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Address by H. E. Dr. Vaira Vike-Freiberga, President of Latvia, at the opening of the Georgian Latvian Business Forum, Tbilisi, October 5, 2005

Mr. President,
Excellencies,
Entrepreneurs,
Ladies and gentlemen,

I am very pleased to open this Georgian-Latvian Business Forum together with President Saakashvili, a man for whom I have great respect. I would like to thank the Georgian National Investment Agency and the Latvian Investment and Development Agency for helping to organize this important event. Today's meeting has brought together an impressive number of Latvian and Georgian participants, which indicates that there is a great interest on both sides for expanding our economic co-operation and implementing joint plans and projects.

I am glad to note that on a political level, the bilateral relations between Latvia and Georgia are developing in a constructive and friendly atmosphere, and are providing the basis for even closer political and economic co-operation between our two countries. Although a considerable geographical distance separates Latvia and Georgia, this is not an insurmountable barrier for strengthening our future ties. Earlier today our two countries signed two agreements that are sure to promote the establishment of closer links between our nations. One agreement concerns the promotion and reciprocal protection of investments, while the other concerns economic, scientific, technical and cultural cooperation.

Mr. President,

We are glad to acknowledge that Georgia's economic growth, which has been fuelled by foreign direct investment in strategically important oil and gas pipelines, has considerably picked up during the last few years. We sincerely hope that the promising perspectives for Georgia's economy, as well as the ambitious reform plans undertaken by the Georgian government following the Rose Revolution of 2003, will help to sustain and further Georgia's economic growth.

Georgia's fast growing economy, its macroeconomic stability, and its advantageous geographical location are making Georgia an attractive place to do business for Latvian enterprises. The large size and the high level of representation of the Latvian business delegation here today is a sign of Georgia's increasing appeal for Latvia.

Accompanying me on this visit are business executives from such sectors as banking and finance, energy and infrastructure, logistics, information technologies and others.

There is great potential for increasing the level of economic co-operation between Latvia and Georgia. Some promising fields besides the ones I have just mentioned include telecommunications, food processing, insurance, trade, construction and tourism. Latvia can also offer Georgians a high quality, Western-style education at its institutions of higher learning.

Latvia and Georgia now enjoy a beneficial visa regime. Since this year Latvians no longer require visas to travel to Georgia and Georgians are offered Latvian visas free of charge. Latvia is planning to open an Embassy in Tbilisi in 2006 and I am sure that this will lead to closer co-operation between our two countries. In addition, the Latvian national airline company AirBaltic whose President Mr. Flick is also here today is considering starting direct flights between Riga and Tbilisi, which would vastly improve connections between our nations.

Mr. President,

Since regaining its independence in 1991, Latvia has made the successful transition from a centrally planned Soviet system to a free market economy, and from a former captive nation to a parliamentary democracy. During the last fifteen years, Latvia has carried out far-reaching reforms and has been sharing its experience of transition and European integration with Georgia, as well as with other countries that have experienced a similar history and share similar goals.

In the spring of 2004, Latvia became a full member of the European Union and NATO. These events had a positive impact on the economic development of my country.

Currently Latvia has one of the fastest growing economies in the European Union. Between 2001 and 2004 Latvias gross domestic product grew by an average of 7.6% per year. This figure reached 8.5% last year and grew still further to 9.5% during the first half of 2005. These high growth rates have been achieved thanks to stable domestic demand and thanks to the ability of Latvian companies to expand their export markets.

Latvias economic growth has taken place in a stable macroeconomic environment that has been sustained by the stability of Latvias national currency the lat, which was reintroduced in 1993 and has been pegged to the euro since January of this year. Latvia is planning to join the Euro zone in 2008 and already complies with the majority of the Maastricht convergence criteria.

I would like to note that Latvias annual rate of inflation did not exceed 2.3 % for several years.

However, last years inflation rate was influenced by soaring oil prices in the global market, the strengthening of the euro, increasing internal demand, and other factors that brought up the annual rate of inflation to 6.2% in 2004. The current rise in international oil prices is putting additional pressure on our inflation rate and will have to be dealt with at a global level.

In terms of trade and investment, the 24 other member states of the European Union are Latvias main economic partners. In 2004 almost three quarters (74%) of Latvias exports went to the EU countries. The main Latvian trading partners are Germany (14%), Lithuania (11%), Russia (8%), Sweden (8%) and Estonia (8%).

I am pleased to note that last year Latvias foreign trade turnover with Georgia increased 2.3 times compared to 2003, and that in the first half of 2005 Latvia s exports to Georgia rose by almost 70% compared with the same period last year.

Although the total volume of trade between Latvia and Georgia remains comparatively small, we hope that similar positive trends will continue in the coming years.

The low level of government interference in Latvias business and investment environment, A grade credit ratings and favourable business conditions that include a 15% corporate tax rate, have all helped Latvia to attract a considerable amount of foreign direct investment. By the end of 2004 Latvia had accumulated around 3 billion USD (2.3183 billion LVL) in foreign direct investment, which comes to almost 2000 USD per inhabitant. More than 60% (61.3%) of this foreign direct investment has been from the EU. Our largest investors are from Germany, Sweden, Denmark, Finland, the USA, the Netherlands and Estonia.

Although Latvia is still a net recipient of foreign direct investment, our entrepreneurs are interested in establishing joint ventures, in creating partnerships, in working on joint projects and in opening representative offices abroad.

Latvia is politically secure and is now open to the richest markets in Northern Europe. Thanks to its geographic location, Latvia can serve as a link between east and west, and between north and south. Latvia could help Georgian producers to enter new Western markets with their products and raw materials. Latvias three largest ice-free ports are endowed with very cost-efficient and well-developed infrastructures. There is still room for even greater flows of trade and transit to fill the capacity of our roads, railroads, ports and warehouses and I hope you will assess Latvias advantages favourably.

The Latvian banking system has become a dynamic mediator for the flow of finances in the international marketplace. Besides such reputable Latvian banks as Hansabanka, Parex, Aizkraukles banka and the Baltic Trust Bank, which are represented here today, the arrival in Riga of a number of respectable foreign banks has contributed to the development of the Latvian financial services sector, which generates over 5% of Latvias GDP. Banking is important for creating a good investment climate and I hope that Latvian and Georgian representatives of the banking sector will find common interests during their meetings here.

Mr. President,

I sincerely hope that this Latvian state visit to Georgia will help to strengthen and to diversify the economic partnership between our countries, that it will provide new impulses for future co-operation and that it will generate new and beneficial partnerships between our entrepreneurs.

I extend a special thanks to our Georgian hosts for their warm hospitality. It has truly been a great pleasure to be here, and I wish you all success and good fortune in your business activities.