



Weekly Briefing

Latvia economy briefing:

**Economic and Scientific Cooperation between Latvia and China is
increasing**
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Economic and Scientific Cooperation between Latvia and China is increasing

China has always been an important partner for Latvia. Both of these countries share common objectives not only in the sustainability and welfare sector but also in the promotion of entrepreneurship and the implementation of investment projects. It is important to note that China was one of the first countries to recognize the renewal of Latvia's independence, which has led to close cooperation between the two countries over the last 25 years.

The trade activities between Latvia and China are increasing year after year and China is currently one of the largest trade partners of Latvia outside the European Union. As a result of close cooperation between the two countries over the last 10 years, the value of exported and imported goods has increased repeatedly. Exports to China during January- October 2019 reached 131.37 million EUR, which is 5.25 times more than in 2010. Imported goods from China amounted to 434,25 million EUR during January-October in 2019, which is 2 times more than in 2010.¹

The main export goods from Latvia to China in 2019 were: wood and its products (52.86%, mainly raw timber); mineral products (13,61%); machinery; electrical equipment (9.35%, mainly electronic integrated circuits); metals (4.49%); vegetable products (6.72%, mainly fruits and nuts).

The main import goods in Latvia from China in 2019 were: machinery; electrical equipment (50.76%, mainly mobile communication devices); various industrial goods (9.86%, mainly lamps and lighting accessories, furniture); plastics; rubber and rubber products (8.15%, mainly tires); metals (6,83).%, mainly metal structures); textiles (5.59%); products of the chemical industry (4.99%, mainly ready-to-use binders for ingots and cores) .

Cooperation between Latvia and China takes place both bilaterally and within the framework of EU-China relations and in various multilateral formats, such as in the format of

¹ <https://eksports.csb.gov.lv/en/countries-selected/export/2019/TOTAL/CN>

cooperation between Central and Eastern European countries and China (17 +1) and the framework of the “Belt and Road” initiative.

Latvia's priorities in these projects are cooperation in the transport and logistics sector, attracting investments in infrastructure and production projects, promoting trade links and tourism, and exchanging students and teaching staff.

On 4 November 2016, Latvia signed a Memorandum of Understanding between the Government of the Republic of Latvia and the Government of the People's Republic of China on cooperation in the economic bands of Silk Road. The memorandum was signed based on the traditional friendship between the people of Latvia and China, great cooperation between the two governments and efforts to work together to promote the economic bands of the Silk Road. The two countries undertook to work together in the “Belt and Road” initiative to pursue the objective of joint development and to turn their strengths – political dialogue, complementarity in the economic field and people-to-people contacts – into practical cooperation and sustainable development. In this way, promoting political relations, economic links and people-to-people contacts between the two countries.

As part of this initiative, the first container train from the Chinese city of Yiwu entered Riga in November 2016, which drove more than 11,000 km in only 12 days. Yiwu's commercial platform “Yiwu Timex Industrial Investment Co.” has included Riga as one of the routes of the global movement of goods on its map, and rail transport is considered to be the most forward-looking way of transporting goods to Europe.² It cannot be denied that although this New Silk Road initiative is more focused on the development of the logistics and transport sector, it would also have a positive impact on trade volumes in Latvia.

Since the first successful container train pilot trip, Latvian businessmen and producers have increased interest in export opportunities in China. Following the successful shipment of the first train, interest in the Latvian corridor has also increased in China and more entrepreneurs are now interested in the possibility of cooperation. Yiwu representatives are convinced that the Yiwu - Latvia route has potential, but there is a need for closer interaction between shippers, consignors, railways, terminals, and customs, which would contribute significantly not only to transport but also to trade relations between the two countries.³

² <http://www.sam.gov.lv/sm/content/?lng=lv&cat=112>

³ <https://www.mfa.gov.lv/component/content/article/56316-latvija-un-kina-viena-josla-viens-cels-satiksmes-ministrija>

The “Belt and Road” project is very important for the Latvian government and the representatives of the state institutions make a major contribution to the promotion of international cooperation. For this reason, Latvia was invited for the second time to the “Belt and Road” forum in Beijing, which took place in 2019 from 25 to 27 April. During the first forum held in Beijing in 2017, the Ministry of Transport highlighted four priorities for cooperation with China: aviation, rail, maritime, industrial parks, and proposed six measures to deepen cooperation with the countries involved in the initiative.

Since then, transport and logistics companies from Latvia and China have been actively cooperating and have achieved significant results in both bilateral and multilateral cooperation.

In particular, the National Latvia’s Post and International Airport Riga are cooperating successfully with Chinese companies, providing effective solutions for the delivery of e-commerce messages to customers in Europe and third countries through Latvia. Latvia’s railway representatives, along with the Chinese railway, continues to successfully develop new container train services by connecting Asia and Europe through the Latvian multimodal maritime and rail corridor. Also, in maritime cooperation, Latvia has been successfully involved in the development of China's 21. Century Maritime Silk Road, since the end of 2017, China and the world's largest shipping company have included the port of Riga in the regular Northern European container shipping route.⁴ These results in transport and logistics have strengthened confidence, increased market opportunities and created a historical basis for the sustainable development of economic cooperation between China and Latvia.⁵

In March 2019, the Latvian Investment and Development Agency received a delegation from the commerce department of the city of Ningbo (China), as well as the Chinese-based trading company “China-Base Ningbo group Co. Representatives of Ltd” to discuss the creation of a Chinese-Latvian e-commerce center in Riga. The capital of Latvia has been designated as the best place through which the supply of goods to other European countries would be ensured according to the “17 +1” cooperation format. The logistics of goods is planned to be coordinated through Riga’s Port, which would have a positive impact on Latvia's economic growth.⁶

⁴ <https://www.mfa.gov.lv/component/content/article/56316-latvija-un-kina-viena-josla-viens-cels-satiksmes-ministrija>

⁵ http://www.sam.gov.lv/?cat=8&art_id=8885

⁶ <http://www.la.lv/kinas-uznemeji-velas-latvija-izveidot-verienigu-e-komercijas-un-logistikas-centru>

Chinese businessmen have also showed an active interest in expanding their activities in Latvia. Company “MGI” has officially launched new research, development, and production center in Riga to create a Chinese-European life science innovation center. The company has already set up three research, development, and production centers in China — Sheng, Shaan, and Qingdao — and San Jose, U.S. The new 7000 m² large “MGI” center is located at the airport park in Riga.

At the premises of “MGI Latvia” in Riga, a product production center, a high-throughput sequencing center, training, as well as a logistics center will be provided. The company's role here is to strengthen innovation-related cooperation between China and Europe in the fields of life sciences research, industrial use, and technical standards. This means that cooperation on transnational genomics projects, as well as the exchange of experience and information between companies in China and Europe, will continue through this center.⁷

"Given current biotechnology bases in Latvia, “MGI” feels safe when creating a gene-based life-sciences innovation platform in Europe. Here we will be using the company's main products and technologies. This will help to advance the equipment needed to research higher-level life sciences in China on the global market by creating a system of technical support and a product supply chain that would meet customers' needs and allow a deeper understanding of the European market, says “MGI” President Duncan Yu.

There is also close cooperation between Latvia and China in the field of science. Bilateral cooperation with China and the Ministry of Education and Science of the Republic of Latvia is based on the agreement between the Government of Latvia and China on education cooperation signed on 22 November 2017. This agreement gives students opportunities such as going on exchange trips, as well as students can receive scholarships for studies and participate in different summer schools. Besides, China and Latvia have agreed on mutual recognition of higher education qualifications and degrees, thereby providing growth opportunities for both Latvian and Chinese citizens. During the 2019/2018 school year there was a total of 45 Chinese students in Latvia.⁸

As well as in 2018, President of Latvia Raimonds Vejonis (2015-2019) closed an agreement with China on cooperation in science and technology, thereby promoting innovation.

⁷ <https://labsoflatvia.com/aktuali/mgi-centrs-riga>

⁸ The Ministry of Education and Science of the Republic of Latvia “Report on Latvia's higher education in 2018”

Two academic partnership centers have been created as a result of cooperation to strengthen partnership of the both countries in the field of education and science - the University of Latvia in cooperation with North China Institute of Science and Technology both founded academical partnership centers in their premises. As a result, Chinese students have the opportunity to learn Latvian and its culture, while Latvian students have the opportunity to learn Chinese as well as understand Chinese culture, thereby extending the possibilities of cooperation between the two countries.