LATVIA

By Interfax-CNA

Latvia's GDP grew by 7.6% in 2001. There was growth of 10.6% in trade (which made up 18.8% of GDP), 9.5% in transport services, warehousing and communications (15.4%), 13.9% in commercial services (11.4%) and 9.5% in the manufacturing sector (14.9%). Pipelines carried 25% more crude oil and oil products. Freight turnover was up 12% by road, 10% at ports, and 7% by rail. Latvia's consolidated budget had a fiscal deficit last year of Lati87 million, or 1.8% of GDP. The fiscal deficit remained one of the sticking points at talks with the IMF.

Latvia's trade deficit widened by 18% last year to La945.2 million (US$1.00 = La0.641). Exports grew by 11.1% and imports by 13.8%. Timber and its products accounted for 34% of the exports, compared with 37.4% in 2001; metals and their products 12.7% (13.4%); textiles 14.1% (14%); and electrical equipment 6.4% (5.5%). Machinery and electric equipment accounted for 21.1% of imports (20.7% in 2000); transport means 9.4% (7.8%); mineral products 11.1% (12.9%); chemicals and related products 10.5% (10.6%); and metals and their products 8.3% (8.4%).

The Bank of Latvia forecasts GDP growth of 4.5% - 5% this year. The IMF expects Latvia will have the highest growth among the Baltic states that are candidates for membership of the European Union. Priorities for continued growth in Latvia are a balanced economic policy, completion of the privatisation of large enterprises, and devising a system to promote competition in the economy.

Latvia's small mining industry focuses on extraction of peat and industrial minerals . The country has a steel mill, Liepajas Metalurgs, which uses scrap metal and imported iron ore. Liepajas Metalurgs produces between 38,000 t and 42,000 t of mainly bars, nails and mesh per month.

In December 2001, the Latvian Privatisation Agency deemed the privatisation of Leiepajas Metalurgs to be complete. In December 1996, a deal was signed to sell 72% of the shares for La6.12 million to Agrosin PTE Ltd of Singapore. All of the shares were to have been paid for with privatisation certificates worth La2.2 million, however in April 1997, the controlling interest was sold on to Gesil Ltd, an Irish company which owns the shares to this day. The Irish company has invested more than stipulated. It has pumped in La5.27 million instead of an originally scheduled La93 million, increasing the steel mill's charter capital to La13.88 million. The rest of the shares have been sold to employees and retired employees, among others for privatisation certificates.

Latvia is still fully dependent on fuel imports. The situation could change if Latvia succeeds in starting commercial oil production. At the recommendation of the Geological Service, the Latvian Government has significantly expanded the territory in which oil exploration and production will be carried out. In addition, the government has developed a concept to set up a national oil production company, with the state's share in oil production amounting to not less than 10%. According to this concept, forecast reserves in Latvian territory and in the country's economic zone amount to not less than 250 million barrels.

In November 2001, the US-Norwegian joint venture TGS Nopec submitted a bid to receive a licence to search for oil in the Latvian zone of the Baltic Sea, to the Latvian Economics Ministry. The purchase of a licence will give the right to search for oil in Latvian territorial waters in the Baltic Sea, but does not give the right to produce oil. The licence to search for oil will be granted for two years and will cost La2,000 (US$1 = La0.631). The Economics Ministry may extend the term of the licence to five years.