meantime, anti-immigration sentiment increased due to the high unemployment rate in the EU and there is a concern over "welfare tourism". The Romanian and Bulgarian authorities indicated that there would not be a mass outflow of citizens to other EU member states as many of those who wanted to leave the country had already done so. European Commissioner for Employment Laszlo Andor also affirmed that a major increase of immigrants after ending the restrictions is unlikely.[2]

The exact impact of ending the restrictions is not certain, but some of the EU member states, for example the UK, are tightening their benefit rules to avoid welfare tourism.[3]

Read more about the topic:

1) http://ec.europa.eu/social/main.jsp?catId=508
2) http://www.eubusiness.com/news-eu/romania-bulgaria.sor
3) http://www.bbc.co.uk/news/world-europe-25565302
4) http://www.eubusiness.com/news-eu/germany-romania.spc
5) http://www.spiegel.de/international/europe/german-labor-statistics-for-romanian-bulgarian-immigrants-inconclusive-a-942177.html
6) http://www.economist.com/news/europe/21592673-rich-eu-countries-fret-about-social-benefits-tourism-after-lifting-restrictions-free

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