

Developments in Northern Europe and the Role of Transatlantic Relationship

**Address by H.E. Valdis Zatlers
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Ladies and Gentlemen,

Thank you for the opportunity to address this distinguished audience on how I view the developments in Northern Europe and how these developments relate to the transatlantic dialogue.

We need to recognize that the concept of Northern Europe is evolving. There is much in common politically, and we share the same economic area among five Nordic and three Baltic countries.

We are aware of that and are working on developing advanced cooperation patterns like the Baltic Sea strategy. We have several formats of regular consultations of Nordic- Baltic 8. For example, speakers of the 8 parliaments came to Washington for a joint meeting with their US counterpart.

The Nordic- Baltic region is not institutionally unified. Some countries belong to the European Union, some to NATO, some to both organizations. Nevertheless, we enjoy the same economic space and we are eager to defend the same values.

Since the beginning of the nineties the Nordic countries and the United States assisted to the Baltic defense forces in their development.

Common projects like the Baltic Battalion, Baltic Air Surveillance network, Baltic Naval Squadron, Baltic Defense College have significantly strengthened and united the Baltic military on their way to NATO. Latvia along with the other Baltic nations has been effectively contributing to operations in Bosnia, Kosovo, Iraq, and Afghanistan because of these strong partnerships.

Our experience of serving together with Danish, Norwegian, and American troops in different battlefields across the globe can be expanded. I believe that we must work together towards an even greater cooperation in the military planning and training.

Latvia contributes to ISAF not only by military means. The Port of Riga is the leading transit point for the transport of US non-military cargoes to Afghanistan through a logistics network known as the Northern Distribution Network.

Success in Afghanistan will be defined by the Afghani people. That means reconciliation after all these long years of war. That means building a state that can be self-sustainable. We care about Afghanistan, but nobody has more interest in successful development of the Afghani state than the Afghani people themselves. Therefore our mission is to help the Afghani people to assume full responsibility of economic development and security of their state. Latvia is strongly committed to this mission.

It is important to have a transatlantic approach to such issues as the relations with the Russian Federation. This is an area where there are synergies in approaches by the Nordic and Baltic countries and the United States. The reset policy that the Obama administration has pursued with Russia has yielded positive results in the region.

Not only in the area of arms control, even though that is the most visible outcome of these efforts. Reset policy has had an enabling effect also on the way Russia is prepared to deal with other European nations.

I would like to use Latvian case to explain these developments more thoroughly. During 2010 Latvia has achieved significant breakthrough in developing good neighborly relations with Russia, based on mutual advantage and mutual respect.

It is no secret that for a long time our bilateral relations with Russia were distorted by mutual suspicion. While there are still issues we see differently and policies we cannot agree on, we have started a proper political dialogue at the highest political level.

We were able to move forward on a number of long overdue agreements between our countries. These agreements and business forums that took place as a part of

my visit to Moscow last December opened new venues also for economic cooperation.

The visit was an opportunity to ease some of the tensions which relate to the issues that have traditionally been difficult to discuss with Russia. For example history of the twentieth century. President Medvedev and I agreed on launching a joint commission of historians to study the difficult aspects of the history of our two neighboring countries. I am sure that step by step we can enhance mutual trust between Latvia and Russia to the benefit of our two nations, but also to the Europe as a whole.

Continued dialogue with Russia will be essential to realize the potential created in 2010. I consider the Official visit of December as the first step forward to confidence building and towards a more fruitful relationship.

Continuing the positive impetus of the visit will be the real test of sustainability of our efforts.

We have to keep working on a list of bilateral agreements, we have to maintain the intensity of the political dialogue, and we have to keep on discussing the issues that both parties find difficult. Latvia is ready to be an active and constructive partner in the European Union- Russia and NATO- Russia dialogue and cooperation.

One challenge that has steadily dominated our political agendas in the Nordic-Baltic region, in the United States and in other places of the globe is dealing with the economic crisis. Latvia was arguably the hardest hit country, since the downturn of our own economic cycle coupled with the global financial crisis in 2009.

Then we embarked on a journey of tough austerity program with a clear view on bringing our public finances back to sustainable levels by 2012 and fulfilling the Maastricht criteria to join the Euro currency in 2014.

We have stayed the course of fiscal consolidation and budget austerity. But we also implemented widespread reforms in public administration cutting costs and the red tape to increase both affordability and administrative effectiveness.

As a result we have returned to steady growth. Our exports have reached the pre-crises levels. Our public finances are on a good track to long-term sustainability

with a target of consolidated budget deficit under 3 percent of GDP by the next year.

Of course, some of you could ask how wise is it to join Euro now at present moment? Especially, if we take into account the challenges that the Eurozone is currently facing.

I am sure we have taken the right decision. There are two main reasons for that. First, fulfilling the Maastricht criteria- having sustainable budget deficit, public debt, inflation, and interest rates – are good for economy.

In long-term it means more competitive economy, more investment, and more jobs.

Secondly, I am confident that Eurozone will meet the challenges. Just before the visit to the United States I was in Brussels and talked to the President of the European Council. We discussed the measures, such as the Euro+ Pact, to bring all the Eurozone countries back on track. Latvia has accumulated some experience in overcoming a significant economic crisis, and there are lessons that can be learned from our approach.

There is still a lot to be done at the international level to prevent some of the factors that led to the global financial crisis. And this is one area where it is absolutely necessary for the European Union and the United States to work together.

European Union- United States Energy Council is a promising transatlantic forum for dealing with energy issues. Energy security, diversification of energy supply routes and sources, clean energy technologies should be the main focus areas of the Council.

However, we have work to do also bilaterally between Latvia and the United States. I would like to mention a few examples.

Diversification of energy market is one of the priorities of the Nordic- Baltic countries. Cooperation between our countries on energy diversification could bring significant added value. In the Baltic area there is a need for a more diversified gas market.

Latvia has proposed to build a regional Liquefied Natural Gas terminal that could act as an alternate supplier for the Baltic States. There are cooperation possibilities between Latvian and American companies in implementation of this project.

A longer term approach to gas diversification is exploring shale gas deposits. Another excellent opportunity for cooperation.

Being from Latvia, a country that has endured enormous suffering under the foreign occupation and tyranny, I can say forcefully that we have a duty to uphold the values of democracy and the rule of law. If any nation has chosen to embark on the road of these values, we must do everything in our power to assist.

I truly believe that to be effective in this process we need to work on areas where we have the most expertise and where we can make the most difference. For Latvia such an area is the countries in Eastern Partnership program of the European Union.

These countries are working on implementing similar reforms that were undergone by Latvia in its recent past. Therefore we have been sharing and are ready to continue to share our lessons learned in this process.

Our success stories and our mistakes can be of great value to countries that have taken up the road of building value based institutions and societal processes.

Unfortunately Belarus has not only taken a step back in its democratic reforms, but also overstepped the boundaries of acceptable behavior of a country of the EU Eastern Partnership program. We have no choice, but to explore targeted sanctions to stop the violations and to release the political prisoners. Those sanctions should not impose any hardships on the citizens of Belarus.

At the same time, we have to assist the people of Belarus to travel and educate outside Belarus. Nobody can bring democracy to a country, unless its citizens demand it. But we can offer them experience of democracy through, for example, our education systems.

Therefore Latvia together with USAID and US funded organisations, such as Eurasia Foundation, works on opening a Business School in Minsk this September.

If we are to implement such a value- based approach it would be much more successful if we, transatlantic partners, do it together.

These are some of the issues that shape the transatlantic relationship. Security, economy, energy, common approach in cooperation with the countries to the East of the European Union. This is not an exclusive list, but in all these cases Nordic-Baltic-US cooperation is a crucial part of success.

We are living in a fast changing world. Opportunities are arising. Complexities and challenges are expanding.

If we do not keep strengthening our Transatlantic dialogue, if we do not work on addressing these challenges together, we will be overrun by events.

We cannot afford that.

Thank you for your attention!