

Cooperation between Conexus and Riga Technical University

Japan, Latvia, and investment by Japanese companies in Conexus and Latvia at large.

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Distinguished speakers,

Dear friends of the RTU,

First of all, I would like to thank Ms. Andra Jesinska for giving me this opportunity to talk about our bilateral relationship between Japan and Latvia to the young promising students at Riga Technical University.

This morning, I would like to extend to you three key messages. First message is that Japan is a reliable partner to Latvia. Second, in this very complex world in which we live, it is important to have a reliable partner. And thirdly, Japan and Latvia has a great potential to strengthen our economic relations even more.

#### Relationship between Japan and Latvia.

So let me start with talking about our bilateral relationship between Japan and Latvia.

First, Japan and Latvia have maintained a good and friendly relationship for a long time. Japan was one of the first five countries, which granted Latvia the international recognition de jure in 1921. Last year, our two countries celebrated the hundredth anniversary of friendship.

Second, Japan and Latvia are like-minded and reliable partners to each other who share the basic values and principles such as freedom, democracy, human rights and the rule of law. Under the current very complex international situation, and especially in order to stop the Russian aggression against Ukraine, it is more important than ever that those like-minded partners such as Japan and Latvia stand closely together.

#### Russian aggression against Ukraine.

Now, let me explain to you how Japan is responding to the Russian aggression, so that you will find out how closely we are collaborating with the likeminded partners.

Japan urges Russia to stop the aggression immediately and imposes strong sanctions against Russia and Belarus in coordination with its international partners such as the United States and the European Union member countries. Japan believes that the international society needs to continue an effective assistance to Ukraine. For its part, Japan is providing both humanitarian and financial assistance to Ukraine that amounts 900 million USD altogether.

Although Japan is a faraway country, we are also accepting Ukrainian refugees. For example, our Embassy here in Riga also issued visas to several Ukrainian people who wish to evacuate to Japan.

Japan considers that the Russian aggression against Ukraine is a serious violation of international law that undermines the very foundation of the entire international order. For Japan, this is not only the European or Baltic security issue, but it is the issue for the entire world including our Asian region. Japan is advocating this idea to our Asian neighbors as well as to African countries. So, it is extremely important that like-minded partners like Japan and Latvia stand closely along with other European countries.

#### Impacts of Russian aggression on world economy.

Russian aggression against Ukraine is causing a huge impact on the world economy, too. We are witnessing worldwide disruption of supply chain and price hike in food and in energy, just to mention a few. In case of energy, we need to be independent from Russian oil and gas supply, but at the same time, we need to continue pursuing sustainable development and climate goals. Therefore, our challenge in the energy sector is twice as difficult. In case of Japan, for example, recently, the Japanese prime minister has asked his cabinet members to study the possibility of developing next generation nuclear power plant, although nuclear energy is a very sensitive issue in Japan, because of the Fukushima Nuclear Power Plant incident in 2011.

In such difficult and complex circumstances in the world economy, businesspeople can no longer simply pursue efficiency or profits, but they also need to take political factors or geopolitical risks into their consideration. It is always important to have a good partner to conduct your business, but now, it is extremely crucial to have a good and “reliable” partner to pursue sustainable business. In this sense, I understand that the partnership between Conexus Baltic Grid and Marubeni, a Japanese company, is an ideal one. I will elaborate on this further.

#### Investment of Marubeni in Conexus.

Marubeni through its fund named MM Capital Infrastructure Fund, acquired an interest in Conexus Baltic Grid in 2020, following the approval from Latvian government. MM Capital Fund or Marubeni now owns almost 30% stakes in Conexus. Now, considering this difficult economic situation of the world, I would say that Conexus and the government of Latvia made a very adequate decision to choose Marubeni from Japan as their partner.

Marubeni is one of those what we call Japanese general trading companies. Although we call them trading companies, their business covers almost every field in the economy, including investment. They carry on businesses in all regions of the world, matching up demand and supply by making use of their global information and business network along with their business expertise. The total sales of Marubeni Corporation amounted to about 50 billion euros in 2021, 70% bigger than the GDP of Latvia. Marubeni has some 130 offices in 68 countries in the world.

This summer I had a chance to talk with a gentleman from Marubeni who visited Riga to take part in the board meeting of Conexus. He told me that before Marubeni acquired the shares of Conexus, he had visited Latvia many times. But once they completed the investment, because of the COVID, he didn't have a chance to come back. However, he told me that it was OK, because the board meetings were held via internet. According to him, every document was prepared in English. What's more, although Marubeni is a minority shareholder, Conexus respects and values opinions and expertise of Marubeni, and makes decisions by consensus. Marubeni's gentleman was so impressed and grateful for such an excellent partnership with Conexus.

#### Economic relations.

But speaking in general, the bilateral economic relations between Japan and Latvia are still very limited. In case of trade, in 2021 the total exports of Latvian goods to Japan amounted to about 75 million Euros. Although it was 50% increase compared to the previous year, considering that Japan is the world fifth largest importer, I must say that the figure is still limited. Talking about investment, I know two major investments from Japan in Latvia. One is Marubeni's participation in Conexus and the other one is investment of Mitsui, another Japanese general trading company, in Riga Universal Terminal in Riga Freeport through Mitsui's Singaporean affiliate. Unfortunately, I am not aware of any other major investment from Japan. As for the tourism, the number of Japanese visitors to Latvia steadily increased and reached nearly 30 thousand in 2018. However, unfortunately again, because of the COVID, only 400 Japanese visited Latvia last year.

So, generally speaking, our economic relations are still limited. But if you put it the other way around, you can say that there is a potential to strengthen our economic relationship. Indeed, I see some positive signs and efforts being made towards the improvement.

First, the investment in Conexus can be a gateway for Marubeni to expand its business in Latvia. Their successful partnership can also serve as a good encouragement for other Japanese companies to do business in Latvia.

Second, this summer Latvian Government hosted the Three Seas Initiative Summit here in Riga. As an observer country, our foreign minister sent a message to the Summit, saying that Japan is committed to working actively with the members of the Initiative to enhance their resilience and prosperity.

Three Seas Initiative Summit provided a good opportunity for the Japanese companies to know more about the economic potential of this region and about some initiatives taken by Latvia.

Third, your economic minister is now in Japan. Minister Ilze Indriksone is visiting Japan together with several Latvian businesspersons and she met with the Japanese Minister for Economy, Trade and Industry as well as our Minister for the World Expo, which is to be held in Osaka, Japan in 2025. She also met with various business representatives of Japan and discussed variety of issues but especially long-term energy cooperation, including renewable energy technology issues.

Before her departure to Japan, I met with the Minister Indriksone and thanked her for her visit to my country especially in those busy days of election campaign. The minister replied to me saying that, for her, development of Latvia is much more important, therefore she would visit Japan. I thought she was right. Yes, Japan is a reliable partner for Latvia's long-term development.

With all these good signs, I am confident that the bilateral economic relations will grow in the future.

I stop here. Thank you very much for your attention.