

LATVIA

By Interfax-M&CN

Latvia's GDP grew by 6.6% in 2000, with trade growing 9.6%, the transport sector by 7.2%, communications 7.2%, manufacturing 5.7% and commercial services 13.6%. In April 2001, the International Monetary Fund approved a stand-by loan for Latvia of US\$42 million to support the government's programme for 2001-02. The IMF said that Latvian economic growth was strong and broad-based, inflation was at close to European Union levels and the country was less vulnerable to external shocks. The programme calls for cutting the budget deficit to less than 1% of GDP next year from more than 3% last year, as well as structural reform.

Latvia's mining industry is small. It focuses on extraction of peat and industrial minerals (clays, dolomite, gypsum, limestone, and sand for glass and bricks production). The country has a steel mill, Liepajas Metalurgs, which uses scrap metal and imported iron ore. Liepajas produced 490,000 t of open-hearth steel in 2000, up 1.7% year-on-year. The company also makes small sections and bars and other rolled products, and is listed on the Riga Stock Exchange.

Liepajas joined Eurofer in the third quarter of 2000 because the company's management believes that it will grant a degree of protection in anti-dumping procedures. Still, European producers continue to exercise pressure on the company to make it limit steel armature exports to Europe. The US and Canada have already imposed duty on steel armature shipments from Latvia, and Liepajas stopped exporting the commodity to the US last year. It had in the past shipped half of its output to that market. At the start of 2001, Liepajas stopped exporting to Canada, where it last year sold 15% of its output.

Meanwhile, arctic mining and smelting giant Norilsk Nickel's Severonikel Combine has said it intends to build a facility to refine precious

metals in the Latvian city of Valmieras. The city's legislature approved the initiative, and its mayor said the city had been targeted because it was home to a major Norilsk Nickel customer, Valmieras stikla skiedra, or Valmieras Fiber Glass. Norilsk Nickel said that Valmieras was just one option for building a precious metals refinery in Europe, and that only rough plans so far existed.

Latvia is still fully dependent on fuel imports. The situation could improve if Latvia succeeds in starting commercial oil production. At the recommendation of the geological service, the Latvian Government has significantly expanded the territory in which oil exploration and production will be carried out. In addition, the government has developed a concept to set up a national oil production company, with the state's share in oil production amounting to not less than 10%. Oil reserves are estimated at not less than 250 million barrels.

In April 2001, the Latvian Economics Ministry announced a tender for a licence to carry out prospecting, exploration and production of oil in Latvian territorial waters in the Baltic Sea. Commercial production of oil in the Latvian sector of the Baltic Sea may begin within six years, according to agency specialists. Bids to participate in the tender to prospect for oil will be accepted by the Economics Ministry until October 31, 2001 and bids to explore deposits and produce oil until January 25, 2002. Licences to carry out prospecting will be granted for two years, and the Economics Ministry retains the right to extend the term of the licence to up to five years. Licences for exploration and production will be granted for up to 30 years, including exploration licences of up to five years. The holder of a licence will pay a quarter of the income tax rate and will pay state oil production tariffs depending on the daily yield from each well - from 2% for 10,000 barrels to 12% for 80,000 barrels.