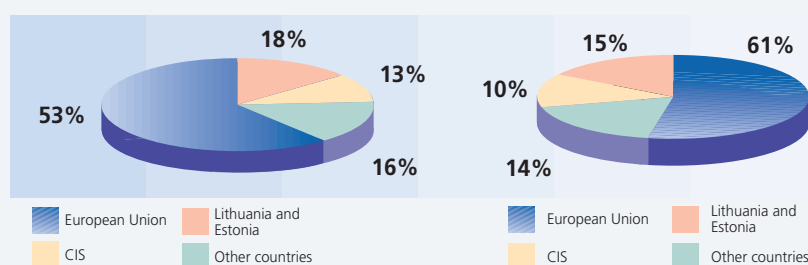


Foreign Trade balance

Exports and imports by groups of countries in 2002



Promoting Favorable Environment for Foreign Investors

Business environment is systematically being improved. Foreign Investors' Council in Latvia has been founded with the goal to foster dialogue between major foreign investors and Latvian authorities to improve the business environment and investment climate in Latvia. The Council works on a variety of issues. Steady improvements have followed in a variety of areas, including but not limited to: tax policy and tax administration, customs and border crossing, real estate business development, cooperation in anti-corruption efforts, development of skilled labour, improvement in the coordination of inspections, and enhancement of administrative capacity. The Commercial Law initiating a fundamental reform of business environment became effective in 2002.

The importance of dialogue between foreign investors and Latvian government is well recognised by international organisations such as the European Commission and the World Bank.

Evaluation from International Institutions - Positive

The trust of investing in Latvia is promoted by credit ratings awarded by the international agencies that have recognized Latvia's economic success. In 2002, Standard & Poor's upgraded Latvia's credit rating up to BBB+ for long-term loans in foreign currencies and up to A-2 for short-term loans, while Moody's raised Latvia's foreign currency ceilings to A2 and to Prime-1 for short-term bank deposits and notes. These upgrades reflect a reduction in the risks surrounding investment in Latvia and a belief in the country's future policies and development.

Future Prospects - Latvia should benefit from greater economic stability arising from NATO and EU membership

In future years, Latvia should benefit from greater economic stability arising from NATO and EU membership, the EU pre- and post-accession structural funds, further inflows of foreign investment, reduced economic and political risk factors and an improvement in the business environment.

The government has pledged to pursue fiscal policy that is consistent with the provisions of the European Stability and Growth Pact continuing with a low government debt ratio (currently around 15%), a consolidated fiscal budget deficit that is below 3% of GDP in the short-term and, in the medium-term, a balanced budget. The forthcoming accession to the Euro-zone will foster the preservation of a low inflation environment. On the basis of macroeconomic forecasts, inflation will not exceed 3% per annum in the medium-term, and the average price levels in Latvia and the EU will converge.

Better prospects for higher growth of exports are associated with the more effective conditions for the trade with the EU, with the government's plans to enhance export-supporting schemes, and the growth of Latvia's external competitiveness and productivity.