

Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2018

INTRODUCTION

The foreign policy of Latvia and the strategic priorities of Latvia within European Union will remain unchanged during the term of the 13th Saeima. The mission of foreign policy is to ensure the putting into practice of principles laid down in *Satversme* (the Latvian Constitution), thereby taking care of the welfare of the people of Latvia and its external security. The best ways of achieving that are the following: (1) building the European Union as a strong union of national states, with Latvia being in the core of EU cooperation; (2) strengthening transatlantic relations which are based on NATO, the alliance created by the states parties to the Washington Treaty; (3) standing up for the preservation and development of the current international system; (4) engaging in regional cooperation that meets Latvia's interests.

The external security of Latvia is the main priority of the country's foreign policy. This work will be continued on a daily basis, since the international situation keeps changing, and Latvia's foreign policy should be flexible and capable of a rapid response. To this end, we will reinforce and develop the foreign policy (diplomatic), defence and cyber security tools at our disposal. Therefore, the means allocated to national diplomacy and defence should be appropriate to the very dynamic geopolitical situation.

The second priority for Latvia is to be active within the EU. The sustainability of economic prosperity and security of the Latvian people requires a European Union capable of responding internally and globally. All the necessary means need to be put at the disposal of EU Member States towards reinforcing Europe's democratic values and pursuit of its interests globally in the areas such as domestic and external security, energy, digital economy and transport. The strengthening of the euro area and the adoption of a new EU budget that meets the objectives pursued have a special importance in this context.

The present-day globalisation trends create both additional opportunities and challenges – the world has become more free and open, although economic upheavals affect almost all countries worldwide. As the result of the recent global financial crisis, Latvia has seen a major wave of emigration of its people who, taking advantage of the opportunities offered by the EU have found employment and temporary residence in other EU countries. Decline in population has a negative impact on Latvia's prosperity and security alike. Therefore, further growth of the Latvian state needs all its people – both those in Latvia and those living abroad. The Diaspora Law adopted in 2018 as well as additional opportunities it has created for the diaspora to maintain close links with Latvia is a major step in that direction. This is of special importance as the country enters its centenary.

1. Challenges of the present-day world

Challenges caused by geopolitical change

The content of geopolitics in the present-day world is dependent on a number of processes related both to human activity and natural phenomena. The past era when our daily lives were determined by computer technologies and informatics has entered its next phase called the fourth industrial revolution. The rapid, simultaneous and mutually complementary progress of nanotechnologies, biotechnologies and the big data information technologies gives rise to the situation where people and states create the high technologies necessary for their activities within a much shorter period of time.

The positioning of the centres of global economic power is changing. The international order is not bipolar or unipolar any more. A new world order is emerging with several centres of political and economic power, and the current global order created in the 20th century is too narrow for the pursuit of their geopolitical interests. As the result of those processes, the products of high technologies created nowadays are accessible globally. The division of global power will be determined by the presence of education, science and knowledge, the accessibility of high technologies and the ability to use them are processes.

The irresponsible human activity and the use of technologies advance global warming and climate change. This is evidenced by the increasing frequency of extreme natural disasters and the findings of scientists worldwide. Global warming is another reason for the changing geopolitical paradigms and processes. Its consequences are declining water resources in a geographically broad equatorial zone in the African continent, the Middle East, the southwest of the United States of America, Latin America, and Asia.

Climate change alters the environment in the Arctic and the permafrost zone located in close proximity to the Baltic Sea region. The Arctic Ocean is set to become a region fit for navigation and transportation. This will mean the emergence of a new northern navigation route, which is to connect the Northern European, Russian, Asian and North American transportation corridors. The rapid and substantial recession of polar ice cover also creates conditions for an active utilisation of natural resources in the Arctic. This is both positive and negative news, including for the Baltic Sea region and the interests of the region's countries. The militarisation threat of the Arctic has increased which also creates, and will create a direct impact on security interests of Latvia and its allies.

The task of Latvia's foreign policy, currently and even more so in the future, is to address the challenges to our country triggered by those processes and to seek out and make use of their opportunities in Latvia's national interests.

The United Nations (UN)

The importance of the United Nations in the future will depend on its capabilities of putting in place effective preventive measures to ensure global security and pursue a well-considered global development policy. It is conditional on the UN implementing, immediately and rapidly, the reform initiated in the areas of security, development and the organisation's administration. The UN's ability to safeguard the goals and principles of its statutes is of special importance for the future, notably concerning issues related to the rights of UN member states to territorial integrity and sovereignty at a point in time when the importance of the power factor in geopolitics is increasing. Conversely, the decisive role here will be played by the preparedness of member states to protect those UN principles and goals by any means and globally. The change

in the position of the US Administration on several matters related to the functioning of the UN offers further possibilities for the countries such as Russia and China to work more successfully towards their geopolitical goals, which are not always subordinate to UN fundamental principles.

One of the main functions of the UN is the safeguarding of human rights, including those of women and children. The organisation must be able to protect human rights under any circumstances and in any geographical region without abiding by any political adjustments on the part of UN member states. Latvia will also defend this principle resolutely, with a clear focus on the enhancement of sustainable development, international stability and security, if the country is elected as a non-permanent member of the UN Security Council in 2025.

Gender equality is a vital factor in the promotion of peace, security and societal well-being. The promotion of gender equality holds a prominent place in Latvia's foreign policy, and for the most part, it is pursued in the framework of international organisations. The National Plan for the promotion of equal rights and opportunities of men and women for 2018–2020 approved by the Cabinet in 2018 is the basis for Latvia's further activities in this area at the regional and global level as well. In addition, Latvia stands as a candidate for a place on the UN Commission on the Status of Women for 2020, and election to the committee will offer further opportunities to turn the global spotlight on gender equality issues.

The freedom of expression and media is one of the conditions for a secure and transparent international order globally and public administration at the national level. Therefore, cases such as the murder of the Saudi journalist Jamal Khashoggi should be condemned in the strongest terms possible, as should all forms of targeting journalists worldwide, including in European countries and Russia.

Being an EU Member State, Latvia is contributing to the formation of the foreign policy of the Union and is interested in the EU becoming a visible leader in the United Nations framework. This can be achieved if the EU keeps its unity and is able to agree on their common agenda of EU issues and on solutions. It is vital in the UN context that EU Member States pursue an active foreign policy as permanent or non-permanent members of the UN Security Council. For these reasons, Latvia has launched preparations for elections for the non-permanent seat on the UN Security Council during the term of 2026–2027. Latvia's experience and knowledge of foreign policy are sufficient for the achievement of that objective.

In 2018, to strengthen international security and a rules-based international environment and to promote the international visibility of the country in the matters related to candidacy for a seat on the UN Security Council, Latvia assumed the presidency of the export control forums – the Nuclear Materials Supplier Group and the Arms Trade Treaty. From 1 January 2019, Latvia is taking over the rotating chairmanship of the Experts Group for the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies.

One of the most effective ways of reinforcing the international rules-based order is international operations and missions implemented by international organisations with responsibilities for security matters. Thus far, Latvia has been involved in the operations and missions deployed by the EU (in Ukraine, Georgia, Mali, EUNAVFOR Operation Atalanta off the coasts of Somalia, EUNAVFOR MED Operation SOPHIA in the Mediterranean), the OSCE (in Ukraine), NATO (in Afghanistan), and the UN (in Mali). Latvia will also continue that engagement in the future, thus contributing to global security, gathering the much-needed experience of international cooperation, and creating a positive image of Latvia and its visibility internationally.

Development Cooperation

One of the most effective foreign policy instruments, including for the implementation of the goals of the United Nations 2030 Agenda for Sustainable Development, is development cooperation.

Latvia in its bilateral development cooperation in 2018 keeps focus on the areas defined in the Development Cooperation Policy Guidelines for 2016–2020 and on priority regions – the Eastern Partnership and Central Asia. Latvia’s civil society organisations, public authorities and higher education institutions have carried out 14 projects for capacity building of public administration, business support, including in the agricultural sector, strengthening the systems of justice and home affairs, support for decentralisations processes and the promotion of democratic participation, funded from the development cooperation budget.

In addition, civil society organisations have represented Latvia’s interests in the development cooperation context in European and international formats, as well as carrying out public outreach measures and global education projects. A number of projects have been implemented in association with other providers of international assistance, for instance, the US, Norway, and Sweden, thereby attracting co-financing twice as large as the state budget funds allocated for development cooperation and administered by the Ministry of Foreign Affairs. Consequently, Latvia’s experience and lessons to be learned from its experience of transition and reforms are appreciated not only by beneficiaries themselves, but also by other donors.

2. Latvia in Europe

The EU for Latvia is a platform for sustainable implementation of its security and economic interests that is unique and unprecedented in its history. Latvia should be in the core of EU integration, which the country can achieve through its support for defence cooperation, EU internal security, the strengthening of the energy and transport sectors, the euro area and the cohesion policy. Greater political unity and solidarity are needed for the EU to become a stronger geopolitical actor.

In view of that, a policy pursued at present and in the future should be the one that foster the necessary EU reforms, notably in the areas of socio-economic integration, global competitiveness, security and defence, and the development of the Monetary Union. In their international relations, the EU and its Member States should be able to influence the global strategic agenda. This means that in the future the EU needs to take decisions that increase the EU’s global influence and its capabilities of protecting its interests.

Challenges currently faced by the European Union are diverse. They are caused by the current developments in international relations, the internal political processes in EU Member States and the specific character of EU integration. The major priorities in EU cooperation are: negotiations and the following agreement between the EU and the United Kingdom on its withdrawal from the EU; an agreement on the EU budget for 2021–2027; seeking solutions to migration-related challenges; ensuring economic stability and growth; and safeguarding the rule of law, and Latvia is consistently contributing to the implementation of those priorities.

One of the most significant challenges currently faced by the EU is the formulation of a model for future relationship with the United Kingdom. Brexit is a considerably complicated process both politically and legally. Therefore, the draft withdrawal agreement and a political declaration

agreed between the EU and the UK in mid-November deserve a special welcome. The agreement offers a solution to the establishment of a single EU-UK customs territory, which is the first serious step towards ambitious economic relations in the future. The agreement has been approved by the Cabinet of the United Kingdom and the 27 EU Member States, the latter reconfirming the document at the European Council of 25 November. In mid-December, the European Council will complete the formal endorsement of the agreement and the political declaration. However, as the UK Parliament might reject the deal, there is a possibility that the UK leaves the EU without reaching a formal deal.

It is in Latvia's interests to see that the withdrawal of the UK from the EU takes place on the basis of a formal agreement between both parties and that the withdrawal agreement comes into effect in a timely manner. This will ensure that both parties meet their obligations, including the UK's financial commitments as part of the EU budget, as well as offering a vision of the future relationship between the two parties. The parties will present their political vision of their future relationship in a joint political declaration, and Latvia is interested in particular in the document bringing clarity concerning issues of cooperation on common external and security policy, internal security, and defence. It is in the interests of people living in the EU and the UK to be offered a positive political perspective in the matters having direct effect on population mobility, social security, and quality of life and opportunities for families.

Latvia has clearly expressed its opinion and interests in the case of Brexit concerning the protection of legal interests of Latvian nationals residing in the UK. Latvia has also underlined that regardless of the model of future relationship between the EU and the UK, that relationship should be as effective as possible, open and close, and mutually beneficial. Also outside the Union, the UK will remain a strategically important cooperation partner to the EU, both in exploring optimal forms of cooperation in economy, trade, science and education, taking care of the internal and external security of Europe, and ensuring the EU's influence on addressing various foreign policy matters. At the same time, it should be underlined that the architecture of the model for the future EU-UK relationship should retain the integrity of the four freedoms of the European Single Market and the autonomy of EU decision-making.

A politically consolidated and economically competitive EU

Regardless of the EU's continued economic growth, decreasing unemployment, resumed increase of investment, and the improving condition of public finance in EU Member States, major socio-economic differences still exist between them. The gap can be reduced by means of the EU cohesion policy, the common agricultural policy and other EU programmes that are instrumental for a harmonious regional development. The factor facilitating Latvia's economic growth is also the involvement of Latvian scientists and researchers in the common EU research space, as well as the opportunities for the country to engage in innovation projects and programmes.

However, as the EU is planning its new budget, sufficient means should be allocated to counter the migration, security and defence challenges. At the same time, the measures to mitigate those challenges should not be financed at the expense of reduced funding for the cohesion and common agricultural policy. It is in Latvia's national interests to ensure EU budget funds should be ensured for infrastructure projects important for Latvia – Rail Baltica and the synchronisation of the Baltic State's power grid with the European system.

The euro area holds a special place in Latvia's European politics. The accession of Latvia to the euro area was a strategically forward-looking decision that fosters the prosperity and financial security of the people. The euro currency increases the protection of Latvia's financial sector against various external turbulences and builds up trust in Latvia among businesses. Therefore, Latvia is and will further remain interested in the enhancement of the EU Economic and Monetary Union, especially in the formation of an effective Banking Union.

In the EU framework, Latvia continues to advocate the strengthening of the Energy Union, implementation of its principles and the enhancement of the single energy market. Latvia will continue to oppose projects, such as Nord Stream II, that contravene or undermine the pursuit of goals and principles of the Energy Union and threaten to increase dependence on a single dominant supplier and supply route. Latvia will also continue standing up for the need, at the EU level and through support for amendments to the Gas Directive, to ensure legal clarity concerning the ongoing or planned projects of gas pipelines from third countries.

Priorities for 2019: The EU Multiannual Financial Framework 2021–2027

One of the immediate priorities for Latvia next year will be safeguarding of Latvia's interests in negotiations on the EU Multiannual Financial Framework for 2021–2027. In view of the global challenges such as migration, and defence and security, the European Commission offers a new structure of the EU's multiannual budget. Latvia supports the fact that financing is ensured for the so-called new priorities; however, that should not happen at the expense of traditional – cohesion and agricultural – policies laid down in the EU treaties. Latvia is critical of the EC's original proposals concerning the cohesion and agricultural policies, as they do not ensure the convergence of socio-economic living standards across Europe.

Latvia supports the allocation of financing to the new priorities and challenges, and the country will continue to protect its principal interests in the Multiannual Financial Framework: (1) to preclude a significant reduction in the national cohesion envelope; (2) to retain the common agricultural policy funding for rural development at the current level and the equalisation of direct payments; (3) to ensure financing for the Rail Baltica project; (4) more favourable criteria in the EU programmes under centralised direct management, for instance, Horizon Europe, Digital Europe, the European Defence Fund, the Internal Security Fund, the Migration, Asylum and Integration Fund, the Integrated Border Management Fund; (5) to keep a separate European Neighbourhood Instrument (ENI) in place.

Latvia has given a careful consideration to the EU budget proposal and has established that, besides elements which meet Latvia's interests, it also contains certain disadvantageous aspects.

It is positive that EU funds, although to a lesser amount, will nevertheless, most likely, be available to the Member States also after 2020. We can be satisfied that it has been proposed to include the Rail Baltica project into the key network under the CEF, keeping the current EU financing rate at 85%. As concerns the Common Agricultural Policy, Latvia is the only Member State whose EU funding envelope will most probably not be reduced. On the contrary, it can slightly increase under the circumstances when the EC offers EU Member States to agree on a 15% reduction to support for rural development. Latvia's interests lie in the originally proposed larger funding for the Horizon Europe research programme. As part of that, it is vital to ensure equitable access to participation in the programme, especially to scientists from small and less advanced Member States and regions. This will reduce the existing gap in the research and innovation sector and promote integration into the common EU research space, thereby strengthening the EU's development and global competitiveness.

Latvia believes it is essential that work be continued on the development and full implementation of a digital single market in order to reinforce the EU's competitiveness and that of individual Member States. Allocations under the Internal Security Fund are supposed to increase twofold. In addition, given that the conditions for awarding funds practically do not change, Latvia will be able to absorb a larger amount of EU funding. In the Connecting Europe Facility, additional funding is provided for the strengthening of the strategic transport infrastructure and its adjustment to military needs, namely, for the enhancement of the so-called military mobility.

The negative trend in the EC original budget proposal is that financial resources that Latvia should receive as part of the cohesion policy could be reduced by 13% and the rate of national co-financing to cohesion and rural development could increase to 30%, which in turn will result in an increased load on local authorities. There are no provisions for equalisation of direct payments between Member States, which is a negative aspect. In line with the current proposal from the Commission, Latvia would reach only 77% of EU average in 2027.

In the context of foreign affairs, the idea should be reconsidered of joining next to all external action instruments into one global instrument. The proposal provides for including the European Development Fund into the EU budget. In turn, the inclusion of the European Neighbourhood Instrument into that global scheme means that the European Neighbourhood Policy countries, including the Eastern Partnership states, may get a wrong message as to the EU's further action.

It is also regrettable that the allocations from the European Territorial Cooperation goal (INTERREG) to Latvia could be decreased by 48% in line with the new method of calculation and designation of eligible territories, which excludes Riga from European territorial cooperation. As the result, the opportunities for Latvia's cooperation with other countries within the EU framework and across its external borders (including for the implementation of the EU Strategy for the Baltic Sea Region, support for the Balts' unity events, and putting the European Neighbourhood Policy into practice).

For those reasons, Latvia's position concerning the EU Multiannual Financial Framework for the next period includes a demand that funding under the cohesion policy (including the goal of the European Territorial Cooperation) and the common agricultural policy should not decrease more than by the impact of Brexit on EU budget, that is, by 6–8 %. Financing should also be ensured for the Rail Baltica project, and Latvia's partners should be offered better access to programmes managed directly by the EU in a centralised manner. According to the position of Latvia, a clear political signal should be sent to the EU's neighbours that relationship with them is of strategic importance to the EU.

In 2019, the Ministry of Foreign Affairs will continue actively advocating Latvia's interests in the working groups and also on the political level, at the General Affairs Council. It should be noted that the protection of national interests in negotiations on the specific areas of the Multiannual Financial Framework falls under the competence of each line ministry. Furthermore, Latvia will also continue standing up for its interests at the European institutions – the European Commission and the European Parliament. A major role in the protection of national interests is played by bilateral and multilateral consultations with EU Member States. Close contacts will continue with like-minded countries. Active cooperation has already been established with our Baltic neighbours, including in the formulation of common positions. At the national level, the work on coordinating Latvia's position will go on at the interinstitutional working group.

Strengthening the Single Market

The European Single Market has become the market that is the most important for the economic growth of EU Member States; therefore, constant effort should be made to keep the existing regulatory environment and principles of business activity harmonised in a manner that both promotes a robust economic development of EU Member States and increases their global competitiveness. At the same time, there is an increasing trend of separate EU Member States pursuing restrictive practices in regard to the single market, or protectionism, at the national level, and also working to include such elements in the EU legislation. Due to this, the Single Market still remains fragmented, which hinders its effectiveness and competitive ability. The services market fails to open up promptly enough. E-commerce opportunities between EU Member States are also lower than those in the markets of individual Member States. The total number of EU consumers amounts to about 512 million people. An effective Single Market is one of the main conditions for the achievement of strategic goals set by the EU.

As one of the leading EU Member States in the digital sector, Latvia is interested in a successful functioning of the Digital Single Market. To promote that, a framework for the free movement of non-personal data within the EU has been adopted, thereby removing obstacles to the storage and sharing of non-personal data between businesses, public authorities and individuals. The other means of strengthening the EU digital market is the increase of cyber-security, which will remain a European policy priority for Latvia. Digitalisation has become an integral part of all economic sectors, and it is bringing a huge value added to the development of competitiveness of the national economy. Appropriate skills, education and a safe digital infrastructure are prerequisites for the effective application of digital solution in the national economy. It is vital for the development of Latvia's competitive advantage that everybody employed in the manufacturing and service sectors are able to take maximum advantage of the opportunities offered by the present-day technologies.

EU internal and external security

The EU is currently exposed to considerable migration-related risks caused by wars in the Middle East and Afghanistan, political instability in the Middle Eastern region and Africa, climate change and the economic situation in those regions. Although, if compared to 2015, irregular migration flows have considerably decreased, the root causes of migration have still not been eliminated. Therefore, in a foreseeable future, major challenges caused by southern migration have to be taken into consideration by the EU.

Although Latvia is located relatively far from regions of origin of migration, it would be wrong to think that this is not Latvia's problem. Migration continues to create tension within the EU thereby considerably influencing the domestic policies of EU Member States and, consequently, their solidarity. The work begun on closer cooperation between the countries of origin to find solutions at the regional level should be seen as a positive development.

Latvia believes that a precondition for a functional EU migration policy is a comprehensive approach, which links an effective control at the EU's external borders, enhanced cooperation with the countries of origin and transit, as well as the internal dimension of migration, including solidarity with EU Member States exposed to the heaviest burden of migration pressures. Meanwhile, Latvia retains its position that solidarity measures should not be automatic, and the mechanisms for the relocation of asylum seekers should not be compulsory.

Tensions in the Middle East are ever-present in the focus of attention of the global and EU politics, since their further destabilisation/escalation can directly influence Europe's security and economic stability too. Therefore, it is in Latvia's interests, in both multilateral and bilateral fora, to stand up for political solutions facilitating stability in the region, as well as to continue expanding bilateral relations with the region's countries in association with strategic partners.

Together with other EU Member States, Latvia has consistently advocated a UN-supervised political process in Syria and supported the efforts of the UN Secretary-General's Special Envoy for Syria to establish the Syrian Constitutional Committee. Latvia has politically supported the launch of stabilisation measures in the Syrian demilitarised territories, whilst indicating that the EU will engage in the reconstruction of Syria only after the completion of the political transition process. To preclude any recurrent use of chemical weapons by Syria, Latvia has also expressed preparedness to support a decisive action by the Allies, should the Syrian government blatantly violate international law and carry out chemical attacks.

The existing formats of resolving the Middle East Peace Process have failed to achieve visible progress over the past decades; neither have the parties been able to sit down at the negotiating table. The intensive dialogue by the US with the Gulf States and Israel, and the common interests of the moderate Arab states in the preservation of the region's security could bring a direct impulse to take the process forward. Latvia has been strongly advocating a two-state solution, supporting an increased role of the EU in the MEPP as well as sustaining a bilateral dialogue with Israel and the Palestinian Authority alike.

The position of Latvia on the Iranian issue focuses on its nuclear programme, proliferation of ballistic missiles and curbing the destabilising regional foreign policy. Regardless of differences in tactics, this is a common goal for the EU and the US. Although the US has withdrawn from the Joint Comprehensive Action Plan (JCPOA), Latvia together with the EU continues to advocate its retention as they consider the JCPOA to be the most effective way of restricting Iran's nuclear programme and strengthening global efforts towards the non-proliferation of weapons of mass destruction. At the same time, Latvia stands up for sustaining a close transatlantic link and dialogue, since the solution to the normalisation of relationship lies only in negotiations with the US participation. Latvia believes that efforts should continue to seek a solution acceptable for the EU and the US. Iran's destabilising policy in the region and its illegal actions of targeting the opponents of the regime even in the territory of European countries, such as France and Denmark, is absolutely unacceptable. Latvia supports a closer practical cooperation between EU Member States to prevent such action.

Cooperation in Northern Europe and the Baltic Sea Region

Cooperation in the Baltic Sea region and in a broader Northern European area was one of Latvia's main foreign policy priorities in 2018. Latvia pursued its interests making use of the opportunities provided by bilateral cooperation and the Baltic Council of Ministers, the Baltic-Nordic cooperation in the so-called NB8 format, and chairing the Council of the Baltic Sea States (CBSS).

For Latvia, one of the main prerequisites of prosperity is the development of a modern economic infrastructure, which underpins a closer integration in the Baltic Sea states' market and enables Latvia to benefit from the advantages of the EU's Single Market. Therefore, the development of infrastructure of strategic importance for the Baltic States was one of top priorities in the work of the Baltic Council of Ministers. This is not only the matter of economy. Project such as Rail

Baltica and joint infrastructure projects also have a pronounced Baltic States security dimension. This has been a valuable format for the formulation of national positions on the new EU Multiannual Financial Framework for it to reflect the Baltic States' priorities.

In 2019, Latvia will preside over the work of the Baltic Council of Ministers. In a continued effort to strengthen security and prosperity in the Baltic Sea region, we have set three priority lines of action: (1) strengthening security; (2) development of regional connectivity; (3) protection of common interests in the EU. The region's prosperity can be advanced through the development of regional connectivity projects harnessing the existing and future inter-regional synergy. In this context, a special attention will be devoted to energy, transport and digital connectivity projects, thereby promoting and increasingly broader cooperation in the Baltic Sea region.

In the energy sector during the coming year, work should continue on actively putting into practice the decisions aimed at timely implementation of projects, which includes securing funds within the next EU budget, for instance, for the synchronisation of the Baltic States electric grids. It is important to move ahead with work on the establishment of a regional natural gas market, so as to ensure as high liquidity of the market as possible, thereby also enhancing the security of power supply and reducing energy dependence. To promote successful functioning of the regional market, the planned investments in the strengthening and modernisation of the Baltic States interconnections and the modernisation of the Inčukalns Underground Gas Storage (UGS) facility should be completed. In the transport sector, we consider that it is of strategic importance to maintain a unified stance among the Baltic States on the matters of the implementation of the Rail Baltica project, including on the project's regional security component. Being aware of the economic importance of Rail Baltica for the Baltic Sea region, we are interested in Finland and Poland being fully involved in the project implementation.

Latvia is an active supporter of the EU Digital Single Market. The work under way on the testing of innovations and new technologies offers wide prospects for the Baltic-Nordic region to become a future leader in digital connectivity. "The Digital Baltic Way" project, as part of which the Baltic States have agreed to develop a connected and automated driving and 5G technologies, is one of the prime examples in this field.

Northern Europe is a region that determines the identity and geopolitics of Latvia. At the same time the region is also Latvia's most important market, and it will remain the basis for the sustainability of a positive economic development of Latvia in a foreseeable future. It is the market for almost half – 44% – of exports by Latvian businesses. It is the largest source of mutual investments for Latvian economies. The mutually integrated financial sector is instrumental for a close economic integration of the region. The region's countries are linked by a shared vision on the fundamental values of a democratic and open society, and common historical experiences. This will foster mutual interaction in the NB8 region and a common perspective of the six EU Member States (NB6) of further development as part of EU cooperation. The close involvement of Poland and Germany is of equal importance for the promotion of the region's security and development.

In 2018, Latvia assumed its presidency of the Council of the Baltic Sea States. At the helm of the organisation, being aware of the influence of the current geopolitics on CBSS cooperation, Latvia focuses on the implementation of tangible projects of regional importance in specific priority areas for the country. The Ministry of Foreign Affairs coordinates the work of the presidency and, in close cooperation with line ministries, it has defined three main priorities for

the presidency: (1) strengthening civil security in the region, the fight against human trafficking and organised crime; (2) innovative means for the preservation of the region's cultural and historical heritage; (3) promotion of the region's sustainable development in the strategic framework of the Baltic 2030 Action Plan. Those will also be the priorities of the Latvian CBSS Presidency for 2019.

Latvia chairs the CBSS task forces and expert groups, including the Task Force against Trafficking in Human Beings. The aims of the activities of the task force during the Latvian Presidency are to increase understanding of the rights of human trafficking victims, to strengthen investigation and criminal prosecution, to facilitate an effective handling of trafficking cases by the judiciary, and to foster mutual trust between all stakeholders involved in counteracting these crimes and providing timely assistance to victims. The task force cooperates with the CBSS experts from the Children at Risk Group to further strengthen the role of local authority institutions and the media in the prevention of trafficking in human beings and intensify work on the improvement of a mechanism for cross-border interinstitutional cooperation in the Baltic Sea region.

When thinking about prospects for and challenges to the Baltic Sea region, it should be borne in mind that the region is not isolated from global development, and opportunities offered by synergies and common interests with other regions neighbouring the Baltic Sea region should be identified. In the framework of the regional cooperation instrument – the Northern Dimension – the EU is engaged in cooperation with its partners Norway, Iceland and Russia, and the observer state Belarus. In 2019, Latvia takes up its chairmanship of the Northern Dimension Partnership on Transport and Logistics and the Partnership on Culture, as well as continuing the chairmanship of the Partnership in Public Health and Social Well-being, which began in 2018. The permanent interest of the United Kingdom to strengthen its cooperation with the NB8 countries must be welcomed. After the UK leaves the EU, the Northern Future Forum, a traditional strategic format for summit meetings of highest-level executive authorities of the NB8 countries and the UK, as well as a networking opportunity for professionals in various fields, researchers, businesses, and opinion leaders, will acquire a special importance.

European Neighbourhood Policy / Eastern Partnership and cooperation with Central Asia

Latvia's foreign policy will further retain one of its main priorities: the European Neighbourhood Policy, including cooperation in the framework of the Eastern Partnership and building closer relations between the EU and the Eastern Partnership countries Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. Security and economic prosperity in the region and in the said countries are vital factors to be considered in the development and implementation of Latvia's national foreign policy. By developing bilateral cooperation and understanding and supporting the foreign policy interests of those countries and potential in the Eastern Partnership format, Latvia supports the EU perspective for Ukraine, Moldova, and Georgia, as well as a differentiated approach to the other Eastern Partnership countries.

The common historical experience of Latvia and the Eastern Partnership countries and support from Latvia as an EU and NATO Member State for those countries enables Latvia to successfully engage in global processes, assume an appropriate place in discussions and promote the role of Latvia as a responsible regional and international player in the introduction of democracy and the rule of law standards. In 2018, the decisions approved at the Eastern Partnership Summit of 2017 and the goals outlined in the "Europe 2020" document saw an active and dynamic implementation with a view to a broader and deeper practical cooperation between the EU and the Eastern partnership countries in priority areas.

With negotiations on the EU's Multiannual Financial Framework for 2021–2027 under way, Latvia has set the retention of a separate European Neighbourhood Instrument as a priority and stands up for an increased EU engagement in the Eastern neighbourhood.

Significant changes have been observed in the Central Asian region in recent years: the commitment made by the political leadership of those countries to develop closer regional cooperation presents a positive background for stability and security in the region, and also for the improvement of the economic situation. Greater openness is being observed to cooperation with the EU as a trustworthy partner without a hidden geopolitical agenda. At the same time, however, we should be aware that future risks in Central Asia are still related to the security situation in Afghanistan, international terrorism and radicalism. To ensure the compliance of EU policy with the dynamic political and security environment in Central Asia, discussions on the elements of the EU's new strategy for Central Asia were launched both with Central Asian countries and within the EU in 2018. Latvia is visible among the actors, having actively expressed its opinion, formulating and protecting its own interests and those of the EU in the region.

Transport and transit (especially in the context of Europe-Asia connectivity), sustainable environmental development and agriculture could develop as prospective areas for future cooperation. Latvia continues providing bilateral development cooperation assistance to three Central Asian countries – Uzbekistan, Kyrgyzstan, and Tajikistan. Whilst implementing EU-funded projects, Latvia is taking part actively in the improvement of the border protection system of the Central Asian law enforcement authorities, focusing in particular on current risks in the formation of an adequate, functional border protection system. However, being aware of Latvia's limited financial and administrative capacity in the implementation of large-scale EU projects, we are interested in launching new cooperation instruments in Central Asia (for instance, Twinning) to translate our experience into concrete projects.

To keep a high profile of Latvia in Central Asia, the highest-level contacts, including parliamentary cooperation, established to date will be continued in the coming years. Cooperation niches should be expanded in the areas of the public reform process, education, sustainable environmental policy, and promotion of export capacity in agriculture. We shall also continue playing an active role in the formation of the EU's common foreign policy in relation to Central Asia.

An essential element in the sustainable development of Central Asian and Eastern Partnership countries is also the increase and strengthening of the role of civil society in the said countries. Latvian non-governmental organisations are active in this field, and they have a major role to play in the implementation of development cooperation projects, providing information to, and educating the public. They take part in the work of the Development Cooperation Policy Advisory Council; their opinion and expertise is taken into consideration whilst drafting development cooperation planning documents and legislation, as well as formulating Latvia's position on the EU and UN proposals in the field of development cooperation.

Civil society dialogue and a discussion on the future of Europe

The Brexit vote also was, to a certain extent, the crisis of trust in the EU. One of the ways to rebuild trust and a sense of belonging is the promotion of public participation and listening to people more than before. On the initiative of the French President Emmanuel Macron, citizen

consultations were held across the European Union in 2018 with the aim of seeking people's opinions on the future of Europe, on what changes are needed in Europe so that the EU could help fulfil people's hopes.

Large-scale public consultations were held as part of the citizens' dialogue with the principal objective of gaining an insight into people's concerns, hopes and ideas on the present-day and future Europe. The key findings of the dialogue are as follows: people in Latvia truly appreciate the opportunities currently offered by EU membership; they also believe that freedoms enjoyed by EU citizens should be further strengthened and enhanced in the future. The consultations revealed that people would like to build deeper links with citizens of other EU Member States. People believe that Europe should become more equitable, especially concerning social issues, and it should offer its citizens security assurances and a sense of security. The main concerns of Latvian people are related to the EU's future, the lack of fairness and equality, and the EU's abilities to respond to the present-day global challenges and security issues, including concerns whether Europe is safe in the face of military, terrorist and hybrid threats. Fears were also identified of the loss of national identity, linguistic diversity and self-determination. Consultations revealed people's concerns over the possibility of the European Union breaking down due to populism or apathy of society. In their proposals Latvian citizens expressed their wish for the EU to be able to adapt to any global change, invest in education, science and innovation, ensure convergence of living standards both at the level of individual Member States and at the EU level, which would offer Europeans a sense of security. It is noteworthy that the largest part of events in the framework of the citizens' dialogue in Latvia was organised by civil society organisations, experimenting with various formats in order to involve the public in a debate on Europe. The outcomes of national public consultation sessions were fed into a joint report and presented to the heads of state and government of EU Member States for their deliberations at the meeting of the European Council in December 2018.

The summary of people's opinions is an important source of information and a contribution to the formulation of a shared vision on the future development of the EU, whilst the heads of state and government are expected to agree, by June 2019, on priority areas for the future actions of the EU during the next five years. It is essential that the concept of the dialogues and the action plan were designed and implemented in close cooperation with the non-governmental sector and the European Commission Representation in Latvia, as well as jointly with higher education institutions in the cities of Valmiera, Liepāja, Daugavpils and Jelgava and the EU Information Points in municipal libraries across Latvia.

The Ministry of Foreign Affairs has been entrusted with the EU communication function aimed at encouraging a discussion on matters of importance for the EU and Latvia. Basic messages of that communication are the openness of public administration towards society and an opportunity for every Latvian citizen to influence Europe's future. The emphasis is placed on youth audiences, which are both showing interest in the EU and often pointing out to lack of information. Special attention is paid to making it possible for people in all regions of Latvia, not just those living in the capital city, to take part in the European dialogue. This inclusive approach to communication is put into practice by engaging other communicators in informing the public about the EU and Latvia's membership of the Union. The contribution by the 31 EU Information Points should be highlighted in particular.

3. Transatlantic relations and security

Key challenges and cooperation in the transatlantic space

Traditional and new threats

The Euro-Atlantic space remains the cornerstone of global stability and the rules-based international order. At the same time, both external and internal challenges keep increasing, and they put pressure on the existing order and thereby on Latvia's security as well. Russia firmly maintains a confrontational course in relation to the West and continues to act contrary to the principles of international law.

NATO additional presence in the region is a direct response to Russia's aggression against Ukraine. Building capabilities by Russia in the Baltic region relates to its efforts of securing advantages in the case of a potential conflict with NATO, although the eventuality of a direct confrontation is still considered to be low. Measures such as the deployment of Iskander missile systems in the Kaliningrad region and staging of missile drills in our exclusive economic zone is a deliberate demonstration of force aimed at challenging Latvia's Euro-Atlantic course and creating uncertainty among Latvian people.

Besides conventional threats, hybrid threat is emerging increasingly stronger, as various non-military means, including cyber-attacks and propaganda, are being employed alongside military means. Information technologies, which have a growing impact on political, economic and social processes, are being more actively used with malicious intent to undermine democratic and open societies. In response to the increasingly intensive manifestations of hybrid threat, which are attracting more and more attention at the level of NATO and the European Union, it is vital to raise awareness of the mutually complementary nature of the new and traditional/conventional (military) challenges and, consequently, of the need for a comprehensive response to them.

Challenges posed by cyber-activities and cyber-crime are increasing both in number and complexity. To improve cyber-security, Latvia is interested in an active and targeted international cooperation. Latvia supports meaningful use of the existing international cyber-security-related mechanisms and the application of international rules and law in the physical and digital environment alike. Latvia supports a human rights based approach to cyber-security.

The threat posed by international terrorism is one of the most serious challenges not only across the world and in Europe; it also affects the security and economic interests of Latvian nationals. The year 2018 highlighted several positive trends in the field of combating terrorism: the number of terrorist acts in Europe has decreased; the ISIL/Daesh group has lost most of the territory it controlled in Iraq and Syria; and the number of people illegally joining military conflicts abroad has considerably decreased. At the same time, human fatalities in terrorist attacks, including those in France and Belgium, reconfirmed that a steadfast and united fight against international terrorism should continue. Latvia's national security interests lie in active involvement in the implementation of a common anti-terrorism policy together with the Allies, in order to address the causes of terrorism, prevent its spread and eliminate its consequences. Countering of the financing of terrorism and foreign terrorist fighters and prevention of radicalisation are priority matters in the UN, NATO and EU formats, in which Latvia will continue cooperation with partners in the fight against terrorism.

The development of programmes of illegal weapons of mass destruction, smuggling of those weapons and materials, and poor control over exports in certain regions of the world create a

negative synergy posing threat to international peace and security. In view of the technology development and globalisation processes, the prevention of those risks is becoming increasingly difficult. This calls for a targeted, joint and closely coordinated action by the international community.

Strategic partnership with the United States and cooperation with Canada

The Euro-Atlantic link is also facing challenges caused by differences of opinion on the matters of trade, climate and others. The US is sending a clear message to NATO's European allies on the need for a more equal burden sharing in military expenditure, indicating that the current situation when the US provides a disproportionately large share of NATO member state defence spending is not sustainable. Although the issue cannot be resolved overnight, we expect the European allies to ensure an equivalent contribution to NATO defence in a foreseeable period. Under these circumstances, Latvia must not go back on its commitments concerning defence expenditure.

Latvia's security is firmly rooted in the Euro-Atlantic cooperation between Europe, the US and Canada. The tangible military support from the US for our region and European security persists and is increasing, which has been demonstrated by the US-Baltic Presidential Summit in Washington in April 2018 and the Summit Declaration. Noteworthy is Canada's contribution to our and Euro-Atlantic security, including by its commitment to continued leadership of the NATO enhanced Forward Presence battalion-size battlegroup in Latvia until 2023.

Latvia will continue to work towards sustaining an active political dialogue and multifaceted practical cooperation with the US. Latvia and the other Baltic States have maintained a very active high-level political dialogue with the administration of President Donald Trump. The government will continue the implementation of agreements concluded at the US-Baltic Presidential Summit thereby strengthening further comprehensive cooperation in the fields of security, economy, innovation, culture, and education. Regular political contacts with the US Administration and the Congress will help further enhance the US military presence in the Baltic region and the continued US support for increasing the defence capabilities of the Baltic States. The decision by the US on the allocation of 170 million USD in financial support for the Baltic States security and a considerable increase in funding for the European Deterrence Initiative is concrete proof to that.

Russia's foreign policy / bilateral relations

In 2018, the relations between EU and NATO Member States with Russia continued to worsen as the result of the latter's aggressive and provocative foreign policy, which began as early as in 2008 with aggression against Georgia. The conflict in Ukraine is still underway, with the implementation of the Minsk agreements showing no progress. Russia's military aggression in the Kerch Strait in blatant disregard for the sovereignty of Ukraine and international law has further aggravated the situation. In the Syrian conflict, Russia continues to provide military support for President Bashar al-Assad's forces. Russia demonstrates readiness and capabilities to use any means in pursuit of its goals, including interference in election processes and the use of prohibited chemical weapons in the territory of another country. In response to the chemical attack in Salisbury last March and as gesture of solidarity with the United Kingdom, the Member States of the EU and NATO expelled more than 150 Russian diplomats. Latvia expelled one Russian diplomat, to which Russia responded by the expulsion of a Latvian diplomat. In February, the Minister of Foreign Affairs, abiding by the Saeima decision "On the proposal to

introduce sanctions against the officials connected to the Sergei Magnitsky case”, banned 49 persons from entering Latvia.

The re-election of the President of Russia in the spring 2018 and the following partial reshuffle in the presidential administration and government evidenced that no significant changes are expected to the policy pursued by Russia in the coming years. Consequently, Latvia’s bilateral relations with Russia in a foreseeable perspective will continue to be determined by the current EU two-track policy with a dialogue at the diplomatic level and restrictive measures, and the five guiding principles for EU-Russia relations reconfirmed at the Council of the EU on 16 April 2018. Under these circumstances, very limited bilateral political conflicts are expected, namely, cooperation will continue at the expert level and in the areas of practical cooperation which are not affected by sanctions and clearly lie in Latvia’s interests: transport and logistics, border protection and customs, combating organised crime and irregular migration.

The implementation of the Latvia-Russia Cross-border Cooperation Programme 2014–2020 is an example of successful bilateral cooperation. The funding allocated to the programme (27 million euro) is channelled towards promoting cooperation between both countries in the business sector, environmental protection and cross-border mobility. The programme area covers Riga, Vidzeme, Latgale and Zemgale in Latvia, as well as the Pskov and Leningrad regions and the city of Saint Petersburg in Russia.

The process of demarcation of the Latvia-Russia border has been successfully concluded: demarcation documents, approved by the governments of the two countries, took effect on 21 April 2018. In 2019, work will begin on the drafting of an agreement between the Government of the Republic of Latvia and the Government of the Russian Federation on the border regime. Cooperation between both countries on the practical build-out of the border, including improving the border crossing points and infrastructure, reclamation works on border rivers, and installing a fence along the border.

In its foreign policy, Latvia will sustain the issues of the situation with democracy and human rights in Russia, including by directly addressing the representatives of the Russian state. The demand to Russia for an unconditional release of the Ukrainian film director Oleg Sentsov, who was on a hunger strike from 14 May to 5 October 2018, of the journalist Roma Sushchenko and 64 Ukrainian political prisoners held in Russian prisons was expressed by Latvia in bilateral meetings with Russian officials, as part of the Latvian Foreign Minister’s speech at the United Nations General Assembly in September 2018 and in a Saeima statement, as well as via social networks. Russia is being urged to abide by international law and its commitments, especially in regard to the freedom of expression and assembly, which has been considerably restricted over the past year, as well as ceasing repression and discrimination against the representatives of the opposition, journalists, human rights activists, members of the LGBTI community, and the Crimean Tatars.

Latvia’s actions to mitigate threat

NATO collective defence and outcomes of the Brussel’s summit

Latvia’s response to current security challenges is based on close cooperation with the NATO Allies, among other things, by ensuring the required host nation support for the allied presence in Latvia, and on Latvia’s independent action of building its defence capabilities in a targeted manner and taking measures to counter both military and non-military threats. Latvia continues providing its contribution to international missions and operations. Latvia has to meet NATO

demands, first of all, in the interests of our own security, and we must be prepared to contribute 2.5 % of GDP to defence.

The NATO Brussels Summit has confirmed that the Allied position on obligations under Article 5 of the North Atlantic Treaty remains firm. Moreover, those guarantees have evolved in keeping with the present-day demands and, in the case of a respective decision by the Allies, a large-scale cyber-attack or a hybrid threat campaign could also be equated to an armed attack and trigger an appropriate NATO response. Latvia, together with like-minded Allies, has to ensure that the ambitious NATO adaptation process launched by the Wales Summit in 2014 should not slow down, and the Alliance continues to enhance its capabilities of rapid and effective response to any threat.

The presence of the allied forces is part of a broader NATO collective defence system, with NATO capabilities to swiftly deploy reinforcements to our region in the case of crisis being this system's essential element for Latvia. Forces at the appropriate level of preparedness, capabilities and infrastructure for moving those forces, as well as capabilities to overcome obstacles created by the potential adversary, including anti-access capabilities, should be ensured. By implementing the decision announced at the NATO Brussels Summit to establish a Multinational Division Headquarters North in Latvia in 2019, an essential further step will be taken towards the Allied presence thereby integrating the Baltic region in NATO's command mechanisms.

Latvia actively supports the partnership policy pursued by NATO that envisages expanding the political dialogue and practical cooperation with non-member countries, strengthening security beyond NATO borders in this manner. It is of special importance to Latvia to continue developing the close cooperation between NATO, and Sweden and Finland, thereby reinforcing security in the Baltic Sea region. Latvia also actively advocates for the implementation of the Alliance's open door policy. The former Yugoslav Republic of Macedonia received an invitation to begin accession negotiations with NATO this year, which demonstrates that NATO's door is open to new members.

Given the widening gap of trust between the West and Russia, international attempts of resuming a dialogue on the matters of Euro-Atlantic security have increased in the OSCE framework. Latvia takes part in the OSCE Structured Dialogue on current and future risks to security in the OSCE area, and on the ways to overcome them. The transparency and predictability of military activities has a major role to play in this process, which is of special importance to Latvia in view of Russia's practices of holding unannounced large scale military exercises near Latvian borders. Given that Latvia actively stands up for the full implementation of the arms control instruments signed within the OSCE framework – the Vienna Document and the Treaty on Open Skies – as well as the modernisation of the Vienna Document to ensure its compliance with the new security reality in Europe.

Alongside dialogue in the OSCE, Latvia contributes constructively to the meetings of the NATO-Russia Council, the most recent of which took place in October 2018. Latvia uses that platform to consistently call on Russia to observe greater transparency and predictability when implementing its military activities in the Baltic region.

EU–NATO cooperation

Cooperation between the EU and NATO is one of Latvia's priorities in the security and defence sector. One of the current areas for the EU-NATO cooperation is the facilitation of military

mobility, which is essential for a swift movement of NATO troops across the EU. In view of ensuring NATO enhanced Forward Presence, Latvia has already amended its legislation concerning the status and movement of military personnel. In the years ahead, work will continue on the infrastructure adjustments.

It is vital to work together in the fight against hybrid threat, which is an area of an especially active cooperation between the EU-NATO. Latvia will continue its close involvement in the functioning of the European Centre of Excellence for Countering of Hybrid Threats established in Helsinki. The EU-NATO cooperation is of equal importance in the area of strategic communications, with a special focus on cooperation in the analysis of disinformation trends. Latvia will continue to work on expanding practical cooperation between the NATO Communications Centre of Excellence in Riga and the European External Action Service's Task Force East and South.

Development of Europe's civilian and military capabilities

Security and defence has become one of the principle avenues of cooperation in the European Union and an integral part of the discussion on the future of Europe. NATO remains the main organisation of collective defence, and at the same time, it is in the interests of Latvia as an EU Member State to continue developing the EU's civilian and defence capabilities of crisis response.

Latvia takes an active part in the strengthening of EU security and defence, as well as making use of the opportunities offered by that cooperation both by getting involved in the EU's new initiatives and implementing cross-border projects to enhance defence capabilities. Particular emphasis should be placed on the recently launched EU Permanent Structured Cooperation (PESCO), as part of which Latvia is engaged in two projects. Latvia will also focus its attention on facilitating military mobility in the EU territory and close coordination of activities with NATO in the process.

In general, we should welcome the work at the EU level in support of the defence industry, including the establishment of the European Defence Fund. Latvia will continue to advocate the creation of favourable conditions for the participation of small and medium-sized enterprises in the fund after its establishment.

There are a number of other issues and proposals on EU agenda that should be debated, including the establishment of the European Peace Facility, the future of the Military Planning and Conduct Capability (MPCC), an agreement on the future cooperation between the EU and the United Kingdom in security and defence, a discussion initiated by the French President Emmanuel Macron on the EU's future security infrastructure and strategic autonomy, and others. Consequently, the strengthening of EU security and defence is expected to remain one of priority issues on EU agenda in the coming years too. In view of this, Latvia will be active in those processes both when formulating Latvia's position at the national level and in consultations with other EU Member States, and also in the EU's decision making process.

Alongside the enhancement of defence capabilities, it is vital to develop EU civilian capabilities. Procedures for launching and implementing missions under the EU Common Security and Defence Policy should be improved, and it should be achieved that the missions are flexible, in pursuit of their tasks, targeted and effective. Closer cooperation is needed between representatives from the sectors of justice, the interior, and defence. The missions should also be able to effectively counter hybrid and cyber-threat.

4. Strengthening the economic competitiveness of Latvia

Multilateral cooperation formats

European Union external trade policy, including agreements with third countries

Latvia will continue making every effort to ensure increasing export opportunities for businesses, including through providing support for the conclusion of new EU free trade agreements. Such agreements ensure liberalisation of trade in goods and services and of investments, access to public procurement, high-level protection of intellectual property and other benefits.

Since the mid-2017, the EU has slightly changed its mind-set in favour of a shift towards a proactive, effective and result-oriented approach based on the so-called “new architecture of trade agreements”. The approach provides for negotiating free trade agreements by dividing between provisions that fall under the exclusive competence of the European Commission and those in the shared competence of Member States. This ensures a faster and more effective result, which by no means is a vital aspect in the context of the promotion of global economy. In addition to agreements signed earlier, trade agreements with Japan and Singapore were signed in the second part of the reporting year. Consensuses have been reached and formal agreements will be signed with Vietnam and Mexico in the near future. Meanwhile, new trade negotiations have been launched with Australia and New Zealand; talks are also under way with the Mercosur countries and Chile. Whilst offering overall support for the signing of trade agreements, Latvia advocates the interests of Latvian businesses and the general public in defining and actively protecting our economic interests: to ensure increasing export opportunities for both traditional (timber industry, heavy engineering, food processing, pharmaceuticals, transport and logistics services), and new, promising sectors (ICT, life sciences), as well as catering for the interests of Latvia’s agricultural sector.

Global trade order

The trade system has recently been undergoing major change, which is felt in bilateral trade relations between countries and also on the global scale. The approach of the US Administration to the matter caused a serious upheaval in the international trade space in 2018. Various disturbances to global trade have already been observed over an extended period; they are caused by unfair trading practices, the excessive interference of the state in economic processes by means of unjustified subsidies, and other factors that distort fair competition in international markets.

It should be noted that the EU, although being a trustworthy partner in economy and security, was unable to avoid protectionist measures applied by the US. The EU for its part took the necessary response measures: imposing increased import duties for a number of goods of US origin; enhancing monitoring of the aluminium import flows; and imposing protective measures in the form of quotas on steel imported into the EU. At present, the EU and the US have begun an institutionalised dialogue at the highest level to agree on separate aspects of mutual trade and bring transatlantic trade relations back to normal. At the same time, it should be underlined that this process does not mean the return to the EU-US free trade and negotiations on an investment agreement. It is in Latvia’s interests that good trade relations be maintained with the US, and Latvia has been consistently expressing that position in the respective EU trade formats and bilateral meetings. A successful outcome of the EU-US trade negotiations is important to Latvia in the context of both economic and broader geopolitical interests.

At the same time, the inability of the World Trade Organisation (WTO) to deal with global-level barriers to trade put up by China should be taken into consideration, alongside the differing interests of WTO member states and the outdated rules of WTO functioning that have been long preventing the organisation from taking vital decisions and reaching agreements on solutions to multilateral trade issues. The need to reform the WTO becomes increasingly important and will certainly retain its relevance throughout the coming years. The EU has already expressed its support and specific proposals for the reform. The existence of an effective and functional multilateral trading system and the WTO is important to Latvia, since it ensures predictable conditions of trade with the WTO members with whom Latvia as an EU Member State has no bilateral trade agreements. The WTO system also makes it possible to resolve major trade disputes and, during accession talks with candidate countries, to raise trade access issues important to Latvian businesses (for instance, in negotiations with Belarus). Therefore, Latvia will continue supporting processes in relation to the modernisation of the WTO and other activities geared towards strengthening the organisation.

Changes to EU trade policy in the context of Brexit

The decision of the United Kingdom to withdraw from the EU launched a process as part of which the EU and the United Kingdom seek to make an agreement on their future relationship, including the trade sector.

Latvia's interests lie in as streamlined and effective as possible trading arrangements with the UK also after the country leaves the EU. It is clear that trade between Member States and the UK will not stop: in view of the current close integration of markets and their mutual dependence in the global value chains, it can be expected that there will not be any significant changes to trade flows in the short term. Nevertheless, trade with the UK could become more expensive, involving a longer and more complicated process and additional customs procedures, additional certification and other measures required for exports and imports from a third country in line with the WTO rules. To prevent, as far as possible, new barriers and burdens, Latvia fully supports the conclusion of a modern and comprehensive free trade agreement between the EU and the UK. At the same time, the Ministry of Foreign Affairs carries out measures to inform businesses and the general public, and will continue to do so.

Adoption of best international practices (OECD)

The OECD membership is a major resource for the development of competitiveness of Latvia's economy. It provides decision makers and experts in various economic sectors with the opportunity to make their choices based on conclusions obtained as the result of state-of-the-art data analysis. Consequently, the quality of recommendations and decision is considerably improved in the areas such as tax policy, education, health care, and the functioning of the labour market. The data help improve public administration, including through improvements to the governance of state-owned enterprises, and the introduction of OECD standards to eliminate bribery, money laundering, and tax evasion.

In 2019, it is vitally important for Latvia to continue making use of OECD analysis both towards the promotion of productivity in business and the development of an inclusive and well-functioning labour market. As part of OECD projects, work will take place on the development of "Education and Skills Strategy of Latvia" and an evaluation titled "Digital Transformation: Latvia". Those and other evaluations are aimed at assessing and creating conditions for people in Latvia to be prepared, as much as possible, to harness opportunities offered by the rapidly changing world, be it new forms of employment or demands of the digital age. It is important for

these issues to be considered in the context with Latvia's priorities and possibilities in the EU's next Multiannual Financial Framework.

Stemming illegal financial flows

The fight against money laundering, terrorism financing and the financing of manufacture, storage, movement, use, or proliferation of weapons of mass destruction is the matter of threat to international peace and security. This is of particular relevance at a point in time when rapid geopolitical changes are under way worldwide. Any cases where Latvia's financial system is used for illegal activities or those violating or circumventing international standards or sanction regimes cannot be tolerated. Although the matters of money laundering and sanctions are the primary concern of financial institutions, they have an immediate effect on security, business environment, investment opportunities in Latvia, and the overall reputation of the Latvian state. A balanced and well-managed financial system is an issue of national security.

Increased attention has been paid to those matters since 2015 when Latvia, during its OECD accession talks, began to work on a number of significant amendments to the country's laws and regulations, and launched major changes in its approach to the supervision of the financial sector. However, developments related to the ABLV bank in 2018 prove that changes in the sector need to be even faster.

Amendments to the Law on the Prevention of Money Laundering and Terrorism Financing have helped banks in Latvia get rid of high risk customers that actually represented shell companies. The proportion of non-resident deposits has decreased significantly, and a considerable impulse has been given to the banks working in Latvia to change their operational models.

The state of affairs in Latvia's financial sector and Latvia's progress are and will be increasingly scrutinized by international organizations. Because of low and moderate ratings for effectiveness of Latvia's financial system awarded by the Moneyval committee of the Council of Europe in its 2018 report, Latvia is under an "enhanced follow-up" procedure. It is of crucial importance for all financial service supervisory authorities to continue coordinated and harmonized efforts in 2019 to achieve tangible improvements, including close supervision of liquidation of the ABLV bank. A failure will mean far-reaching consequences for Latvia, which will have a major impact on the country's business environment, in particular on exports, capital expenditures, and Latvia's security interests.

Developments in other EU Member States also demonstrate that the fight against money laundering and terrorism financing cannot be viewed in isolation since it presents a challenge to the EU Member States in the Baltic Sea region. However, cooperation and institutional framework at the EU level have not been sufficient; therefore, Latvia will continue to advocate better cross-border coordination of measures against financial crime, as well as strengthening supervisory and control authorities at the EU level.

Diversification of export from Latvia

Dynamic political dialogue with Japan, China (16+1 format), South Korea, India and other rapidly growing Asian and Gulf economies

The relations between Latvia and Japan have achieved a good political level, which is evidenced by the intensive exchange of high-level visits that pave the way for a pragmatic economic cooperation through opening up new avenues of cooperation: pharmaceuticals, transport and logistics, tourism, information technologies, timber processing and forest management. Latvian

businesses will also be offered new opportunities by the EU-Japan Economic Partnership Agreement signed last year. At the beginning of 2019, the Ministry of Foreign Affairs will host a seminar for businesses on cooperation with Japan and benefits brought by the newly signed agreement.

Cooperation is also becoming increasingly stronger with another partner in the region – South Korea – proof to that being the first visit to the country by the President of Latvia and a Latvian business delegation. Mutual trade is rising in intensity as part of bilateral contacts, and an active dialogue is under way on the possible launch of direct flights between Latvia and Korea, which would have a favourable impact on the tourist flow. The first meeting of the Korean-Baltic States economic committee will take place in Seoul in 2019.

Interest in China remains consistently high: trade promotion, development of cooperation in transport and logistics, and in tourism are priorities for economic cooperation supported by the government of Latvia through ensuring political dialogue at the highest level. In the spring of 2019, Latvia will take part in the Central and Eastern European Countries and China, or “16+1”, Summit in Croatia with the main focus on connectivity, while in October Latvia is to host a high-level conference on tourism. Latvia is active in the field of transport and logistics by coordinating the CEEC–China Secretariat on Logistic Cooperation.

In recent years, Latvia has experienced the intensification of high-level political dialogue with a consistently important trade partner – India, with cooperation in the transit and logistics sector as a priority. India is currently one of the hubs of global technology development, and will remain so in the future. Latvia is interested in strengthening this field of cooperation. At the end of February 2019, India will host a Europe India Business Summit, focusing on innovations and start-ups. That will be an opportunity for Latvia to present its achievements and, for companies, to establish business contacts.

With the signature of the EU trade agreements with Vietnam and Singapore, the Ministry of Foreign Affairs will work together with the business community on exploring the potential of those agreements in the context of both trade promotion and attracting investments.

The Gulf region does not lose its relevance among Latvian businesses. Exporters, especially food producers, are gradually boosting their capacity in the markets of the UAE, Saudi Arabia and the neighbouring countries. The decision by the Latvian government on participation in the Expo 2020 Dubai international exhibition, with the subthemes of Sustainability, Opportunity and Mobility, is expected to help economic relations between Latvia and the UAE to become even more targeted and focused on specific cooperation projects, as well as helping raise Latvia's profile in the region. The exhibition has a great potential and it attracts high interest from businesses. It is expected that the event will bring together about 25 million visitors. At this point, the Expo Live fund has invested in a Latvian start-up, thus contributing to Latvia's economic growth.

The areas where enhanced cooperation would be in our country's interest are transport and logistics, ICT, tourism (including direct flights to China, Japan and South Korea), cooperation in education and science, and the implementation of concrete projects in Latvia.

Exploring the economic potential in dialogue with Latin American and African countries

In the coming decade, Latin America could be one of the most stable, safest and dynamic regions for foreign investment, especially those of European origin. As foreign trade develops in Latin America, countries will have to increase productivity, which in turn opens up opportunities for EU companies in the sectors of education, technologies and innovation, renewable energies, digitalisation of economies, and infrastructure development. The intensity of cooperation with the Latin American countries is increasing in view of many exporters set to increase their sales volumes in foreign markets and diversifying the destinations of their exports.

Latvian companies working in timber and food processing and ICT have identified a number of opportunities for cooperation between those sectors and the Latin American countries. In 2018, the Ministry of Foreign Affairs headed a delegation of Latvian ICT businesses on a visit to Chile and Costa Rica. This is proof to their interest in the region, which holds a significant potential; however, the considerable geographical distance and relatively limited knowledge of the region makes it difficult to enter the market. At the end of the year, the dialogue with Peru also increased in intensity, confirming the region's interest in opportunities offered by the region, notably in the areas of pharmaceuticals, transport and logistics, and tourism.

The coming into effect of the EU–MERCOSUR Association Agreement is expected to facilitate cooperation with Argentina, Brazil, Paraguay, and Uruguay, which is in line with the EU's objective of expanding cooperation in the transatlantic space (with the US and Latin America) set out in the EU Global Strategy. After the signing of an agreement with MERCOSUR, outreach events have been planned to inform Latvian companies about business opportunities in the MERCOSUR countries and the benefits offered by the agreement. The opening of a Latvian embassy in Brazil is being considered in order to develop Latvia's diplomatic representation in the region.

The interest of Latvian businesses in Africa as an export market focuses on separate countries and regions. More active cooperation is ongoing in the sectors of ICT, timber processing, agriculture and food processing, and pharmaceuticals. In 2018, Latvia welcomed business delegations from Benin and Ghana, which is proof to our companies following the right course, and Latvia as a potential business partner gradually becoming more visible in Africa.

Latvia's potential in information and communication technologies

In view of the transformation process of Latvia's economy in the direction of an economic model characterised by innovations and creation of goods and services with a higher value added, senior officials, ministries, sectoral association and other stakeholders have been paying great attention to animating the Latvian Government concept of Data Driven Nation and promoting the new concept-based ideas abroad.

By positioning Latvia as one the most significant actors in the Baltic Sea region 5G ecosystem, much effort has been invested in the promotion, on a global scale, of the opportunities offered by Latvia, which is evidenced by the first Baltic Sea Region 5G Ecosystem Forum held in September 2018. The increasing importance of the ICT technology sector worldwide makes it one of the target areas in the development of Latvia's external economic policy in the medium and long term.

5. Cooperation with diaspora and consular work

Links with compatriots abroad

A common national diaspora policy

Maintaining the link with compatriots abroad is a major priority for the Ministry of Foreign Affairs. The ministry is making every effort to strengthen the link with the diaspora and cooperate closely with the diaspora organisations. The age of mobility calls for ensuring the sustainability of relationship between the Latvian state and the diaspora. The initiative on the Diaspora Law set out in the previous report has already been implemented, and the law has been adopted by the Saeima. The ministry took an active part in its drafting and the work now lies ahead to put its provisions into practice.

To this end, the ministry, pursuant to the provisions of the law, will coordinate the activities of all the relevant institutions in Latvia and ensure close interaction with the diaspora organisations. The implementation of tasks and objectives set out in the law will be a priority for the ministry in the coming years. The Law highlights the following areas of support and related activities: (1) preservation of the diaspora's Latvian identity and belonging to Latvia, fostering the preservation of the Latvian language and culture among the diaspora; (2) purposeful measures facilitating the diaspora's involvement in the Latvian national economy, public administration and science; (3) fostering civic and political participation of the diaspora; (4) support for remigration.

With the aim of pursuing a common diaspora policy, the ministry has submitted a joint application of all the involved stakeholders seeking state budget financing for the support of the diaspora and requesting that it be included in the basic state budget.

Support for diaspora organisations

It is in vital interests of the Latvian state to see its many thousands of citizens abroad preserving their connection with Latvia and, moreover, passing on our native language to next generations. The rapid process of the assimilation of diaspora children and young people is a great challenge to Latvia. The main instrument to address assimilation is education in the Latvian language and Latvian cultural events. The number of Latvian amateur art groups, weekend schools and diaspora organisations keeps increasing. More than one hundred Latvian diaspora weekend schools are currently functioning in 26 countries. Support from the state for diaspora education has been considerably increased, including for weekend schools and summer high schools. State support to the diaspora should also be maintained and increased in the budget for the next and the following years, and the Ministry of Foreign Affairs will continue advocating that. One of the highlights in 2019 is Latvian education and cultural events for children and youth.

One of the most promising ways of cooperation with the diaspora is cooperation aimed at the advancement of Latvia's economic growth. An example of that are the World Latvian Economic and Innovation Forums, which bring together representatives of the business community from many countries worldwide. Another important initiative is the promotion of cooperation among scientists of Latvian origin by means of mapping the network of researchers in the higher education institutions and research institutes abroad and motivating them to build cooperation with their colleagues in Latvia.

In 2018, diaspora organisations submitted 166 project applications to the competition announced by the Ministry of Foreign Affairs in support of the diaspora; of those, 99 projects in 26

countries were supported fully or in part, which points to an increasing interest and activity among the diaspora.

Facilitating remigration

The rapid economic growth over the past few years has highlighted the issue of the accessibility of workforce and therefore also remigration. Consequently, providing information to the diaspora on employment opportunities in Latvia is an important task for the given moment and the coming years. Latvian embassies continue offering support for institutions and organisations in Latvia so that they could directly address potential remigrants in the main diaspora host countries. In addition, the new Diaspora Law prescribes that local authorities may offer all other types of social and material support or envisage additional social guarantees to remigrants. The path of our citizens back to Latvia should be made easier not only by accessibility of schools, nursery facilities and housing; other important aspects are also simplification of the recognition of education documents obtained abroad, language learning support for spouses, recognition, in the Latvian civil service, of professional skills of specialists who have gained experience of working in international organisations, and other areas. This calls for concerted action of many institutions and coordination under the direction of the Ministry of Foreign Affairs and with the involvement of civil society organisations.

A project by the Ministry of Environmental Protection and Regional Development – the network of regional remigration coordinators – is an essential support measure to foster remigration. As part of the project, free-of-charge individual consultations are provided on topics related to return to a specific region in Latvia, and good results have already been achieved. Over the eight months of the project, regional coordinators reached out and provided advice to 1332 families, 132 of which have returned to Latvia. Other 134 families are planning to return to Latvia in the near future.

Work of the consular service

Against the backdrop of the growing Latvian diaspora abroad, mobility of persons and the changing security situation across the globe, the role of consular service in maintaining the link with compatriots abroad is increasing, and so is consular workload. At present, the Latvian consular service ensures broader and more individualised support than a number of other EU Member States. To provide an opportunity for restoring the connection with the Latvian state by receiving a Latvian travel document, the missions of mobile passport workstations have been taking place since 2010, including to Australia, Brazil and New Zealand, which also enable persons to receive other consular services close to their place of residence. Both Latvian diplomatic missions abroad and the entire diaspora are being actively involved in the preparation and holding of the Saeima elections worldwide. At the same time, following the trends in European countries, the provision of consular assistance in emergency situations is increasing in importance in Latvia as well. This is the exclusive function of the Foreign Service, with a growing role of mutual cooperation between EU Member States.

New legal framework for consular work in Latvia and abroad

A new legal framework governing consular work – the Consular Assistance and Consular Services Law – came into force in 2018, followed by a number of subordinate acts. The law replaces the provisions of 1936, which had been in force since 1994, with minor technical amendments. The new law introduces a clear regulation of consular functions in line with international practice. It is significant that, in its definition of an extraordinary situation, the law also includes placing, or planned placing into care, or adoption of a minor and it also sets out

actions by Latvian institutions for the protection of the rights and interests of that person. The law also implements the so-called Consular Directive adopted during the Latvian Presidency of the Council of the EU, which requires that EU Member States cooperate to offer consular assistance to the nationals of other EU Member States in third countries. The law also specifies the competence of Latvian diplomatic and consular missions in the area of consular services, whilst also introducing a more flexible approach to the provision of services to people residing in the countries without Latvia's diplomatic representation.

Statistics of consular assistance and services

Following decrease in the number of visa applications in 2014, interest in visas for travel to Latvia has grown, amounting to 129,480 visa applications in the first three quarters of 2018, for which EUR 4,784,953 were collected in fees. The issuance of visas began in the regional embassy in the UAE. To make the application process for Latvian visas easier, Latvia is cooperating with external service providers in 11 countries, while missions of other Schengen states are issuing visas for Latvia in 86 countries. Latvia, on its part, issues visas for other countries in 10 locations worldwide.

The need for Latvian nationals living abroad to deal with formalities at Latvian public institutions, the changing travel patterns of the residents of Latvia, who now explore distant and exotic destinations, human trafficking risks still existing abroad, promotion of Latvia as a popular tourist destination, the export of Latvia's higher education, and other circumstances are expected to increase demand for consular services and consular assistance to be provided to both Latvian nationals and those of EU member States. In the light of that, work will continue on the accessibility of consular services, especially through the use of the present-day digital solutions; this in turn depends directly on the user friendliness abroad of e-services introduced in Latvia. Such access will not only enable people residing abroad to directly receive the services of Latvian public institutions but also make it possible to focus on the provision of consular assistance in emergency.

CONCLUSION

Public awareness, support and involvement are vital for Latvia's foreign policy. A special place is occupied here by the dialogue on EU-related matters at EU information forums and consultations on EU issues, including topics considered by the European Council meetings.

The Foreign Service pursues successful cooperation with institutes doing research on the foreign and security policy of Latvia. As part of this cooperation, the Foreign Ministry forms its in-depth understanding of priority political issues; the annual Riga Conference, one of the most significant events in Europe devoted to European and Baltic Sea region's security, is also organised. An important aspect is cooperation between the Foreign Service and non-governmental organisations in the field of development cooperation, where civil society activities and engagement are of key importance. The knowledge and skills of Latvian experts come very useful in support of the Eastern Partnership and Central Asian countries.

Dialogue with society, including youth organisations in Latvia, is and will remain one of the principal missions of the Ministry of Foreign Affairs in the future. For the ministry, this is not an end in itself but a day-to-day necessity. The dialogue ensures the effectiveness and a forward-looking, whilst also reality-based character of the Foreign Service.