

## Monetary Policy

The *Bank of Latvia* has carried out a tight and strategic monetary policy with the aim of reducing inflation, stabilizing prices as well as the new national currency, the lat (*lats*). Inflation has been successfully reduced from 65% per month in 1992 to less than 5% per month in 1993. The *Bank of Latvia* has announced it will maintain its tight monetary policies during 1995 in order to control inflation.

The lat is internally fully convertible and is pegged to the Special Drawing Rights (SDR). The government has been successful in maintaining monetary stability, there has been a large inflow of convertible currencies to the banking system and the lat has steadily appreciated. All projections expect the lat to continue appreciating. This is a positive sign for Latvian importers and a negative sign for Latvian exporters.

## Trade agreements

Latvia has concluded trade agreements with all the countries of the former Soviet Union as well as the EC and EFTA. Agreements giving Latvia "Most Favored Nation" (MFN) status have also been concluded with Poland, Hungary, the Czech Republic, Slovak Republic, Austria, Cuba, Iceland and the United States. A trade and cooperation agreement has also been concluded with the EC that confers MFN status (although agricultural products, textiles, steel and other "sensitive" products are excluded). Latvia applied for membership of the General Agreement on Tariffs and Trade (GATT) at the last session of the GATT council in 1993.

Latvia also concluded a trade and commerce agreement with Canada in August 1994. This agreement confers MFN status to Latvia. A double taxation agreement will be signed between Canada and Latvia in the near future.

## Property ownership

Currently, only Latvian citizens can buy land in Latvia; this is an advantage for the Latvian-Canadians that are also Latvian citizens. Both Latvian citizens and foreign nationals can buy houses, individual apartments or apartment blocks.

However, legal entities and foreigners are prohibited from owning land in Latvia. Because of the restriction on land ownership, foreign nationals can only lease the land on which a building stands. The maximum lease period is 99 years. Enterprises may purchase buildings from other enterprises, private persons, the state or local government. The current situation regarding land ownership is unsatisfactory and the Latvian government is reportedly considering new legislation.

The current government has stated its support for the approach followed by countries such as Estonia, Poland and the Czech Republic in allowing limited foreign ownership of land if this ownership has received prior government approval. Although foreign investors would certainly gain by having the right to own land, this right may come with the price of having to wade through a lengthy, bureaucratic approval process.