Annual Report by the Minister of Foreign Affairs on activities performed and planned in national foreign policy and European Union matters

APPROVED:

Prime Minister
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The Report presents the characteristics and development trends of the international situation, principal directions in the foreign policy of Latvia in 2012, outlines the activities performed and planned for holding Latvia's Presidency of the Council of the European Union in the 1st half of 2015 and sets out priorities for 2013.

The foreign policy of Latvia in 2012 retained its succession and continuity. The foreign policy goals of the Government were laid down by the Declaration of the Intended Activities of the Cabinet of Ministers, by the foreign policy perspective during the tenure of the 11th Saeima (2011-2014) defined in the Foreign Policy Report for 2011 and by the ideas and recommendations voiced at the previous foreign policy debate in the Saeima regarding the implementation of Latvia's foreign policy goals.

**Characteristics and development trends of the international situation**

In 2012, the foreign policy efforts of Latvia were focussed on the European Union. The developments in the EU directly affected Latvia's growth opportunities. That is why Latvia actively defined and defended its vision on the EU's future. A further development of a closely integrated Union with a common area for trade and travel and a single currency corresponds to the interests of Latvia and like-minded states.

The evolution of the global situation with the increasing competitiveness of other regions, shortage of resources, economic and political interdependence of the European Union member states is an objective testimony to the need for Europe to consolidate efforts and to speak in the global arena with one internationally recognised voice.

Latvia is interested in seeing all the EU Member States in 2013 maintain unity and mutual solidarity and continue the required reforms in the field of financial stabilisation, which will guarantee in the long term a further action of the European Union as globally active and responsible player in the international arena.

Latvia is interested in the development of a predictable and stable international environment where issues are tackled in compliance with the principles of international law and shared political and economic interests.

An increasing interdependence of countries and regions in the global agenda matters such as the climate change debate, a limited character of resources, military and political conflicts, uncontrollable migration and other negative tendencies directly or indirectly influence Latvia as a participant in international processes.

One of the key factors of instability is the situation in the Middle East. Latvia's security is affected not only by the lack of unity in the international community but also by conflicts leading to a broader regional destabilisation, the threat of proliferation of mass destruction weapons, the increasing numbers of refugees and asylum seekers, and the energy resource prices, as well as facilitating radicalisation in society and spreading the threat of terrorism.
Therefore, it is in the interests of Latvia that conflicts are prevented and stopped in the region of the Middle East.

The year 2012 did not create prerequisites for progress in the Middle East Peace Process. Latvia believes that the continuation of direct negotiations between Israel and the Palestinian National Authority that would result in a two-state solution is the best framework for the stabilisation of situation in the region. It is in Latvia’s interests that the European Union, being one of the most important parties in the Middle East peace Process, speaks in one voice to address the conflict.

In 2012 the political crisis in Syria aggravated, hostilities increased. Neither the countries on the United Nations Security Council nor separate groups of states succeeded to secure a resolution that would cease violence and mass deaths of civilians. The Government of Latvia will also in future support decisive international action to end the conflict in that country and defence measures taken by Latvia's ally, Turkey, against any possible attacks from Syrian territory. On 12 December Latvia together with Baltic and Nordic countries recognised the National Coalition for Syrian Revolutionary and Opposition Forces as the legitimate representative of the Syrian people.

Lack of transparency about the aims of the Iranian nuclear programme continued raising concern among the international community. Negotiations that took place in various formats have failed to achieve Iran's cooperation in order to dispel uncertainty. The Government of Latvia advocates a concerted effort by the European Union in applying sanctions against Iran with the aim of returning to comprehensive negotiations among the states. Latvia, just as the rest of the international community, is not interested in the increase in the numbers of nuclear states.

Attacks on the embassies of the United States and other Western countries in the Middle East region and North Africa, terrorist acts in various regions of the world and incidents of similar character during the past year are proof to the topicality of terrorist threat to any country including Latvia.

Last year, measures for stabilising the situation in Afghanistan remained high on the bilateral agenda and that of international organisations. This is an essential matter for Latvia, its troops being part of the International Security Assistance Force (ISAF). As the end of 2014 draws near when the Afghan Government will have to assume major responsibility for the situation in the country, it is important to create prerequisites against Afghanistan's territory becoming a haven for international terrorism, and for growing of and trafficking in narcotic drugs.

At the same time, it is important to lay the foundation for Afghanistan's further political and economic growth and integration within international and economic system. One of the elements of integration could be the development of a trade route between Afghanistan and Northern Europe, including Latvia: work has already been initiated to this end by setting up
the Northern Distribution Network (NDN) – a transport route from Latvia to Afghanistan for the delivery of supplies for ISAF.

In future, when the delivery line is used for cargos of a commercial character, the NDN could become an important boosting factor for the economic development of Latvia. Latvian Embassies in Uzbekistan and Kazakhstan functioning as NATO Contact Point Embassies in the region have a potential for building expertise on the processes in Afghanistan and, through sharing their experience in democratisation, the rule of law and the introduction of civilian control over the military, contribute to the region’s development and stability.

The future development of Afghanistan after the completion of the operation in 2014 was the central topic at the Chicago NATO Summit. Latvia, along with other ISAF members decided to provide support to the training and developing of the Afghan National Security Force also after 2014. In order to support the Afghan Government in this task, the Government of Latvia has pledged readiness to contribute a yearly co-financing of USD 500 000 towards assistance to strengthening the Afghan army and police from 2015 to 2017.

In dealing with all the above mentioned issues, Latvia cooperated closely and coordinated its action with its allies in the European Union and the North Atlantic Alliance (NATO). Latvia's membership of these organisations, the strengthening and further development of which are significant elements in the enhancement of national welfare and security, remains a cornerstone of the foreign policy of Latvia.

The most important NATO event of the year was the Chicago Summit where the U.S. and its European allies reiterated their interest in a further functioning of an effective and modern alliance. The Summit also took a decision of major importance for Latvia, namely, to ensure the continuity of the Baltic airspace policing, which is proof to the significance of the solidarity principle among NATO members. Latvia will continue to provide its contribution to a further consolidation of the Alliance by gradually bringing defence spendings up to 2% of GDP.

The instability of the international situation reconfirmed the need for the U.S. and the European Union states to work on seeking joint solutions to problems of international importance. For the strengthening of the transatlantic link and enhancing its effectiveness it would be essential to identify initiatives the implementation of which would be in the interests of both sides. One of those would be taking forward the concept of a transatlantic free trade area.

Pressure on the national budgets of the European Union member states was one of the reasons behind the lack of progress this year in the adoption of the European Union's Multiannual Financial Framework for 2014-2020 as the interests of net contributors and net recipients, including Latvia, clashed.

Latvia, together with like-minded countries continued to protect its opinion that a balanced growth of the European Union calls for the convergence of living standards among various
EU member states and regions and maintaining at least the current level of cohesion funding, in view of the development level of Latvia's economy if compared against the EU average indicators. Latvia actively advocated the position that the direct payment system should be rendered fairer and stood for allocating funds towards the rural development policy in Latvia at least at the level of the current envelope for the 2007-2013 planning period.

Latvia's interest was targeted at maintain the status of the Baltic Sea Region as one of the most dynamic and fastest growing regions in Europe. Latvia is linked with those countries not only in geographical term but also by deep economic interests – those countries being Latvia's principal economic partners – a shared history, mentality, cultural affinity and ties in education.

The EU member states in the region continued supporting the development of a strong and united European Union as one of the motors behind the development of the Baltic Sea Region. They adhered to a common philosophy as regards the need to balance national budgets and called on other EU member states to tap into the experience of the region's countries in this field. Latvia's achievements in dealing with the crisis in 2012 had worldwide repercussions.

Latvia maintained the traditionally tight relations with its Baltic and Nordic neighbours characterised by close coordination in EU-related matters (especially with Lithuania and Estonia), including the multiannual budget, and shared views on topics of the international agenda, for instance, the reinforcement of the transatlantic link. Parallel to that, Latvia actively advanced relations with Germany and Poland.

Both the countries regard Baltic and Nordic states as close allies in formulating a common approach in regard to the future of the European Union. The model of Baltic-Nordic cooperation as a mechanism for coordinating opinions is also gaining interest in other countries, for instance, the United Kingdom. In 2013 Riga is to host the Northern Future Forum with participation of Prime Ministers from the eight Baltic and Nordic countries and the U.K.

The planned measures towards energy diversification in the region did not find further support. In a non-binding referendum, the residents of Lithuania turned down the idea of the Visaginas Nuclear Power Plant project. The Baltic states did not achieve an agreement on the location for building a regional liquefied gas terminal.

Russia is an integral part of the region. Latvia is interested in a democratic and stable development of the Russian Federation, which would closely cooperate with the European Union and NATO. The advancement of such a model would allow Latvia and Russia to strengthen dialogue in various sectors, even further enhancing the scope of economic contacts and links in tourism, culture and education.

1 For this report, include the Baltic states, the Nordic countries, Poland, Germany, Norway, Iceland and the Russian Federation.
The cracking down on civil society and violations at elections did not facilitate the building of mutual trust between the Russian Federation and its partners in the EU and NATO. The dialogue between Russia and its EU and NATO partners revealed differences of opinion as concerns addressing international problems. A particular tension was present on the issue of stabilising the situation in Syria.

Latvia is equally interested\(^2\) in a democratic and stable development of the EU’s Eastern Partnership countries and supports their efforts of building closer relations with the European Union. The establishment of a free trade area and a perspective for introducing a visa-free regime with these countries would create even better conditions for Latvia's traded relations with the region.

These countries show different progress in their dialogue with the European Union. Parliamentary elections in Belarus in 2012 did not proceed according to the OSCE standards, as the result of which the relations between Belarus and the European Union at the political level still remain frozen. Latvia is interested in a sustained dialogue with Belarus, the country being an important trade and transit partner. At the same time, Latvia believes that reinforcing democratic and market economy institutes in Belarus would open broader avenues for facilitating cooperation in various fields.

Differing evaluations by European Union member states regarding the democratic character of the parliamentary elections in Ukraine held in October prevented the EU from signing the Association Agreement between Ukraine and the European Union. Ukraine's European orientation is important for the security and economies of Latvia and of the euroatlantic community as a whole and, therefore, the Government of Latvia believes that the conclusion of the EU-Ukraine Association Agreement would be an effective means for advancing Ukraine's course of reforms and forging closer relations with the EU.

The opposition claimed victory in Georgia’s parliamentary election in October. The international community commended the peaceful transition of power in this country. Latvia will continue forging close relations with the new government and hopes that it will take forward the reforms in the country by focusing on future objectives and avoiding actions with a disruptive effect on domestic policy, and selective justice.

Moldova still is the front-runner in building relations with the European Union. It is anticipated that the country could sign an Association Agreement with the European Union in 2013.

No change was observed in the resolution of the "frozen conflicts" (Abkhazia, South Ossetia, Nagorno Karabakh, Transnistria). Stagnation, lasting for several years now, in dealing with those matters has a negative impact on the ability of certain Eastern Partnership countries to focus on carrying out vital reforms in domestic policy and economy, obstructs the process of their rapprochement with European structures.

\(^2\) Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine

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Foreign Policy Priorities of Latvia in 2012

The Annual Report by the Minister of Foreign Affairs on activities performed and planned in national foreign policy and on activities performed and planned in European Union matters approved by the Cabinet of Ministers in 2012 outlined the following foreign policy priorities:

- Active involvement by Latvia in deciding the future of the European Union;
- Pursuing Latvia's interests in drafting the European Union Multiannual Financial Framework for 2014-2020;
- Preparation for the Presidency of the Council of the European Union;
- Strengthening the dialogue with the Baltic states, the Nordic countries, Poland and Germany;
- Protecting Latvia's positions in major energy and transport infrastructure projects;
- Adopting decisions favourable for Latvia at the NATO Chicago Summit;
- Reinforcing strategic partnership with the United States;
- Building good neighbourly relations with the Russian Federation;
- Facilitating external economic relations;
- Support to Latvian nationals and compatriots living abroad.

The Ministry of Foreign Affairs in cooperation with other institutions has implemented the priorities defined in 2012 by working in the following directions:

Involvement in shaping the future of the European Union

In view of the evolving debate within the European Union framework on the need to secure a solid basis for the Union's political and economic growth, a number of documents were produced: three reports by President of the European Council Herman Van Rompuy on moving towards a genuine economic and monetary union, a European Commission report on the economic and monetary affairs and "The Report of the Future of Europe Group"3.

The position of Latvia in regard to those documents was determined by a conceptual vision of the European Union as an economically strong and politically stable union capable of protecting its member states’ interests in all areas in the global arena, whilst preserving the

3 Final Report by an informal group of EU Foreign Ministers (Austria, Belgium, Denmark, France, Italy, Germany, Luxembourg, the Netherlands, Poland, Portugal and Spain).

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European Union as a community of nation states in which Latvia, along with other countries, can retain its national foundations.

On the basis of Van Rompuy’s report, the EU heads of state and government at the European Council in October decided to move towards an integrated financial framework for the EU (including a banking union) as well as strengthening democratic legitimacy and accountability of decision-making and implementation thereof within the Economic and Monetary Union. In the EU’s Economic and Financial Affairs Council of 12 December 2012 an agreement was reached regarding proposals for a common system of the supervision of credit institutions in the eurozone. The accession to the mechanism would also be open for non-euro-area member states thus providing a possibility for Latvia to improve its framework for the supervision of credit institutions, which lies within the interests of our depositors. Latvia is in favour of creating a Banking Union that would include the following three elements: a single supervisory mechanism for credit institutions, a European deposit guarantee fund and a uniform resolution mechanism. A short-term priority in the process of the completion of EMU is to finalise and introduce the new legal framework for economic governance as well as ensuring that the single supervisory mechanism and, following that, the resolution mechanism is also put in place.

Upon acceding to the single European currency, Latvia wishes to see a stable and strong European Monetary Union, the completion of which would facilitate the reduction of socio-economic differences between the EU member states and regions.

In March, Latvia signed the Fiscal Compact (formally – the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union), which will promote budgetary discipline, strengthen the coordination of economic policies and improve the governance of the euro area, thereby facilitating sustainable growth, employment and competitiveness of the EU. Already before, when drawing up its budget, Latvia actually followed the principles defined in the Fiscal Compact.

At the European Council of 29 June 2012, Latvia supported the approval of the Stability and Growth Pact which provides for channelling EUR 120 billion towards measures bolstering growth and job creation.

During the discussions and decision making on the above issues Latvia strongly advocated the necessity of the involvement of national parliaments.

**The European Union’s Multiannual Financial Framework for 2014-2020**

The Multiannual Financial Framework of the European Union is an important element in the national economic development of Latvia, as it constitutes the major part of public investments. In compliance with the principle of solidarity in the European Union, Latvia aspires to improve the people’s living standards with the help from the
multiannual budget instrument, thereby reducing the difference from other EU member states and regions, as well as creating better preconditions for Latvian farmers in order to ensure an equal competition in Europe and the development of the agricultural sector in Latvia.

In 2012 the Ministry of Foreign Affairs in cooperation with other government institutions, sector organisations, and non-governmental partners worked towards an agreement on the EU’s multiannual budget for 2014-2020 that would reflect the interests of Latvia in negotiations. Regarding Cohesion Policy, the Government stood up for maintaining at least the current level of funding and the amount of allocations that would ensure the achievement of objectives and the implementation of priorities under the EU2020 Strategy.

As regards the Common Agricultural Policy, the Government advocated as rapid as possible convergence of direct payments by setting the minimum level thereof at the level of 80% of the EU average in order to ensure more fair and equitable direct payments to Latvian farmers and funding for rural development. Due to coordinated efforts a progress has been reached in pursuing Latvia’s priorities. The latest offer by the President of the European Council provides for exemptions to the capping of cohesion policy allocations for the countries which experienced a considerable GDP reduction during the crisis. Latvia also is among those. The most recent proposal also envisages an increase in direct payments.

Latvia’s institutions in close cooperation and coordination will continue protecting the interests of Latvia in budgetary issues and towards achieving a solution favourable for its national economies.

**Strengthening cooperation with the Baltic states, the Nordic countries, Poland and Germany**

One of Latvia’s goals was to continue a close cooperation with the Baltic states, the Nordic countries, Poland and Germany, seeking common platforms in shaping the future of the European Union, explaining and defending the position within the multiannual budget, as well as finding points of intersection for the promotion of foreign policy issues important for Latvia, for instance, the Eastern Partnership Initiative. The identification of joint solutions to the strengthening of energy security of the region’s countries still occupied an essential role in relations with the Baltic states.

The above objectives were pursued within the framework of regular political consultations at various levels: for instance, on 23 August Riga saw a visit from the Minister of Foreign Affairs of Germany Guido Westerwelle and in the end of November – from the President of Poland Bronislaw Komorowski, Vilnius hosted a meeting of the NB8 Foreign Ministers in September, the President of Latvia Andris Bērziņš visited Berlin in October, etc.

A high level of coordination was achieved among the Baltic states at different political levels and involving various sectors with the aim of pursuing common interests in the European Union, especially in matters related to the EU’s multiannual budget.
The traditionally close cooperation in the field of security policy retained its high intensity. A special emphasis should be laid on the cooperation between the National Armed Forces and the Nordic countries in Afghanistan.

**Security Policy**

Latvia's priorities for 2012 were to achieve favourable decisions in the NATO Summit in Chicago, namely, strengthening the allied solidarity, their rapid response capabilities and ability to effectively respond to any threat, ensure a long-term solution to NATO's patrolling mission of the Baltic airspace, facilitate a coordinated process of transferring responsibility in Afghanistan and increase the transit flow through Latvia, thus enabling a greater financial contribution to Latvia's economy. Holding military exercises with allies in Latvia and the region remains a priority.

The Saeima approved a new National Defence Concept and made a commitment to achieve that defence funding reaches 2% of GDP by 2020, which demonstrates Latvia’s ambition both to assume a greater responsibility for the defence of the state and to be an active and trustworthy ally in NATO.

A decision was taken in Chicago to extend, without setting specific time limits, the NATO Airspace Policing Mission in the Baltic states, which is a vital element in the visibility of the Alliance in the region.

To facilitate a meaningful involvement in the planning and implementation of NATO policy, Latvia and the Baltic Region regularly hosted military exercises by the allies, also with the participation of the U.S. personnel, such as *Saber Strike 2012* and *Baltic Host 2012*. Conducting exercises enhances the visibility of NATO and improves the interoperability of the allied armed forces.

Latvia continued its military involvement in Afghanistan. In further cooperation with the Nordic countries, Latvia, Sweden, Finland and Norway set up a joint Nordic-Baltic Transition Support Unit in Mazar-e-Sharif. The Baltic states expanded cooperation in the defence sector by enhancing the institutional framework of cooperation and launching new trilateral projects for the improvement military training and joint capabilities.

As the result of Latvia’s efforts, representatives from the Central Asian countries were invited to take part in the Meeting of NATO’s Heads of State and Government in Chicago, thereby facilitating the contribution of those countries towards a sustainable development of Afghanistan, including the sector of goods transportation.

To contribute to international security, Latvia launched projects supporting defence reforms and capacity building in the countries who wish to develop a closer cooperation with NATO and the EU or aspire to join NATO and/or EU, as well as the countries where Latvia’s National Armed Forces are currently engaged, or have been engaged in international operations.
Strengthening strategic partnership with the United States

Latvia's interests lay in a continued strategic partnership with the United States, in particular, in taking further economic contacts and thereby forging closer relations beyond the traditionally active links in the political dialogue and security policy.

The visit by the U.S. Secretary of State Hillary Clinton on 28 June symbolically confirmed the strategic partnership between Latvia and the U.S. During the meetings with Latvia's officials it was re-established that the opinions of both countries on the topics of the international agenda, including the situation in Russia, continued reforms in the Eastern Partnership states and solutions for Afghanistan, are similar. During State Secretary Clinton's visit, an agreement was signed on providing assistance to the judiciary system of Moldova, which consolidates Latvian-U.S. partnership towards support for democratisation processes in the EU's Eastern Partnership states. Another document signed during the visit was a Memorandum of Understanding on the exchange of Fulbright scholarship holders, which will promote educational contacts between the U.S. and Latvia in addition to the Baltic–U.S. Freedom Foundation.

During the year, opportunities were taken of activating cooperation in the field of economic cooperation: on 2-3 July, Latvia saw a visit from a U.S. Business Mission including companies from the film industry, IT, chemical industry, aviation, defence, real estate and the building sector (for example, Boeing, Procter&Gamble, Warner Brothers and others).

Latvia actively promoted the potential of the so-called Northern Distribution Network (NDN) for commercial carriers. In May 2012 the Ministry of Foreign Affairs held an international conference on the transformation of the NDN into a commercial transit route and on Afghanistan's future; the event brought together more than 150 participants – government officials, foreign affairs experts, transport and transit businesses from Afghanistan, Central Asia, the EU, Georgia, India, NATO, Russia, the U.S. and other countries. The amount of cargo carried from the U.S. and European countries through Latvia to Afghanistan in 2009 exceeds 60 000 TEU, while a reverse transit, namely, from Afghanistan, was launched in 2012.

The year 2012 also saw forging closer cooperation with the U.S. in security matters: a four-year cooperation plan with the National Guard of Michigan on cooperation in specific areas of military capability development in accordance with the Long Term Development Plan of the National Armed Forces, adopted in 2012. The cooperation plan includes a joint project in Liberia where Latvian and U.S. military would jointly train instructors of the Liberian armed forces.

Building relations with the Russian Federation

It was in Latvia's interests to facilitate cooperation based on mutual interests, incl. expanding economic contacts.
Both countries continued to develop practical cooperation: meetings between sector ministers and the sessions of the border demarcation commission, the Intergovernmental Commission working groups and the historians' commission were held. The Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, which is essential for business people from both countries, came into force in November 2012 and applies as from January 1 2013. The countries also cooperated successfully in the functioning of the Northern Distribution Network.

Russia completed procedures for accession to the WTO in August 2012 and became a full-fledged member of the organisation. In the opinion of Latvia, for that status to offer further business opportunities to Latvian entrepreneurs in future, a continuous monitoring must be carried out of the commitments undertaken by Russia.

Negative elements in the relations between the countries were introduced by Russia's groundless accusations regarding the February referendum on the second national language, as well as biased evaluations and criticism in international organisations of the issues of Latvia's history and the scope of problems related to non-citizens.

Promotion of foreign economic relations

The promotion of foreign economic relations was one the highest priorities for foreign policy activities. Principal attention was devoted to the following: improving coordination among various government institutions involved in external economic activity; organising visits to third countries and inviting businessmen to participate, or introducing third countries to the economic potential of Latvia; holding special round-table meetings on certain sectors or countries for Latvian entrepreneurs in order to introduce them to the opportunities of setting up business cooperation with third countries. The Ministry of Foreign Affairs in association with other institutions continued to cooperate with the OECD (Organisation of Economic Co-operation and Development) to ensure that Latvia is invited to join the organisation during the next enlargement round.

The Council for the Coordination of Foreign Economic Policy set up on 15 May 2012 aims at pursuing a coherent, effective foreign economic policy for the strengthening of Latvia's international competitiveness. The Council is chaired by the Foreign Minister and the co-chairman is the Minister of Economy. The Council members are also the Ministers of Transport and Agriculture, representatives from the offices of the President and Prime Minister, as well as the Director of the Investment and Development Agency of Latvia, the Director General of the Employers' Confederation of Latvia and the Board Chairman of the Latvian Chamber of Commerce and Industry.

The Ministry of Foreign Affairs paid particular attention to exploring new markets for the interests of Latvian entrepreneurs – Brazil (during the Foreign Minister's visit in April, cooperation opportunities were discussed in the sectors of ITT, and transit and logistics),
South East Asia (during the Foreign Minister's visit in April/May to Malaysia, Indonesia and Singapore the parties discussed the promotion of cooperation in the sectors of education, transit and logistics, pharmaceutics and timber processing), the Gulf States (on his visit to the UAE and Qatar the Prime Minister was accompanied by a vast business delegation), and Azerbaijan (Prime Minister's visit in November, with the participation of businesses). The aim of the visit was to attract new investments and build cooperation in the sectors of IT, transport and logistics, timber processing, agriculture and others.

Latvia’s bilateral relations with China were placed in a special focus: Prime Minister took part in the Summer Davos forum in Tianjin, China, on 10-13 September and as part of his visit to PRC met with various high-ranking Chinese officials, including Prime Minister Wen Jiabao. On 21-22 October, during the visit to Latvia by the Deputy Minister for Commerce Chen Jian and the delegation of Chinese business people, a Memorandum of Understanding was signed between the Ministry of Economy and the Ministry of Commerce of the People's Republic of China on the establishment of a joint working group for investment promotion within the Latvia-Chine Joint Committee.

Another significant event related to raising the profile of Latvia abroad, which also allowed Latvian business people to make direct contacts with potential cooperation partners from China and other countries, was the 2012 Global China Business Meeting organised by the Government of Latvia and the Horasis organisation in Riga on 25-26 November 2012.

Legal framework for bilateral relations was further developed: for instance, tax conventions were signed with the United Arab Emirates, Turkmenistan and Mexico, a protocol was signed amending Latvia-Georgia Tax Convention of 13.10.04, tax conventions with India and China were initialled, the application of the Protocol amending Latvia-China Tax Convention of 07.06.1996 started as from 01.01.2013.

To promote the export capacity of Latvia’s higher education, a temporary consular mission of the Foreign Ministry stayed in India in August 2012 to issue long-term visas to citizens of India and Nepal – a total of 92 potential students of Latvia's universities. This was the first mission ever of this type organised in the history of the foreign service.

Latvia's business people and other interested parties were provided with an opportunity to learn about the special features of doing business abroad and establish business contacts at the themed events held by the Foreign Ministry on East Asia, Central Asia, Central Europe, the Gulf States, Nordic countries, Turkey, Germany, the United Kingdom, Russia, Ukraine, Estonia and Lithuania, as well as a number of fora, seminars or round-table discussions with a possibility of meeting with businessmen from China, Croatia, Georgia, Estonia, Turkey, Ukraine, Turkmenistan, Japan, Finland and other countries.

Active lobbying was carried out in the capital cities of the OECD member states and with the OECD member state ambassadors and the organisation's Secretariat in Paris with the aim of achieving support for Latvia's OECD membership aspirations. Latvian officials and diplomats...
have used the OECD Committee meetings to inform other countries about Latvia's experience in dealing with specific issues.

Participation in the OECD Committees increases visibility of the country, which is a vital prerequisite for Latvia's joining the organisation. The introduction of the OECD standards in the sectors important for Latvia would facilitate economic growth. By acceding to the OECD Latvia would automatically be granted the highest credit rating, which in turn would make Latvia even more attractive for investments as well as making easier the access to loan markets for the funding of projects important for national economies.

The areas in which Latvian experts could contribute to the working contents of the respective committees have been assessed and identified. Latvia has informed the Secretariat about the OECD instruments which the country is ready to embrace in the near future.

**Support to Latvian nationals\(^4\) abroad, issuing visas to foreign nationals**

The Ministry of Foreign Affairs continued providing assistance to Latvian nationals abroad and contributed to building closer links with foreign countries through a smooth visa application process for third country nationals.

In 2012 the total number of visa application received by the diplomatic mission of Latvia abroad has increased by 12% against 2011. A record-high number of 182,480 visa applications were received in 2012, which exceed last year's figures by 19,176. Thus LVL 4,379,961 were collected into the state budget – by LVL 410,352 more than for 2011. The Embassy in Russia registered the highest number of visa applications – 90,999, which exceeds the numbers for 2011 by 12%. The runner-up is the Embassy in Belarus with 23,646 applications and an increase of 21% year on year.

Evaluation visits by Schengen experts in the visa sector took place in the Consulate General of Latvia in St. Petersburg and the Embassy of Latvia in Minsk in October 2010; the international experts positively rated the work by Latvia's diplomatic missions in applying the Schengen legislation.

The first three quarters of 2012 saw an increase in the number of consular services provided to Latvian nationals in comparison to three quarters of 2011: the number of paid consular services has increased by 31%, the number of services for which state fees are charged – by 39%, and the number of free-of-charge consular services – by 37%.

The Cabinet Regulations "Procedures for rendering material assistance to a person encountering an emergency situation abroad" drafted by the Ministry of Foreign Affairs entered into force on 1 June 2012 and provide Latvian nationals who find themselves in an

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\(^4\) Translator's note: For the purposes of this report, the term 'Latvian national' is used to denote Latvian citizens and non-citizens.
emergency while abroad with a possibility of receiving reimbursable financial assistance from the state. This is a new instrument at the disposal of the Consular Service, which enables individuals to return to Latvia in the cases when other assistance is not available. The total amount of funding paid out to private individuals is approximately LVL 4,000.

On 2012, as the result of joint efforts by the Ministries of Foreign Affairs and the Interior, mobile passport workstations were prepared and delivered to the Embassies of Latvia in the United States, the United Kingdom and Ireland; the workstations enable accepting applications for passports and identity cards and collecting biometrical data outside the Embassy premises, thus offering a possibility for every citizen to exercise his or her constitutional rights to take part in elections and strengthen links with Latvia. So far, 792 applications have been received during the field trips in the U.S., the U. K. and Ireland.

**Diaspora**

The results of the Population Census of Latvia published at the beginning of 2012 revealed impressive emigration figures (200 000 over the past decade) from Latvia mainly to European Union countries. As the emigration process continues, certain professions in Latvia will see a shortage of qualified workforce Latvia. What's more, the levelling out of living standards to approach those in the most-developed EU states will on the whole be hampered, notwithstanding the economic contribution by the diaspora (money transfers and tourism promotion).

The Ministry of Foreign Affairs, in association with other public institutions, social and non-governmental partners and as part of the Government Action Plan, produced an informational report entitled "The Action Plan of the Ministry of Foreign Affairs on Cooperation with the Latvian Diaspora for 2013-2015", which outlines proposals for promoting cooperation with compatriots abroad and targeted at sustaining the link with those who have emigrated.

To get a further insight into the scope of diaspora-related issues and the approach in various countries, cooperation was activated with researchers and international organisations. International level conferences were held: "Migration and Identity: Promoting the Role of the Diaspora" in April and in association with the OECD, "Economic Impact of Migration on Latvia and Other Baltic States" in December. Special attention was also devoted to raising public awareness of the diaspora matters through the media and by organizing events, including the Diaspora Conference in cooperation with the Ministry of Culture and the diaspora organisations.

Events supporting the diaspora were also held under the Guidelines for National Identity, Civic Society and Integration Policy. In follow-up to the work initiated by the Diaspora Conference, meetings of several themed groups were organised (education, youth cooperation, culture, compatriots form the same region, out-of-school learning) thus taking forward cooperation proposals drawn up during the conference.
Development cooperation

Funding for the implementation of bilateral development cooperation in 2012 amounted to LVL 50,269 and was spent on contributions to the development of the justice and regional development sectors in Moldova and Afghanistan and on co-financing projects by non-governmental organisations. In 2012 the Ministry of Foreign Affairs contributed funds to a project drawn up by the Ministry of Transport and supporting experience exchange with Afghan experts in the aviation and railroad sector. The MFA in association with other institutions also coordinated measures for expertise transfer to Central Asian partners: for instance, on 2-7 September 2012, as part of the programme for export control and related border security, Latvia hosted an experience sharing visit by experts from the President's Administration of Uzbekistan, the State Customs Committee, the Foreign Ministry and the State Border Guard Committee of the National Security Service.
Preparation for the Presidency of the Council of the European Union in the 1st half of 2015

The 1st half of 2015 is going to be an especially active and event-rich period as Latvia assumes the duties of its first Presidency of the Council of the European Union. This role will call for a well-coordinated and precise action on the part of the Latvian government institutions, the Cabinet of Ministers, the Saeima and the President in cooperation among public administration institutions, social partners and non-governmental organisations. Preparatory work to enable a successful running of the Presidency of the Council of the European Union started in 2012. The preparation for the Presidency will take a prominent place in Latvia's foreign policy in 2013.

By the Decision of the Cabinet of Ministers, the Secretariat of the Latvian Presidency of the Council of the European Union was established with Director Inga Skujiņa at its head. At the end of the year the Secretariat employed ten people. The mission of the Secretariat, in close association with other players involved in the Presidency, is to develop the subject matter of the Latvian Presidency, namely, priorities and a work programme for the six-month period and a work programme for the Trio (Italy, Latvia and Luxembourg), as well as preparing the organisational and administrative background for carrying out successfully the events in Latvia.

First steps have been taken towards setting out the Presidency priorities and preparing the work programme through holding public discussions and integrating the outputs thereof with the European Union's agenda and international processes on a global scale. Although a number of important events are still to take place before the Latvian Presidency in 2015, an outline of major directions can already be traced at this point in time:

- public participation and information society, including diaspora-related themes,
- cooperation with international partners,
- growth and human security,
- the development of the Baltic Sea Region.

Next, in line with the four above listed directions, specific topics, policies and EU level legislation on which Latvia intends to work during its Presidency will be defined, following processes here in Latvia and current international developments.

Potential priority directions have been discussed with the Trio partners, and the conclusion was that Italy and Luxembourg are preparing to pursue similar lines of action. On the initiative of Latvia the first meeting of the Trio was held in Riga in October. The next meeting will take place in February 2013.

A letter in which Latvia stated its wish and readiness to host an Eastern Partnership Summit in May 2015 was sent to the President of the European Council Herman Van Rompuy in December 2012.
Like other presiding states, Latvia will also put together a cultural programme for the six-month period. The programme will build on the current arrangements and cultural workers’ initiatives for 2015 that will take place independently of the Presidency. Nevertheless, in addition the work is ongoing to identify cultural project that can be linked to the Presidency. For instance, the Song Festival for Children and Youth in June 2015 has been conceived as the closing event of the Latvian Presidency and will involve also the participation of youth groups from Italy and Luxembourg. Both countries are greatly interested in taking part in the project as this will make it possible to attract the young people's interest and educate them about the processes in the European Union.

Besides the above mentioned issues of the thematic scope of the Presidency, the major challenges are as follows:

- the preparation of human resources,
- setting up a well-thought-out and effective system of financial resources,
- arrangements for preparing the National Library of Latvia to become the main venue for the Presidency events,
- setting up an efficient system of decision making and communication to enable a smooth and precise work at all levels during the six-month period of the Presidency,
- ensuring the transparency of administrative processes during the preparation period that would promote trust, support and participation of the society during the preparations and the Presidency period in 2015.
Foreign Policy Priorities for 2013

In 2013, the foreign policy of Latvia will retain its focus on the protection of Latvia’s interests in the European Union through strengthening the fundamental freedoms offered by the single market all over the European Union in order to bring closer the vision of a genuinely integrated European Union, free in terms of its internal trade, through advocating the achievement of favourable conditions in negotiations on the EU’s Multiannual Financial Framework for 2014-2020, and during preparations for the Latvian Presidency of the Council of the EU in 2015.

Latvia will also in future be interested in a secure external environment and thus provide its contribution to the functioning of a tightly-knit and effective North Atlantic Alliance, engagement in a close and dynamic transatlantic dialogue which includes enhancing Latvia’s strategic partnership with the United States. Other areas in the focus of attention will be the forging of good neighbourly relations with the Russian Federation, support for the Eastern Partnership countries in their efforts of rapprochement towards the European structures, support for Latvian entrepreneurs in entering new markets, support for the Latvian diaspora and tourists abroad, and support for public participation both in shaping the foreign policy of Latvia and on the international scale.

Also in 2013, one of the key factors to affect the foreign policy of Latvia is the situation in the European Union. Measures towards the stabilisation of the situation, on-going drastic reforms in certain member states, and potentiality for protest and separatism lead the EU institutions and governments to persist in their efforts towards seeking solutions to the crisis-induced problems. The year 2013 will be decisive for taking a decision on Latvia’s accession the euro area and in negotiations on the multiannual budget conditions. A successful outcome of those talks will have a bearing on a healthy development of Latvia’s economies and an increase in the population welfare standards in the nearest decade.

With those circumstances in mind, Latvia will pursue the following directions in its foreign policy:

Involvement in the debate on the future of the European Union

Latvia retains a high level of integration with the European Union member states in promoting growth, domestic and foreign trade, enhancing energy security, building transport and energy infrastructure, and in the field of education and culture. In the nearest decades this will bolster objective interests of the Latvian state in building an even better model of integration with the European Union partners. No third country or groups of countries can offer a sustainable alternative for pursuing Latvia’s national interests to the full extent. Thus Latvia is vitally interested in dealing with the consequences of the crisis within the European Union framework. Any other development within the EU, namely, a fragmentation of the union, and persisting economic, financial and political difficulties will have a direct negative effect on Latvia's growth possibilities.
Latvia still regards the European Union as a voluntary union of nation states, based on solidarity and shared values. Latvia will continue supporting a deeper integration among all the European Union member states trying to avoid the creation of groups at different stages of integration and a multi-speed Europe, which could lead to a split between the European Union countries with negative economic and financial consequences for the continent as a whole. At the same time, should separate member states advance towards a closer integration, Latvia wishes to be in the core of more closely integrated states.

**Elaboration of priorities for the Presidency of the Council of the European Union**

During the process of identifying Latvia’s priorities for the six months of its Presidency of the Council of the European Union, the year 2012 can be regarded as the period of “internal” national level discussions. In 2013 active consultation are to be launched with the Secretariat General of the Council of the European Union, the European Commission and the European Parliament in order to establish their perspective and work out in detail the topics which Latvia will propose to be included in the European Union’s agenda in 2015.

The Latvian Presidency’s work programme must be approved by the General Affairs Council in autumn 2014, and therefore, an agreement must be reached during 2013 on the main accents and priorities for the Presidency of Latvia. The drawing up of the Presidency work programme is a multi-level process involving the interaction of a number of elements: current events in Europe and in the world; the European Commission’s long-term plans; the agenda of international organisations, the interests of the EU member states and EU institutions; agenda points left as a ‘legacy’ from previous Presidencies; and the priorities of the Presidency state itself.

The task of Latvia is to identify all these elements and reflect them in its work programme in a well-considered and balanced manner, so that the document would be of interest for Latvia, other EU member states, the EU institutions and partners outside the EU. The year 2013 will see national level debates on a number of directions proposed at the public consultations:

**1. competitiveness, human security, environment, civic participation:**

The discussions in 2012 broadly dealt with the topics related to a balanced development of environment, economy and man [society]. The matters of current importance are connected both with environmental sustainability: preserving a clean environment and biological diversity, reducing pollution in the Baltic Sea, the development of ecological farming, energy efficiency and environmentally friendly sources of energy; and with improving the quality of human life and human security: facilitating employment, innovations and entrepreneurship, harmonious development of rural areas, civic participation, social inclusion and public health. During its Presidency, Latvia will advocate a model of development which promotes economic growth and competitiveness while preserving the environment and having a positive effect on human security.
The year 2015 will be a major milestone in Europe and on a global scale because the United Nations will review progress on the Millennium Development Goals, negotiations will be held towards a new Global Compact for managing climate change, and a mid-term review will be carried out of the *Europa 2020: A strategy for smart, sustainable and inclusive growth*. For at least half a year Latvia will be in the vanguard of those processes and, therefore, it is vital that Latvia in the coming years is actively contributing to discussions on the issues of international development policy, including the new development policy framework after 2015. Latvia is proud of its non-governmental organisations which set in motion the successful initiative of devoting the year 2015 in the EU to development cooperation.

2. development of the Baltic Sea region:

The Presidency period is favourable for bringing to the foreground the issues vital for the Baltic Sea region: Latvia, just like other Baltic Sea rim states holding the Presidency of the EU Council, will have to organise a forum on the EU’s Strategy for the Baltic Sea Region in order to take stock of progress with achieving the strategy goals. In May 2013 Latvia will host the Baltic Development Forum Summit, in June the European Commission will publish a comprehensive review on the results of macro regional strategies, and in July Lithuania takes up its Presidency of the EU Council: public administration must apply all these instruments to bring forward proposals for the advancement of the Strategy during Latvia’s Presidency. It will ensure close cooperation with Lithuania and Estonia in identifying priorities and measures for their respective presidencies.

3. cooperation with international partners:

Like the Italian Presidency, whose priority is the Mediterranean Region and African countries, and Luxembourg, who will focus on Latin America and the Caribbean countries, Latvia intends during its Presidency to actively promote the Eastern Partnership policy at the EU level thus facilitating the rapprochement of the Eastern Partnership states towards the EU and, due to that, security, stability and prosperity in the region. The Eastern Partnership Summit to be held in Latvia will be an essential instrument in pursuit of the set priorities.

In view of a gradual transfer of responsibility in Afghanistan to the Government of that country, and the engagement of Latvia in Afghanistan and a broader Central Asian region, the Latvian Presidency, by putting to use the EU Strategy for Central Asia and instruments for cooperation with Afghanistan, wishes to raise the profile of the region within the foreign policy of the European Union in the matters of security, economy and energy issues.

As negotiations evolve on the EU-U.S. Free Trade Agreement, Latvia intends to facilitate progress in those matters in view of the interest on both sides to advance free trade at the global level.
The year 2015 will also be a milestone year for Central Asia, a priority region for Latvia. Although the NATO mission in Afghanistan is to be completed by the end of 2014, a number of measures will have to be taken during the subsequent period towards a further political and socio-economic stabilisation of the region.

4. public participation and information society:

In view of the fact that increasing amounts of modern communication, document circulation, the flow of goods and services take place in the digital environment, the European Union needs to advance both the digital market, e-commerce, e-medicine, e-education, e-justice and the digitisation of cultural heritage. At the same time it is essential to develop digital skills in order to ensure the accessibility of information and equal opportunities for everyone to operate in the digital environment. An important prerequisite for community development is security of information. Although cyber security primarily falls within NATO’s competence, the European Union has also taken first steps towards the development of a common approach – and Latvia has an opportunity to be on the forefront of those initiatives.

Latvia’s Chairmanship of the Baltic Council of Ministers is a favourable circumstance for bringing to the fore the aspects of information society, because the creation of a single digital market is among the Baltic Council of Minister’s priorities. The United Nations World Summit on the Information Society (WSIS) Forum to be held in 2015 will assess the global goals set in 2003 and 2005 towards the development of information society and bridging the digital divide.

As the result of migration processes, an increasingly larger number of diasporas of former EU citizens interested in preserving the link with their homeland are formed in various regions of the world. This topic has not ranked high so far on the European Union agenda. Latvia will seek a possibility, as well as institutional and practical solutions, for a more active involvement of the diasporas in the interests of the European Union member states.

Latvia’s experience of devising and putting into practice instruments for public participation can enrich the EU and help it reduce the mounting confidence crisis. The society in Latvia and other European Union member states demands a greater transparency and broader participation in decision-making. Latvian Presidency and the period in advance of that will be used for effecting the necessary change at the EU level and implementing the structured and regular civil dialogue set out in Article 11, Paragraph one and two of the Treaty of the European Union, as well as reinforcing the EU values and promoting a dialogue among civil society organisations.

EU Multiannual Financial Framework for 2014-2020

Negotiations on the EU’s multiannual budget are bound to leave a considerable impact on further development of the economy of Latvia. It is in Latvia’s interests to achieve an agreement on the Multiannual Financial Framework for 2014-2020 as this would further
Latvia’s interests than the adoption of the EU’s annual budgets.\(^5\) The adoption of the budget on a yearly basis could hinder the implementation of major projects, which take several years to plan and complete.

The negotiations take place under circumstances when certain parties suggest reducing the total amount of the EU budget: in accordance with the most recent proposal the Cohesion funding should be reduced by EUR 18 billion, while the cuts to the Common Agricultural Policy should amount to EUR 17.5 billion. It is vital to achieve an agreement early in the year to prevent delay in the approval of the related regulations and, respectively, putting the policies into practice. Disregarding the outcome of the talks, it is important that the funds allocated within the planning period are invested in priority areas and managed in a focused and effective manner.

**Gaining support for Latvia’s accession to the euro area**

In 2013 the Government will have to strive for compliance with the criteria for euro adoption. The introduction of the euro will improve the credit rating of the country, offer better conditions for borrowing funds in international markets and bring tangible benefits to general population and businesses as they will be able to avoid currency conversion fees.

Joining the euro area, which is also stipulated by the Treaty of Accession of Latvia to the EU, will have political importance through precluding any possibility that Latvia's interests and opinion could not be sufficiently taken into account in the debate on the future of Europe, which can sooner be the case, should Latvia fail to join the single currency.

For Latvia to receive approval from the euro area members for its aspirations of adopting the euro as from 1 January 2014, Latvia’s readiness for the single currency will be assessed during the first half of 2013, with reference to economic performance in 2012. The task of the Ministry of Foreign Affairs, in cooperation with other institutions, is to ensure that all the partners of Latvia in the euro area support the adoption of the euro by Latvia, to reach out actively to the general population of the country to explain short and long term benefits and build trust and support for the euro in the community, also in association with organisations representing business people, for instance, through the campaign, *Godīgs eiro ieviesējs* (An Honest Introducer of the Euro) run by the Employers’ Confederation of Latvia (LDDK).

**Foreign economic relations**

With regard to the current export capacity and the related potential risks in Latvia's traditional export markets, Latvian exporters will have to continue exploring new markets, less traditional for Latvia. Work will continue on expanding the EU's legal framework for bilateral commerce and investment, for instance, with Canada, India and Singapore. Besides, high level visits of public officials accompanied by vast business delegations have been planned to Afghanistan, Myanmar, India, Uzbekistan, North Africa, the USA, Australia and New

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\(^5\) Latvia’s interests have been defined in the chapter on 2012.
Zealand, as well as other countries in accordance with the schedule of the visits of economic character by high-ranking officials in 2013.

To ensure that Latvia is invited to join the OECD in 2013, the Foreign Ministry and line ministries will continue their engagement with the OECD member states and the Secretariat, as well as dynamising cooperation within OECD instruments.

The Foreign Ministry will finalise the drafting of the mission network concept by which the Government will be offered to decide, within the financial constraints of the national budget, on the opening of new diplomatic mission in the countries having the potential of economic cooperation with Latvia, for instance, India and Brazil. A concept will also be presented on an improved coordination of external economic contacts among various institutions in Latvia.

The Ministry of Foreign Affairs in partnership with other institutions will continue promoting the Northern Distribution Network, its further commercialisation and increasing the procurement volumes of Latvian goods, as well as offering ports and infrastructure for delivery of the goods of ISAF countries, also in the reverse direction – from Afghanistan.

**Regional cooperation**

In 2013 Latvia will retain major energy and transport projects on its agenda to reinforce energy security in Latvia and the Baltic states, as well as connecting transport infrastructure to that of other EU member states. Latvia will continue to advocate seeking solutions that comply with the interests of the region's countries, while at the same time clearly taking heed of Latvia's priorities. The advancement of the Visaginas Nuclear Power Plant project will depend on positive decisions by the Lithuanian Government and the Saeima.

A closer dialogue among the Baltic states and cooperation with the Nordic countries, Germany and Poland remains a topic of current importance. The implementation of the Baltic Energy Market Interconnection Plan (BEMIP) will continue; it is also essential that Latvia succeeds in putting its energy interconnection projects on the list of the Projects of Common Interest to be potentially financed by the Connecting Europe Facility (CEF). Likewise, it is important that Latvia joins the Nord Pool Spot, an exchange for electrical energy, and this could eventually take place on 3 July 2013.

In 2013 Latvia will assume the chairmanship of the Baltic Council of Ministers and the Baltic Assembly. Latvia will focus on the following priorities:
1) improving competitiveness and business environment in the region through harmonising the tax systems among all the Baltic states; setting up a Single Digital Market and the Baltic Innovative Research and Technology Infrastructure (BIRTI).
2) strengthening cooperation with the Nordic countries through a coordinated action regarding issues on the international political agenda, the promotion of mutual support for nominations to international organisations, and the setting up of joint diplomatic representations or the mutual placement of diplomats in the missions of certain countries. An ever increasing cooperation in the security sector will also remain topical.

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3) in the sector of energy and transport – the opening of the Baltic gas market and the related legal, economic and political aspects.

Riga is to host the 15th Summit of the Baltic Development Forum in May 2013. The event aims at expanding cooperation between the Baltic and Nordic countries, alongside with highlighting the image of Latvia as the country which has successfully overcome the crisis and demonstrates a great potential for growth, as well as at promoting Riga as a venue for international events.

In cooperation with Poland and Germany, alongside with an active political dialogue and economic relations, it is important to dynamise cooperation in the field of education and in the context of expanding economic contacts.

**Security policy, transatlantic relations**

Following the re-election of the United States President, his new administration is to assume office in 2013. Latvia anticipates that the Administration will continue paying special attention to a sustained dialogue with the European Union. Latvia will build relations with the new administration, strengthening the on-going bilateral links in the field of politics, security and defence, economy and education.

Under the impact of economic problems the U.S. and a number of European countries keep reducing their defence expenditure through carrying out massive reforms in the armed forces and defence market, as well as seeking possibilities for cooperation towards the development of joint military capabilities. At the same time, defence expenditure in other countries is on the rise. In view of this trend and the fact that the U.S. defence budget still considerably exceeds the defence budgets of all its European allies taken together, Latvia should gradually set its defence spending target at 2% of GDP.

The U.S. while focusing on Asia and the Pacific remains a close ally to European countries. That is why joint exercise vividly demonstrates both the visibility of NATO in the region and provides an opportunity to enhance Europe's military capabilities. In 2013 the Baltic will see the crisis response readiness exercise Steadfast Jazz 2013 of the NATO Response Force, another opportunity for the allies to strengthen their collective defence capabilities. The exercise will be the largest in scale NATO exercise since 2006. Latvia will host the joint headquarters while tactical training will be carried out in a number of NATO countries.

Latvia will continue supporting the enhancement of the EU's civilian and military capabilities that would provide the European countries with the required crisis management resources. Latvia is to take part in the EU naval operation, EUNAVFOR Atalanta, as well as contributing towards an adequate fulfilment of the EU Monitoring Mission in Georgia on the administrative borders of South Ossetia and Abkhazia.

On the basis of decisions by the Saeima and the Cabinet of Ministers, Latvia will continue its involvement in NATO ISAF operation in Afghanistan in cooperation with the Baltic and Nordic states.

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Relations with the Russian Federation

Cooperation based on mutual interest including the expansion of economic contacts both at the bilateral and the EU-Russia level will remain in the interests of Latvia. At the level of bilateral relations it is important to continue and expand practical cooperation, including a more active work of the Intergovernmental Commission. Latvia hopes that the political dialogue will be enhanced thus heading towards the development of a stable and constructive agenda of the relations.

Latvia is interested in promoting a common EU approach in the relations with Russia and will stand up for a balanced progress in all agenda points, including the New Agreement, addressing modernisation, energy and frozen conflicts, the visa dialogue, a dialogue on the matters of human rights and the rule of law, and others. It is in Latvia's interests to achieve that the RF consistently complies with its WTO obligations and refrain from introducing new protectionist measures which could potentially harm the interests of Latvia's businesses.

Cooperation with the diaspora

Funds have been allocated for advancing cooperation with the diaspora in 2013. Proposals for facilitating remigration drafted on the initiative of the Minister of Economy will be approved by the Government and included in the scope of issues within the competence of the working group set up under the chairmanship of the Foreign Ministry and charged with the coordination of diaspora-related activities.

The involvement of the Foreign Ministry in cooperation with the diaspora will target the following: sustaining Latvian identity and connection with Latvia; promoting political and civic participation among the diaspora; engagement of the diaspora's intellectual potential with economy, culture, education and science; and promoting return migration among the diaspora.

In 2013, the Ministry of Foreign Affairs in association with the World Free Federation of Latvians and the Latvian Chamber of Commerce and Industry will hold the World Latvian Economic and Innovation Forum in Riga. Another event scheduled for summer 2013 is a follow-up to the conference "Latvians in the World: belonging to Latvia", planned in cooperation with the Ministry of Economy.

Development cooperation

Bilateral development cooperation of Latvia is rooted in Latvia's interest in facilitating a consistent advancement of the EU's Eastern Partnership countries and other partner countries important for Latvia, including Central Asian states, towards the rule of law and democracy, supporting their efforts to forge closer relations with the European Union as well as promoting their growth with the help of Latvia's expertise.
The development cooperation policy budget for 2013 remains at the level of last year, i.e., LVL 50 269 and that, although inadequately, will permit Latvia to continue some successfully launched project in priority directions, including in Moldova – the country was involved in a number of projects in the previous years – as well as supporting NGOs with co-financing for development cooperation and education development projects.

It is essential to increase the development policy budget in the near future in order to resume support for the projects implemented by Latvian experts in the priority areas of development cooperation and for education projects in order to raise awareness among the society about Latvia's role in advancing sustainable global development. An increase in contributions to development cooperation is important also in the context of Latvia's Presidency of the Council of the European Union in the first half of 2015, in view of the significant place of development cooperation in the EU's foreign policy.

**Public participation and communication with civil society**

The Ministry of Foreign Affairs will pursue an inclusive, open and transparent foreign policy, providing an opportunity for the civic society and experts to take part in foreign policy formation. The staff involved in external action including national level public administration institutions of Latvia, self-governments, social partners and the non-governmental sector will continue coordinating their actions and ensure an efficient information flow in order to successfully protect Latvia's interests on the international scale.

The Ministry of Foreign Affairs will enhance and expand cooperation with those partners thus providing for a closer involvement of civic society in policy making, reinforcing communication with the society on key matters in Latvia's foreign policy in 2013 and the results of protecting Latvia's interests with a particular focus on the priorities of Latvia in the negotiations on the EU's multiannual budget.

At the same time Latvia will support the creation and development of public participation mechanisms at the EU and international level.