

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

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## OVERVIEW ON THE FOREIGN REGIME OF THE REPUBLIC OF LATVIA

### Communication from Latvia

The following communication, dated 14 June 1993, has been received from the Ministry of Foreign Trade of the Republic of Latvia.

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#### I. Foreword

The following overview has been compiled for presentation to the GATT Secretariat in conjunction with the granting of observer status to the Republic of Latvia in September 1992.

The overview contains a short summary of the present state of the Latvian foreign trade and import/export policies.

The overview reflects the situation at the time it was compiled.

As the Latvian economy is constantly undergoing change and many laws have yet to be drafted, changes or supplements to the information in this overview may be necessary, of which Latvia will keep GATT informed.

#### II. Outline of the general policy

Within the broad framework of general economic development policy the Latvian state institutions have defined its objectives, goals and strategies directly for the public sector and indirectly for the other forms of ownership, taking into account the recommendations prepared by the Ministries concerned. Although not exhaustive, they are listed below:

##### 1. In the field of industrial policy

- support for existing domestic industries,
- restructuring of non-profitable industries and development of new ones.

##### 2. In the field of management of national resources

- rational utilization of resources;
- guaranteeing the preservation of non-renewable resources;
- providing the domestic market with basic resources;
- rational utilization of wastes.

### 3. In the field of foreign trade policy

The main objective in the field of foreign trade when concluding Free Trade Agreements is to grant the most favoured nations treatment on imports of goods and resources which are indispensable for national economy, but which are exported to Latvia from other countries.

The main task for export is maximum wide sale of goods in foreign markets at the world prices as well as exports of goods that correspond to ecologically accepted norms.

#### III.1. Fiscal matters

##### A. Imports

###### General régime

The basic instrument regulating imports are the customs tariffs fixed by Resolutions of the Council of Ministers' Nr.199 "On Provisional Import tariffs on Goods and Customs Regulations on Arrival or Departure from the Republic of Latvia", Nr.300 "On Import Tariffs on Goods and Alterations of the Government of the Republic of Latvia" adopted in 1992, including different payment rates depending on the products importance for the national economy. Tariff rates are calculated as a percentage of the value of goods which in turn is based upon the contract prices of goods. The line of tariff rates are basically 15 per cent of sales value. The specific tariff rates are fixed for certain groups of commodities in US\$ per unit.

###### Exceptions

1. Tariff rates of 20 per cent are fixed for goods and services from countries with which intergovernmental trade agreements have not been concluded or no trade advantages are provided.
2. On goods from countries with which free-trade agreements have been concluded.
3. Customs tariffs are not applied to grain, power resources, medicines and certain foodstuffs.
4. In order to maintain industrial production and to prevent the growth of unemployment import tariffs are not applied until April 1993 to raw materials and completing parts, which are imported by Latvian enterprises for the manufacturing of their products.
5. Supporting the proposal of the Ministry of Agriculture and the Latvian Farmers Federation and taking into account the crisis situation in the market of agricultural products, increases and specific tariff rates were

introduced for certain agricultural products and foodstuffs from 13 December 1992.

6. As a measure for supporting the producers of agricultural products tariffs were reduced for fertilizers, herbicides and agricultural machinery.

The Government of the Republic of Latvia is constantly working on the improvement of the structure of customs tariffs to make them consistent with the customs tariffs of other Baltic countries, where the economic situation is similar.

## **B. Exports**

1. In accordance with the Law on turnover (article 4) the turnover tax is not levied on export goods.

2. In order to promote exports, export tariffs are not applied in the Republic of Latvia to the goods and raw materials, which are included in the Resolutions Nr.199 of the Council of Ministers.

3. The tariffs rate is calculated as a certain percentage of the value of goods based on their contract prices.

4. State monopoly on purchase and sale of non-ferrous metals, their waste and scrap including their export is established by the Resolution Nr.284 of the Council of Ministers. Permissions for conducting commercial transactions with these goods are issued to natural and juridical persons by the Ministry of Foreign Trade.

## **III.2. Currency, accounts, credits**

The basic aspects of this sphere are fixed in the following legal acts;

- a) the Law on the Bank of Latvia, dated 19 May 1992;
- b) the Law on Foreign Investments in the Republic of Latvia, dated 5 November 1991.

### **III.2.1 Currency régime**

The present currency policy is aimed at protecting the Latvian rouble. In the Republic of Latvia there are no restrictions on interest rates on deposits. The departments of the Bank of Latvia and commercial banks can fix the interest rates on deposits independently.

The average interest rates on deposits in the Latvian commercial banks are:

Term	Latvian roubles (LVR)	convertible currency
3 months	> 50%	7-8%
one year	70-80%	<18%

In the Republic of Latvia foreign currency can be bought and sold freely.

### **III.2.2 Credit régime**

Since 1 February 1993 the Bank of Latvia has fixed a 60 per cent interest rate on credits. At the same time the credit interest rates in commercial banks are 60-80 per cent. There are no special export credits in the Republic of Latvia.

### **III.2.3 Foreign exchange régime**

In the field of foreign exchange all transactions are based on exchange rate of the free market banks. Accounts for Government transactions, as well as all payments to the Government are made according to the exchange rate for convertible and non-convertible currency fixed by the Bank of Latvia.

#### **A. Import régime**

Prior permits are not needed to import, except for some products, (fire-arms, ammunition, drugs etc.) import of which is prohibited by the Resolution Nr.199 of the Council of Ministers. For import of these products a permit of the Council of Ministers is required. For other goods there are no restrictions.

#### **B. Export régime**

In principle, all exports are free of any permit requirements. Exemptions are goods which are mentioned in the Resolution Nr.198 of the Council of Ministers, (fire-arms, ammunition, drugs etc.) For export of these products the permit of the Council of Ministers and its authorized institutions is required.

All accounts of export and import can be made in convertible and non-convertible currency in compliance with inter-governmental agreements.

### **III.3. Institutional matters**

#### **Customs Tariffs Council**

The Customs Tariffs Council which comprises representatives of twenty-two ministries and organizations was established in June 1992. The Chairman of the Customs Tariffs Council is the Deputy Minister of Foreign Trade.

The main objectives of the Customs Tariffs Council are:

- to promote development of domestic and foreign markets by applying economic methods;
- to operatively regulate the customs tariff rates for commodities and develop projects for new export and import tariffs based on the market studies;

Juridical persons may submit proposals to the Customs Tariffs Council concerning amendments to the export and import tariff rates and

introduction of new tariffs. The decisions of the Customs Tariffs Council are formulated in a protocol which is considered a legal act and published in the official press.

#### Ministry of Foreign Trade

The Ministry of Foreign Trade develops the state foreign trade policy. On behalf of the Government it draws up and concludes inter-governmental agreements.

#### IV. Inter-governmental trade agreements between the Republic of Latvia and other countries

At present the following agreements have come into effect:

- Intergovernmental Agreements on Trade and Economic Cooperation which grants the most favoured nation treatment in trade relations with Poland, Hungary, Austria, Iceland and Cuba;
- Free Trade Agreements with Sweden, Norway, Switzerland and the Protocol on Free Trade with Finland;
- Agreement on the Promotion of Trade and investments with the USA;

Intergovernmental Agreements have been initialled with North Korea, Vietnam, Australia and Chechia.

Agreements are being prepared for granting the most favoured nation treatment in the trade with the United States, Chinese Taipei, Romania, Bulgaria, Tunisia, Cyprus, Turkey, Bangladesh, India, Egypt, Iran, Israel and Canada.

Agreements on principles of mutual trade and economic cooperation with granting of most favoured nation status have been concluded and are functioning with Lithuania, Azerbaijan, Moldova, Uzbekistan, the Ukraine, Turkmenistan, Georgia. With Kyrgyzstan, Kazakhstan and Tajikistan Protocols of Intentions have been signed and draft agreements are being negotiated.

An Agreement on the Principles of Trade and Economic Relations has been signed with Russia, however Russia has not yet ratified it.

An Agreement on the most favoured nation status is ready for signing with Belarus. A bilateral Draft for Free Trade Agreement between Latvia and Lithuania has been drawn up and handed over to Lithuania.

The Government considers the possibility to conclude the Treaty on Granting the Associative Status in the European Economic Community.

An Agreement between the Republic of Latvia and EEC on Trade, Commercial and Economic Cooperation has been signed.