



I EUROPEAN - LATVIAN ECONOMIC FORUM RESOLUTION

April 26, 2019 | Economic Forum ““Made in Latvia ”: Latvia's economic identity in Europe and the world” gave a unique opportunity to get acquainted with the TOP 11 most competitive economic sectors in Latvia in one place:

1. Information and Communication Technologies (ICT)
2. Chemical and pharmaceutical industry
3. Mechanical engineering and metalworking
4. Wood industry
5. Education services and education export
6. Transport and logistics
7. Global business services
8. Food industry
9. Green technologies and bioeconomy
10. Health care and social work services
11. Tourism services

Main opinions, proposals and conclusions of the Forum participants during the Forum:

- In the mechanical engineering and metalworking sector, Latvia is moving from redistribution of funds to earning - low-wage models are not sustainable, just as the economy cannot develop successfully only with traditional methods.
- The forest sector and the timber industry are the backbone of Latvia's economic stability, and it is important to highlight the sector's contribution to government revenue. The Baltic States are the center of the TOP 3 forest sector in Europe, they provide a high-quality and well-paid working environment (the level of wages in organized companies is close to 90% of the EU average wage) and create significant added value in the timber industry. This added value is made up of profits + wages + taxes + depreciation generated by a particular process, not an expensive or deeply processed product. In order to increase productivity in the sector, there would be transparent regulations - it should be taken into account that, for example, in Finland it is allowed to transport 60 tons of cargo, but in Latvia only 40 tons of cargo.
- Higher education is a Latvian export industry with rapid growth and high potential. The universities themselves have attracted more than 6,000 students from abroad without state support, not counting foreign students under the Erasmus mobility program. This generates around € 148 million in revenue, with direct and indirect distribution almost proportional. It is projected that in 2020/2021. Almost 18 thousand foreigners will study in Latvia during the study year.

- Aviation has the potential to become the backbone of the transport sector, as it already provides 2% of jobs and 3% of GDP in Latvia, Riga serves 60% of passengers in the Baltic States, while Tallinn and Vilnius serve 11% each. In the future, the number of routes and trips in Latvia is planned to increase.
- Benefits of a growing bioeconomy - jobs, economic and territorial development, national security. The primary production, processing and use of bio-resources covers 15 sectors, many of which will be followed by high-tech production and a sharp rise in exports, with the aim of growing from € 4,000 million to € 9,000 million.
- Exports of medical services deserved government support. Exports of health care services have a future, as evidenced by the growing number of health tourism participants and more than 2 million euros in revenue in 2016. The challenge in this area is how to implement cost-effective marketing measures in foreign markets and how to create the right pricing policy, as Latvia's low service prices raise suspicions of insufficient quality, while higher prices make foreigners disappointed by unequal treatment of customers.
- It is possible to create the image of Latvia in connection with the popularization of cultural heritage in the world - scholars have done a great job in introducing the world to prose and poetry created in Latvia.

The formation of Latvia's image in the economic context and the country's economic identity in Europe and the world were discussed in a panel discussion and the following findings were gained:

1. The driver of Latvia's economic development is entrepreneurship based on knowledge, scientific knowledge, high and medium-high technologies, which allows to produce innovative, high value-added products.

2. The task of politicians is to create an appropriate environment for achieving these goals, including the new tax system to stimulate the investment of both local and foreign funds in business in Latvia.

3. Increasing productivity levels is necessary for sustainable and balanced economic growth.

4. Economic identity adds value to the whole nation, as the economy is one of the driving forces of identity. The first pillar of economic identity is the individual characteristics of people in a given place, as it influences the creative process in the economy. Creativity, in turn, is necessary to ensure competitiveness, as it provides a solution to a situation that is considered unsolvable.

5. Working on economic identity in Latvia means being clear about what clearly indicates the difference in the country, so that the investor would be interested in a "Made in Latvia" product or service. If a product or service is associated with a certain region, it already forms the economic identity of the region.

6. It is necessary to make better use of existing natural resources, because Latvia has a lot of unused raw materials (for example, peat - bogs cover more than 10% of the country's territory and the total peat reserves reach 1.5 billion tons). Thus, by

resuming peat production, it is possible to create new jobs and promote energy independence.

7. The priority must be an inclusive society: the greater the ability of politicians to involve various organizations representing society in law-making, the more competitive such a society becomes and the more it contributes to economic growth.

8. In order to attract investors, it is necessary to make a stable and predictable tax and legal environment, to promote innovation and competitiveness. There is a tendency that investors are best willing to cooperate with start-ups that focus on innovative, creative ideas and talented people - investors have acknowledged that Latvia has the potential to become a start-up center in the region.

9. The national vision is Latvia as a smart country, whose components would be powerful technologies, smart and enterprising specialists and all technology users (more than 76% of Latvian households are connected to the Internet), networking that promotes cooperation between fields and experts, processed data society and economy.

10. Latvia has a world-class infrastructure, the country has a place in the TOP 10 of Europe and the world's fastest Internet, the share of value added of ICT sector companies in the gross domestic product is already 4.2%, the ICT sector has become the third largest exporter alongside timber and food.

11. It is important to develop a joint integrated ICT development plan at the state level - non-cooperation must be overcome, digitalisation of processes and innovations in public administration institutions must be stimulated. There is now a need for multidisciplinary teams to work so that the ICT sector can add value to other industries.

12. Latvia cannot be a land of cheap labor, it must continue to become a smart country. By adding digitalisation to traditional production and services, it is possible to create high added value and innovative products by gaining a foothold in the local and international market.

13. People in the regions could be retained through innovative production, which can be developed by investing part of the increased defense budget in local innovative companies rather than outsourcing the necessary products.

