



## Latvijas Republikas Valsts prezidenta kanceleja Prezidenta preses dienests

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### **Address by H. E. Dr. Vaira Vike-Freiberga, President of the Republic of Latvia, at the Finnish - Latvian Business Forum, Helsinki, Finland April 26th, 2006**

Madam President,  
Excellencies,  
Entrepreneurs,  
Ladies and gentlemen,

I am pleased and honoured to address this prominent Finnish – Latvian business audience and I extend my thanks to everyone who helped to organize this important event here in Helsinki.

Finland has traditionally been one of Latvia's most important trading partners, with trade links between Latvian and Finnish ports going back several centuries. I will add that the architects who worked in Latvia's capital city of Riga about 100 years ago were heavily influenced by Finnish architecture. This is reflected in many of Riga's most beautiful Art Nouveau buildings. Despite the devastation that Riga experienced during the two world wars, Riga remains a world leader in the number of Art Nouveau buildings that are still standing. Now, when I look at some of the wonderful edifices here in Helsinki, I feel as if I were back in Riga and I am sure that the reverse is also true for Finns who come to visit Latvia.

Since the reestablishment of Latvia's independence in 1991, our two countries have developed a very close and friendly relationship. This relationship is based on a similar understanding of past historical events, on our adherence to the same values and ideals, on a common vision of the Baltic Sea region, and on a shared view of the global challenges that we face together.

A new period of flourishing business ties has arisen between Latvia and Finland. The trade relations between our two countries have been growing intensively, particularly since Latvia's accession to the European Union in 2004. Finland is among the 10 largest investors in Latvia, with Finnish companies having invested in practically all of the most important sectors of Latvia's economy. These sectors include telecommunications, banking and insurance, forestry, construction, retailing and the food industry. We are especially pleased by the quality of Finnish investments, which are helping to create new jobs, as well as strengthen Latvia's export capacity and provide added value to our economy. Between the years 2000 and 2005, Finnish foreign direct investment in Latvia more than doubled. Currently Finland is the seventh largest investor in our country in terms of accumulated investment.

Madam President,  
Distinguished guests,

As members of the European Union and as neighbouring countries that form part of the Baltic Sea region, we are interested in seeing this region develop into one of the most dynamic areas of Europe and indeed, the whole world. But in order for this to happen, we must actively implement various projects and initiatives of common interest, such as

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Northern Dimension, the Baltic Electricity Ring, and the development of regional gas networks that include the use of Latvia's storage facilities for natural gas. The construction of a new North European Gas Pipeline in the Baltic Sea, agreed upon by Germany and Russia, is a highly sensitive issue for Latvia and all of Europe.

In any case, the promotion of cross-border collaboration through the implementation of various EU programs would help to establish a solid basis for an even stronger business exchange.

During the coming years, one major challenge for all of Europe, as well as for the Baltic Sea region, will lie in reducing the large economic disparities that still exist between the EU's older and newer member States, and to do so as rapidly as possible. The effective use of EU structural and cohesion funds should help to lessen social and economic inequalities, and facilitate the adoption of new technologies in the EU's newer member States.

I would like to point out that the EU's new member states – where wages are generally lower, but growth rates are high – might provide the needed stimulus for Europe to increase its competitiveness. I firmly believe that if Europe is to keep prospering, then the basic principles of a free market economy and open competition must not be compromised. The free movement of persons, goods and services must be secured within the European Union. I congratulate Finland on its decision to conclude the transition period for the free movement of labour. Only under such conditions can the economic and social development of each and every member country be assured, and only on that basis can the EU hope to be truly competitive on a global scale.

In spite of its relatively small size, Finland has achieved a tremendous success in improving its competitiveness and in becoming a world leader in this respect. Latvia is very much interested to learn from the Finnish experience. We would like to learn how to promote certain sectors of our economy. We would like to create brand-name products that are known worldwide. We would like to produce a greater volume of goods and services with high added value. We certainly support Finnish proposals to create joint innovation parks in Riga.

Madam President,

I am pleased to note that since the year 2000, Latvia's GDP growth has averaged at between 7 and 8 percent per annum, and last year it increased by more than 10%. Latvia is currently experiencing the highest economic growth rate in all of Europe. More than 70% of Latvia's industrial output now comes from the private sector and around 70% of Latvia's trade is linked to the EU. This remarkable turn-around from an imposed, Soviet planned economy has been accomplished in record-breaking time.

Latvia's accession to the European Union and to the NATO alliance two years ago had an extremely favourable impact on Latvia's economy. It has also created unprecedented opportunities for Finnish entrepreneurs and investors to do business in our country. Latvian companies have also found the Finnish market to be an attractive place for doing business, which is reflected by an increase in our exports to Finland that surpassed 80% (83%) last year, compared to the year before, as well as by the steadily increasing flow of goods between our countries.

In 2005, Finland was the ninth largest export market for Latvia and the seventh largest provider of imports into our country. Despite the fact that Latvia has a negative trade balance with Finland, we hope that the rapid growth in our exports will help to redress this imbalance and improve Latvia's comparatively large current account deficit, which reached 12.5% in 2005. We are encouraged by the fact that during the years 2004 and 2005, our overall export rate more than doubled compared with the two previous years of 2002 and 2003[1].

One of the best indicators for measuring a country's economic development potential is investment growth. Latvia's accumulated foreign direct investment (FDI) has doubled every 3 to 4 years since the early 1990s. Since Latvia has joined the EU and NATO, we have experienced a considerable increase in foreign investment and we expect much more to come. The accumulated FDI in Latvia amounts to almost 4 billion euros, or 30 percent of Latvia's GDP. A fact that speaks for itself is the "A" grade credit rating awarded to Latvia by leading international agencies.

In short, while economic relations between Latvia and Finland are already a success story, we still have a lot to offer to Finnish investors and entrepreneurs. Some of our main comparative advantages include our qualified and motivated labour force; an attractive tax regime with a low, 15 percent corporate income tax rate; and a growing, dynamic economy.

For those who have not yet decided about doing business in Latvia, I would like to note that more than 360 Finnish companies are already established in my country. I will mention a very few names familiar to everyone in this room – Stora Enso, Sampo, Telia-Sonera, NESTE, Kesko, Stockmann, NORDEA, among many others.

Madam President,

I hope that today's business forum will have a positive impact on promoting tourism between our two countries. A tourism workshop introducing Riga and Latvia as a new meeting place in Europe will take place right after this opening session. I encourage everyone who is making vacation plans or who is considering starting a business abroad, to visit the representative office of the Latvian Tourism Development Agency in Helsinki on Mariankatu. The people there will be glad to help you find out more about our beautiful country and the opportunities it offers for business and leisure.

With the continued improvement in travel connections between our two countries, the number of Finnish visitors to Latvia is steadily increasing. There are now daily air flights between Finland and Latvia. The low-fare Ryanair company runs regular flights from Tampere to Riga, making Latvia even more accessible for Finnish travellers. New hotels are now opening almost every month in Riga, which, since the beginning of the year, also has a new multifunctional arena and will soon have a new conference centre in 2007.

I take this opportunity to remind everyone that two major international events will take place in Riga this year – the world ice hockey championship in May and the NATO summit meeting in November. I have no doubt that these events will provide additional indications of how far Latvia has come in the past few years.

Madam President,

Ladies and gentlemen,

It is clear that Latvia and Finland have a great deal to offer each other. I hope that the business meetings that take place during this visit will generate tangible results and that the flow of resources, trade and people between our countries will steadily increase. I wish you all success in your businesses and happiness in your personal lives.

[1]Latvia's average annual merchandise export growth rate was 14.9% in 2002-2003, while in 2004-2005 it was 32.3%