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Address by H.E. Dr.Vaira Vīķe-Freiberga, President of Latvia, at the Slovak – Latvian Business Forum, Bratislava, July 6th, 2006

President Gašparovič,
Excellencies,
Entrepreneurs,
Ladies and gentlemen,

It is a great pleasure for me to address the Slovak-Latvian Business Forum here in Bratislava today. I thank the Slovak Chamber of Commerce and Industry and the Latvian Investment and Development Agency for organizing this important business event.

As Mr. President just pointed out the potential for economic co-operation between Slovakia and Latvia has not yet been fully exploited and Latvia certainly is interested to extend its economic co-operation with Slovakia. Many Slovak and Latvian entrepreneurs showed a great mutual interest in establishing fruitful new contacts during your valuable state visit to Latvia in March of last year. I am certain that this business event in Bratislava will provide an excellent opportunity for our entrepreneurs to build upon the foundations that were laid in Riga a year ago, and to meet new potential co-operation partners.

This May, both of our countries celebrated the second anniversary of their accession to the European Union. Slovakia and Latvia can now exploit the advantages provided by a single market, as well as the free movement of goods, services, labor and capital in the EU's economic space, a free movement of course that is not 100% applied in practice yet but we are moving towards it. Gaining access to this expanded European market was important for business and joining the Union has certainly had a positive impact on Latvia's economic growth.

As many of you are already aware, Latvia now has one of the fastest growing economies in the world. Last year Latvia's GDP growth rate reached 10.2%, which is the highest in the European Union and the 5th highest in the world. During the first quarter of this year, our GDP increased by record high of 13.1%, which indicates that our economic growth promises to remain high in the near future as well.

Latvia is experiencing a steady increase in the value of its exports, as well as in the volume of foreign direct investment (FDI) in the country. At the end of 2005, FDI in Latvia amounted to around 4billion euro or 40 percent of Latvia's GDP. Around three quarters of these investments have been from the EU countries, including Sweden (13.9%), Germany (13.3%) and Estonia (9.4%), while about 9% (8.9%) has been contributed by Russia.

Latvia acknowledges that if the economies of the EU's member states are to be fully integrated, then joining the economic and monetary union represents an important step in that direction. Latvia pegged its national currency, the lat, to the euro in the beginning of 2005. My country already fulfils all of the EU's Maastricht convergence criteria, except for one, inflation, which has been fuelled by my country's rapid economic growth and which has surpassed 6% for the past two years. Latvia will need to reduce inflation in order to accede to the eurozone during the coming years.

Since joining the EU, Latvia, like Slovakia, has made it a priority to catch up with its western neighbors and attain their overall level of prosperity. In order to achieve long-term sustainable growth, Latvia is working on modernizing the traditional branches of its economy and on developing new, post-industrial knowledge-intensive sectors. I hope that today's business forum will make a notable contribution to these goals.

I would encourage the entrepreneurs of Slovakia to explore Latvia's strategic location at the crossroads between Eastern and Western Europe. Latvia's three largest ice-free ports are endowed with very cost-efficient and well-developed infrastructures and my country is well-equipped to serve as a growing centre of trade and transit, and logistics.

Mr. President,

Excellencies,

Ladies and gentlemen,

We in Latvia have been positively impressed by the achievements of Slovakia in transforming its economy, which *The Economist* recently termed as a "reform star of Central Europe." I hope that Slovakia's positive developments will continue and will bring further prosperity to your country.

I would like to express my particular admiration of the Slovak machine-building and automotive industry, which serves as an important engine of economic growth in Slovakia, and which has attracted a considerable amount of foreign investment. I hope that there are opportunities for co-operation between Latvia and Slovakia within this sector, and also in other branches with high added value such as ICT, financial services and tourism.

Clearly, the most important aspect of all lies in the development of people-to-people contacts. I am confident that that today's business forum will serve well in this regard. I also have no doubt that in the years ahead, more and more people from Slovakia will come and visit Latvia, and that an increasing number of Latvians will travel to your beautiful country for business and leisure.

I think, Mr. President, that your state visit to Latvia was very instrumental and I can only hope that this one will come with similar success. Also I would like to invite all Slovaks to come to enjoy the beautiful seashore of the Baltic Sea as I know that now lot of Slovaks are enjoying the sea in Croatia.

My best wishes to you all.