



Latvijas Republikas Valsts prezidenta kanceleja Prezidenta preses dienests

Pils laukums 3, Rīga-50, LV-1900, tālr. 7092122, fakss 7320404,
prese@president.lv, www.president.lv

Address by H.E. Dr. Vaira Vīķe-Freiberga, President of Latvia, at the Academy of Public Administration, Chisinau, Moldova, April 4, 2006

Latvia and Moldova: Facing the Challenges of the Modern World

Madame Rector,

Thank you for those kind words of introduction.

Excellencies,

Ladies and gentlemen,

It is a genuine pleasure for me to be addressing Moldova's future state administrators at Chisinau's Academy of Public Administration. As graduates of this institution, your role in shaping Moldova's future course of development will be a crucial one. You will be responsible for ensuring the good governance of your country. You will be responsible for the progress that your country is able to make. And good governance, along with the rule of law, are the foundation stones for building a free and prosperous nation, and for carrying out all of the economic and political reforms that Moldova has undertaken. But as you know full well, good governance is not easy to achieve. Goethe said already 200 years ago: "to rule is easy, to govern is difficult."

The European Union's Security Strategy, for its part, states that "the best protection of our security is a world of well-governed states," and for good reason. As a rule, poorly governed states tend to be less stable, less secure and less prosperous. Fifteen years ago, Latvia and Moldova succeeded in throwing off the yoke of Soviet totalitarianism. We took on the responsible task of governing ourselves and chose our own paths of development, our own structures of governance.

When Latvia regained its independence in 1991, it embarked on the path of integration into pan-European and Transatlantic structures. This path was far from easy. Indeed, it was fraught with difficulties and major challenges. It involved the implementation of unpopular decisions for the sake of the overall good of the country. It took political courage to take such decisions. By 1995, Latvia's real GDP had fallen by almost one half of what it had been at the end of the Soviet period. Employment had decreased by a quarter and GDP per capita had dropped by more than 40%. These were very difficult times indeed. But the reforms started in that time and carried out ever since were not in vain, and are now paying off handsomely. Latvia became a full member of the European Union and the NATO alliance in 2004, and currently we have the fastest-growing economy in the whole of Europe. Last year our GDP growth rate surpassed 10% and we expect to continue such growth rates in the years to come.

We are seeing every evidence in the two years since accession that EU membership has been very beneficial for Latvia. That is why, as one of the European Union's newest members, Latvia believes that the EU should develop closer ties with its eastern neighbours, including Moldova. This is a priority for the European Union, which has adopted a new European Neighbourhood Policy, the so-called ENP, just for this purpose. The ENP provides the opportunity for closer cooperation between the EU and its neighbours in a variety of fields. These include trade, transport, energy, research, environmental protection, justice and internal affairs.

The 25 EU member states are inhabited by 450 million people. This comes to about half of the population of the member states of the Council of Europe, of which Moldova is also a member. Yet from an economic perspective, these 25 EU countries account for 90% of Europe's wealth, a disproportionate share of the wealth of our continent. This shows that there are very large gaps and differences between the levels of economic development in different parts of Europe. One of the European Neighbourhood Policy's goals is to reduce these differences, and to prevent the creation of new dividing lines between the EU member states and their neighbours.

This ENP plan offers many potential benefits for Moldova, including, eventually, preferential trade status and greater access to the EU's internal market, as well as increased technical and financial assistance. Just as importantly, the ENP offers Moldova an opportunity to participate in EU political discussions.

The European Union, however, is far more than a mere instrument for economic cooperation. It is also a union of countries that share the same overarching values. These values are, of course, freedom, democracy, the rule of law and the respect for human rights. We welcome the fact that this community of values extends far beyond the borders of the EU. That is why the EU is ready to support Moldova not only in its economic reform processes, but also in Moldova's endeavours to strengthen the capacity of its state institutions, to provide good governance, and to invigorate its civil society.

For the most part, the EU and Moldova share the same practical interests. We are seeking to create stable, secure and prosperous societies. And all of us together are facing the same 21st-century challenges in an increasingly globalized world. We face the same common threats to our security, including terrorism, the spread of weapons of mass destruction, illegal immigration, organized crime and trafficking of narcotics and human beings. We have to face up together to the spread of disease and to environmental degradation. No single country alone is capable of surmounting these pressing problems all by itself.

Excellencies,

Ladies and gentlemen,

Latvia feels a particular affinity with Moldova, in part because both of our nations share a similar history in many ways. Each of our small nations has had to struggle to maintain its language, culture and identity under the threat of brutal foreign occupations. Each of our nations has successfully shaken off the yoke of totalitarianism. And each of our nations has undertaken significant social, economic and political reforms.

We in Latvia understand full well the difficulties that the people of Moldova are facing and we support the reforms that you have courageously undertaken. We underwent similar difficulties not so long ago and we are ready to share with your country our own experience of reforms. Latvia is eager to see Moldova develop as a prosperous and democratic nation. We will stand by you and are also ready to assist you in your efforts to establish closer ties with the Euro-Atlantic community.

I should add that starting from May the 1st of this year, Moldovan citizens wishing to visit Latvia will no longer have to pay any visa processing fees. This welcome measure will make it much easier for our countries to strengthen their ties not only at the political level, but at the individual level as well.

Regarding the long-standing conflict of the Transdnestr region, Latvia fully supports Moldova's aspirations to re-establish its territorial integrity in a peaceful manner. As a member of the European Union and the NATO alliance, Latvia will continue to mobilize international support for a timely and peaceful resolution of this important issue.

Latvia also strongly supports Moldova's endeavours to strengthen its ties with NATO. At the same time, we respect your choice to remain a neutral country. Since the end of the Cold War, NATO has successfully changed its orientation and has broadened the scope of its

activities far beyond Europe. NATO is providing a stabilizing, peacekeeping influence in Afghanistan, NATO's Response Force (NRF) was able to deliver rapid aid to Pakistan following last year's devastating earthquake. NATO's resources are now also being used in peacetime to provide security at international sports events. NATO AWACS helped to protect the Winter Olympic Games in Turin and will patrol over the World Cup in football later this year in Germany. However, we do hope to host the World Hockey Championship in Riga in May of this year without NATO support.

Latvia sees the NATO alliance as indispensable for maintaining international security, and for dealing with such modern-day threats as the proliferation of weapons of mass destruction, the outbreak of regional conflicts and the spread of terrorism. We will only be able to overcome these new, 21st-century challenges to our security if Europe and North America are able to join their efforts. I have no doubt that NATO's Individual Partnership Action Plan for Moldova will provide new opportunities to enhance our partnership and provide an added impetus to Moldova's reform processes.

Excellencies,

Ladies and gentlemen,

Although Latvia has benefited greatly from its accession to the European Union, the union itself faces some serious problems. While it is true that the European Union's older member states enjoy the highest standards of living in the world, we are now faced with the paradox that the EU's notable achievements have made Europeans, in a sense, the victims of their own success. The Union's older member states have established generous social support systems that are extremely costly to maintain and that will be untenable in the long term, particularly if Europe continues to experience low population growth – and if the proportion of old-age pensioners continues to increase as it is now doing in most countries in Europe.

Insufficiently flexible labour markets, along with a complex regulatory environment and taxes that are too high, are also driving companies out of the EU's older member states. The result in some countries is high unemployment, stifled economic growth, strained social support and health care systems, and rising dissatisfaction among the EU's citizens. The recent protests in France that we have seen on television are a visible sign of this discontent. That is why the EU's older member states will have to display a greater degree of commitment in the implementation of a whole series of urgently needed reforms. But as you have noticed, reforms are not always popular. Indeed, it can be very difficult to convince populations that they truly are necessary.

For Latvia and other newer EU members in the east, the main priority is to catch up their western neighbours and to attain their standard of living. So far, we have made tremendous progress and up until recently, our low labour costs provided our enterprises with a notable competitive advantage. But with the opening up of labour markets in the West, tens of thousands of Latvians and hundreds of thousands of other Eastern Europeans have left their native countries and found better-paid jobs in such countries as Ireland and the UK. Other countries as well are now opening their doors to the influx of workers.

In Latvia and in Lithuania, this departure has already resulted in a labour shortage, notably in such fields that are currently very active, such as construction. There is a great deal of construction going on in our country, but the wages in Latvia are still not as high as the wages in the richer countries of the EU. Now we are hearing discussions about the merits of inviting guest workers from neighbouring countries to work in our countries, but this presents a potential source for problems of social integration.

Clearly, neither Latvia's nor Moldova's long-term development strategy can be based on natural resources or on cheap labour. Latvia's response has been to develop its knowledge and innovation-based activities. We wish to create a knowledge society, to uptake new technologies and to ensure the production of high value-added products.

But as we steadily move forward, we also want to be sure that our friendly neighbours to the east and south of us, such as Moldova, also attain progress. You, the future graduates of this Academy of Public Administration, you will have a great responsibility in ensuring that this happens, and I wish you every success in your careers and every success in making a difference for the welfare of your country. Certainly, Moldova as a country can count on our assistance in every way, but ultimately Moldova will be built by the hearts and souls and commitment and hard work of Moldovans. I wish you well.