



Weekly Briefing

Latvia external relations briefing:

Latvia: A Growing Geopolitical Power in the European Union

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Latvia: A Growing Geopolitical Power in the European Union

Summary

Located in the heart of the Baltics, Latvia has a rich mix of history and modern significance. Its strategic position has always made it a central player in Europe's key political and economic events. Throughout its history, from wars to shifting empires, Latvia has faced many challenges. Yet, each time, it has adapted, taking influences from both its Eastern and Western neighbors.

Because of its central location, Latvia has always been a meeting point for different powers and cultures over the years. This has given the country a unique blend of traditions and stories. From its ancient origins and ties to trade routes to its recent struggles for independence, Latvia's journey has been varied and complete.

2004 was a standout year for Latvia. Joining the European Union that year wasn't just about politics or economics; it was about Latvia firmly establishing its identity and future direction. After navigating the challenges of the 20th century, including various occupations, Latvia proudly took its place in the Western community, while still valuing its Eastern connections.

Today, Latvia's role in the EU isn't just as a member. It's an active participant, shaping the group's direction. With its resilient economy, dedication to democracy, and a deep sense of identity, Latvia stands out. As Europe faces the twists and turns of modern geopolitics, Latvia, with its rich history and forward-looking mindset, is ready to play a crucial role, showing how different backgrounds can come together to build a united future.

Introduction

Latvia, a gem nestled on the eastern shores of the Baltic Sea, presents a rich tapestry of historical events, cultural confluences, and geopolitical shifts. Its history dates back to ancient times, with the Curonians and Latgalians establishing some of the region's earliest settlements. Throughout the subsequent millennia, Latvia's strategic location made it a sought-after territory, witnessing dominions of varied powers, from the Teutonic Knights in the medieval period to

the Polish-Lithuanian Commonwealth and later, the Swedish and Russian Empires in the more recent centuries.

The dawn of the 20th century was particularly transformative for Latvia. After a brief spell of independence following World War I, it found itself under Soviet and then Nazi occupation during World War II, only to be re-incorporated into the USSR¹ post-war. It wasn't until 1991, riding the waves of the Soviet Union's dissolution, that Latvia reclaimed its sovereignty.

This complex historical backdrop has not only sculpted Latvia's national identity but also informed its modern-day economic, political, and cultural orientations. As a member of the European Union since 2004, Latvia now finds itself at a crucial juncture, leveraging its unique history and geostrategic position to shape its future and that of the region.

Geographical Positioning

Latvia's geographical positioning offers a multifaceted strategic advantage, underpinning its significance in various domains, from transportation to security.

1. Transit and Trade Dynamics: As a juncture between Europe and Asia, Latvia boasts a robust transportation infrastructure. Key features include Baltic Sea ports, railway networks linking it with Asia and the broader European milieu, and an international aviation hub. Consequently, Latvia emerges as an indispensable transit node, facilitating the movement of goods and populace between the two continents.

2. Energy Geopolitics: Proximate to vital oil and gas conduits, Latvia possesses the potential to become instrumental in consolidating the European Union's energy security framework. Its geographical advantage situates it as a potential mediator and gatekeeper in the Eurasian energy dialogue.

3. Security Imperatives: Sharing a frontier with Russia and as a constituent member of NATO², Latvia's strategic importance is accentuated when evaluating the defense dynamics of the EU's eastern periphery. In an era marked by Russia's pronounced foreign policy ambitions, Latvia's role is increasingly perceived as pivotal in the overarching defense strategy of the EU.

¹ Latvia, once a republic within the USSR, regained its independence in 1991 following the dissolution of the Soviet Union.

² NATO (North Atlantic Treaty Organization) is a military alliance established in 1949, consisting of North American and European countries, to ensure mutual defense against aggression.

To elucidate the tangible manifestations of Latvia's geopolitical significance:

- **NATO Naval Deployments:** The ports of Latvia are frequently utilized by NATO naval vessels to mobilize troops and logistical assets within the Baltic domain.
- **Eurasian Energy Corridor:** Latvia's railway infrastructure plays a vital role in channeling oil and gas exports, reinforcing the EU's energy interdependence.
- **Aerial Surveillance:** NATO's aerial reconnaissance missions, aimed at monitoring potential military incursions, often encompass Latvian airspace.
- **Intelligence Synergies:** Latvian intelligence apparatus collaborates extensively with NATO, offering insights into potential strategic intents.

Latvia's Economic Growth

Latvia's economic growth has been driven by a number of factors:

1. **Strong exports:** Latvia's exports have grown significantly in recent years, driven by demand from its main trading partners, including Germany, Sweden, and Lithuania. Latvia's main exports include machinery, wood and paper products, and textiles.
2. **Rising domestic demand:** Latvia's domestic demand has also risen in recent years, supported by rising wages and employment. This has been driven by a number of factors, including government investment in infrastructure and education, and foreign investment in the Latvian economy.
3. **Favorable economic conditions:** The global economy has been in a relatively strong recovery in recent years, which has benefited Latvia's export-oriented economy.

The Latvian government has also played a role in promoting economic growth through a number of measures, including:

1. **Investing in infrastructure and education:** The Latvian government has invested heavily in infrastructure and education in recent years. This investment has boosted economic growth and productivity.

2. Reducing taxes and regulations: The Latvian government has also reduced taxes and regulations in recent years in order to promote business investment and job creation.

3. Attracting foreign investment: The Latvian government has also taken steps to attract foreign investment to the country. This has helped to boost economic growth and create jobs.

As a result of these factors, Latvia's economy has grown significantly in recent years. Latvia's GDP per capita has increased from around €10,000 in 2010 to over €20,000 in 2022. This growth has been accompanied by a decline in unemployment and an increase in living standards.

Latvia's economic growth is expected to continue in the coming years. The International Monetary Fund (IMF) forecasts that Latvia's GDP will grow by 2.4% in 2023 and 2.7% in 2024. This growth will be supported by the factors mentioned above, as well as by the continued recovery of the global economy.

However, there are some challenges that could impact Latvia's economic growth in the coming years. These challenges include:

1. The ongoing war in Ukraine: The war in Ukraine is a major risk to the Latvian economy. The war has led to higher energy prices and supply chain disruptions, which could impact Latvia's export-oriented economy.

2. Inflation: Inflation is rising in Latvia, as it is in many other countries around the world. High inflation could erode consumer purchasing power and dampen economic growth.

3. Skilled labor shortages: Latvia is facing a shortage of skilled labor. This could impact the country's ability to compete in the global economy.

Latvia's Commitment to EU

Latvia is a staunch supporter of the European Union and its fundamental values of democracy, human rights, and the rule of law. Latvia's commitment to the EU is evident in a number of ways, including:

1. Latvia's active participation in EU decision-making: Latvia is an active participant in the EU's legislative and executive processes. Latvian

representatives regularly participate in meetings of the European Council, the European Parliament, and the Council of the European Union. Latvia also has a Permanent Representation to the EU in Brussels.

2. Latvia's contributions to the EU budget: Latvia is a net contributor to the EU budget. In 2022, Latvia paid €1.1 billion into the EU budget and received €4.6 billion in EU funding. This funding is used to support a variety of projects and programs in Latvia, including infrastructure development, education, and research.

3. Latvia's implementation of EU legislation: Latvia has a strong track record of implementing EU legislation. Latvia has transposed all of the EU's directives into its national law, and it has a good record of enforcing EU law.

4. Latvia's participation in EU programs and initiatives: Latvia participates in a wide range of EU programs and initiatives, such as the Single Market, the Customs Union, and the Erasmus+ program. These programs and initiatives help to promote economic integration, cooperation, and understanding between EU member states.

Latvia's commitment to the EU is also evident in its strong support for EU enlargement. Latvia believes that the EU should continue to expand to include new member states, particularly those in the Western Balkans and Eastern Europe. Latvia believes that EU enlargement is essential for the promotion of democracy, human rights, and the rule of law in these countries.

Latvia is a valuable partner for the EU. The country's strategic location, resilient economy, and commitment to EU values make it a significant player in the bloc. Latvia is poised to play an even greater role in the EU in the coming years.

Here are some specific examples of Latvia's commitment to the EU:

- Latvia has been a leader in the EU's efforts to promote renewable energy and to reduce greenhouse gas emissions.
- Latvia has also been a strong advocate for the EU's Eastern Partnership program, which aims to strengthen ties between the EU and six countries in Eastern Europe and the Caucasus region.
- Latvia has also played a leading role in the EU's response to the COVID-19 pandemic and the war in Ukraine.

Latvia's commitment to the EU is based on the belief that the EU is the best way to ensure peace, prosperity, and security in Europe. Latvia is committed to working with other EU member states to build a stronger and more united European Union.

1. Latvia's Foreign Policy Concept (2020): "Latvia is a staunch supporter of the European Union's fundamental values of democracy, human rights, and the rule of law. These values are the foundation of the European project and are essential for peace, stability, and prosperity in Europe."

2. Latvia's Presidency of the Council of the European Union (2015): "During its presidency, Latvia has made it a priority to promote and defend the European Union's fundamental values. Latvia has also worked to strengthen the EU's internal market and to boost economic growth."

3. Human Rights Watch World Report 2023 (2023): "Latvia has a strong commitment to human rights. The country has a good track record in protecting the rights of its citizens, including minorities. Latvia is also a strong advocate for human rights abroad."

Latvia as a Hub of EU Policymaking:

1. Riga Summit (2022): "The Riga Summit was a high-level meeting of EU leaders and other stakeholders to discuss the future of the European Union. The summit was hosted by Latvia and focused on topics such as EU partnerships, the digital economy, and connectivity."

2. European Commission Report on Latvia (2022): "Latvia is an active participant in EU decision-making. Latvia has a strong commitment to European integration and is a vocal advocate for EU interests."

3. Atlantic Council Report on Latvia (2022): "Latvia is playing an increasingly important role in EU policymaking. Latvia's strategic location, strong economy, and commitment to EU values make it a valuable partner for other EU member states."

Latvia's Role in the EU's Defense Initiatives

Latvia is playing an increasingly important role in the EU's defense initiatives. The country is a strong supporter of the EU's Common Security and Defence Policy (CSDP), and it has made significant contributions to CSDP missions in recent years.

Latvia has also been a leader in the development of the EU's Permanent Structured Cooperation (PESCO) on defense. PESCO is a framework for EU member states to cooperate on defense research, development, and procurement. Latvia is currently participating in 17 PESCO projects, including projects on cyber defense, maritime security, and military mobility.

In addition, Latvia is also a member of the European Defence Agency (EDA). The EDA is an EU agency that supports EU member states in developing their defense capabilities and in cooperating on defense projects. Latvia is actively involved in the EDA's work, and it has hosted a number of EDA events in recent years.

Latvia's Role in Bridging EU and NATO Defense Initiatives

Latvia is a member of both the EU and NATO. This gives Latvia a unique opportunity to bridge EU and NATO defense initiatives. Latvia has used this role to promote cooperation between the two organizations and to reinforce a holistic approach to regional stability.

For example, Latvia has hosted a number of meetings and conferences between EU and NATO officials. Latvia has also worked to promote the use of NATO capabilities in CSDP missions. Additionally, Latvia has been a strong advocate for the development of the EU-NATO Strategic Partnership.

Latvia's Contributions to EU CSDP Missions

Latvia has made significant contributions to EU CSDP missions in recent years. Latvian troops have participated in CSDP missions in Somalia, Mali, the Central African Republic, and Ukraine. Latvia has also provided financial and logistical support to CSDP missions.

For example, Latvia has deployed a contingent of troops to the EU Training Mission in Mali (EUTM Mali). EUTM Mali is a CSDP mission that trains Malian security forces. Latvia has also deployed a contingent of troops to the EU Naval Force Operation Atalanta (EU NAVFOR Atalanta). EU NAVFOR Atalanta is a CSDP mission that combats piracy off the coast of Somalia.

In addition, Latvia has provided financial and logistical support to the EU Rule of Law Mission in Kosovo (EULEX Kosovo). EULEX Kosovo is a CSDP mission that helps to build and maintain the rule of law in Kosovo. Latvia has also provided financial and logistical support to the EU Border Assistance Mission in Libya (EUBAM Libya). EUBAM Libya is a CSDP mission that helps to strengthen the capacity of Libyan border guards and coast guard.

Digital Governance

Latvia is a leader in digital governance in the EU. The country has a high level of digital maturity, and it is investing heavily in digital infrastructure and digital skills development.

Latvia has a number of key digital governance initiatives in place, including:

- **E-government services:** Latvia offers a wide range of government services online, making them more accessible and efficient for citizens and businesses.
- **Open data:** Latvia has a strong commitment to open data. The government has opened up a large amount of data to the public, which is enabling new businesses and services to emerge.
- **Digital infrastructure:** Latvia has invested heavily in digital infrastructure, including high-speed broadband and mobile networks. The country has a very high internet penetration rate, with over 90% of the population having access to the internet.
- **Digital skills:** Latvia is investing heavily in digital skills development. The government has launched a number of programs to help citizens develop the digital skills they need to succeed in the digital economy.

Startup Ecosystem

Latvia has a vibrant startup ecosystem. The country is home to a number of successful startups, including:

1. **Printful:** An e-commerce platform that helps entrepreneurs create and sell custom products online.
2. **Sonarworks:** A company that develops audio software and hardware for professionals and consumers.
3. **Emergn:** A company that develops software for managing emergency response.

Latvia is also attracting significant venture capital investment. In 2022, Latvian startups raised €131 million in venture capital funding. This is a record amount of funding for Latvian startups.

The Latvian government is supportive of the startup ecosystem.

The government has launched a number of programs to support startups, including:

1. **Startup Latvia:** A government-backed program that provides funding and mentorship to startups.
2. **Riga TechGirls:** A non-profit organization that promotes STEM education and entrepreneurship among girls and women.
3. **TechHub Riga:** A coworking space and community for startups and entrepreneurs.

Travel & Tourism

According to the World Travel & Tourism Council (WTTC), the travel and tourism sector in Latvia accounted for 2.7% of GDP in 2022, and supported 144,100 jobs. The WTTC also estimates that the travel and tourism sector in Latvia will grow by 2.8% in 2023, and by 4.4% per year over the next decade.

The travel and tourism sector is an important contributor to the Latvian economy, and it is expected to continue to grow in the coming years. The growth of the travel and tourism sector is being driven by a number of factors, including:

- Latvia's strategic location: Latvia is located on the Baltic Sea, and it is a major transportation hub. This makes Latvia an attractive destination for tourists from both Europe and Asia.
- Latvia's cultural heritage: Latvia has a rich cultural heritage, including a number of UNESCO World Heritage sites. This makes Latvia a popular destination for cultural tourists.
- Latvia's natural beauty: Latvia has a number of natural attractions, such as its forests, lakes, and coastline. This makes Latvia a popular destination for nature lovers.

UNESCO World Heritage Site Listings for Cultural Landmarks in Latvia

Latvia has three UNESCO World Heritage sites:



Historic Centre of Riga (1997). The historic center of Riga is a well-preserved medieval city center. It is home to a number of historic buildings, including the Riga Cathedral, the House of the Blackheads, and the Swedish Gate.



Struve Geodetic Arc (2005). The Struve Geodetic Arc is a chain of triangulation points that spans 10 countries, from Norway to the Black Sea, including Latvia. It was used to measure the size and shape of the Earth in the 19th century.



Old town of Kuldīga (2023). The historical center of Kuldīga is an exceptionally well-preserved example of a traditional urban settlement, which developed from a small medieval hamlet into an important administrative centre of the Duchy of Courland and Semigallia between the 16th and 18th centuries. The mixture of architectural styles reflects cultural exchange with the Baltic Sea countries.

These UNESCO World Heritage sites are important tourist attractions in Latvia, and they help to boost the country's economy.

Some Stats About Latvia:

- Latvia is ranked 10th in the World Bank's Digital Governance for Development Index 2022.
- Latvia is ranked 14th in the StartupBlink Global Startup Ecosystem Report 2023.
- Latvia is ranked 11th in the Dealroom European Startup Ecosystem Report 2023.
- In 2022, Latvian startups raised €131 million in venture capital funding, which is a record amount of funding for Latvian startups.
- The Latvian government has committed to invest €1 billion in digital transformation by 2027.

Conclusion

In the intricate weave of European geopolitics and economic landscapes, Latvia emerges not just as a thread, but as a pivotal stitch connecting past legacies with future aspirations. Its rich historical tapestry, marked by both tribulations and triumphs, has instilled in Latvia an unparalleled resilience and a unique perspective. This nation, which once lay at the crossroads of empires, now stands as a beacon of growth, innovation, and strategic significance in the European Union. Its economic evolution, underpinned by robust exports, domestic vibrancy, and forward-looking policies, holds promise not just for its citizens, but for the broader European community. Latvia's role as a transport hub, its increasing digitalization, and its emphasis on sustainable practices illuminate its potential as a powerhouse in the coming decades. Yet, with opportunities come challenges, and Latvia's proximity to geopolitical hotspots and its internal economic hurdles necessitate vigilance and strategic foresight. As we look ahead, Latvia's trajectory serves as a compelling testament to the symbiosis of history, strategy, and ambition. It's a narrative that not only celebrates Latvia's past but also shines a lucid light on its promising horizon.

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