LATVIA

By Interfax-CNA

Latvia's GDP grew 6.1% in 2002. The foreign trade deficit totalled La1.09 billion in 2002, up 15.2% year-on-year. Exports went up 12.1%, and imports rose 13.4%. Timber and timber goods accounted for 33.6% of exports, while machinery and electrical equipment accounted for 21.3% of imports. Latvia's central statistics department predicts GDP growth of 6% in 2003.

The IMF was disappointed with Latvia's state budget indicators for 2002, as the fiscal deficit was 1.9% of GDP. The IMF has recommended that the Latvian Government postpone a reduction in the corporate income tax and mandatory social insurance contributions in order to avoid an increase in the budget deficit in 2003. Latvia's state debt rose by 6% in 2002 to La756.2 million. Foreign debt totals La464.7 million.

Latvia's mining industry is small. It focuses on extraction of peat and industrial minerals (clays, dolomite, gypsum, limestone, sand for glass and bricks production). The country has a steel mill, Liepajas Metalurgs, which uses scrap metal and imported iron ore.

In 2002, Liepajas Metalurgs succeeded in increasing sales. The company invested about La4 million in its business in 2002, and plans to invest another La3.8 million in production in 2003. Liepajas Metalurgs produces between 38,000 t/mth and 42,000 t/mth of mainly bars, nails and mesh. Its products have been certified in almost all European countries, including the UK, Germany, Spain, Italy, Sweden, Finland, Portugal. The Irish-registered Gesil Ltd owns controlling shares in Liepajas metalurgs. The company's shares are quoted on the secondary listings of the Riga Stock Exchange.

In December 2002 the shareholders of Liepajas Metalurgs decided at an extraordinary meeting to increase the company's charter capital by by 23% to La17.476 million with a new share issue. The new shares will be placed in a closed subscription among current shareholders in proportion to their present stakes.

Latvia is still fully dependent on fuel imports. The situation could change if Latvia succeeds in starting commercial oil production. On April 3, 2002 the US-Norwegian joint venture TGS Nopec received a licence to prospect for oil in the Latvian sector of the Baltic in an area of over 2,000 km^2. Meanwhile, the Latvian Economics Ministry announced a new tender for a licence to carry out oil exploration in the Latvian sector of the Baltic Sea. According to an official announcement by the ministry, the tender is for the right to prospect for oil in all Latvian territorial waters from the Lithuanian border to the Irben Straits. This licence will give the right to carry out work to search for oil in Latvian territorial waters in the Baltic. It is a so-called exclusive licence, as it does not give the right to produce oil. The licence to prospect for oil will be granted for two years and will cost La2,000.