

# Development of AI and Digital Affairs and Unlocking AI Opportunities

POSITION PAPER

Riga, 2024



Emerging technologies hold promise to increase productivity, growth and transparency. Coordinated efforts between the public and private sectors are key to ensuring that AI fosters innovation and opens new opportunities for businesses and citizens alike. All stakeholders should work hand in hand together to maximize the economic potential these technologies bring.

**JOHN TULLY**

President and Chairman of the Board, AmCham Latvia, CEO of MikroTik



Latvia stands at a pivotal moment in its digital transformation journey. While significant progress has been made, there remain clear challenges in adoption of AI solutions and regulation that must be addressed to ensure Latvia's long-term competitiveness in the global digital economy. As such, I believe that a uniform adoption and harmonized implementation of the AI Act will foster innovation, safeguard compliance, and position Latvia to thrive in a competitive, borderless digital market. A coordinated effort between policy-makers and businesses is essential to ensure that regulations are applied consistently, without creating unnecessary barriers for companies. By ensuring a collaborative approach, Latvia can harness the full potential of AI and digital technologies to drive productivity, economic growth, and societal well-being.

**SARMIS SPILBERGS**

Board Member of AmCham, Partner at Ellex



# Introduction

With this paper we aim to put forward proposals and considerations to ensure the achievement of Latvia's objectives of creating a prosperous market for reliable and ethical AI solutions under the scope of the digital society and digital economy.

We also strive to emphasize the importance of collaboration between policymakers and businesses in the achievements of these goals, development of the national AI regulatory and supervisory framework and fostering digital skills of Latvian businesses and broader population.

# Transition to high-value-added economy and increasing productivity

Latvia's planning documents<sup>1</sup> indicate a move towards a high added-value economy and, as competitive advantages of the country are changing, innovation-based business models are introduced more widely. Insufficient level of digital transformation and technological development is one of the main causes of low productivity in Latvia.<sup>2</sup> Latvia's future growth is closely related to the ability to increase productivity, which lags far behind the EU average.<sup>3</sup>

To increase productivity, it is essential to increase human capital, invest in the development of the innovation ecosystem, new technologies and digital solutions, as well as to expand the share of high-tech products in exports. A more significant influx of investments is also needed for the optimization of production processes in companies, which currently lag behind the EU by approximately a quarter.<sup>4</sup>

Meanwhile European innovation scoreboard listed Latvia as having one of the lowest innovation indexes among all EU Member States in 2023.<sup>5</sup> Furthermore, Latvia ranks 17th in the Digital Economy and Society Index 2022 among 27 EU countries, lagging behind the EU average in terms of citizens' digital skills, as well as related to the integration of digital technologies.<sup>6</sup> Whilst, according to the 2030 Digital Decade report the share of enterprises with at least a basic level of digital skills falls almost 10% below EU average.<sup>7</sup>

To advance Latvia as a frontrunner of digital society, it is important to secure sustainable investments in a supportive ecosystem.

To succeed in reaching the status of a top innovator and advance Latvia as a frontrunner of digital society, it is important to secure sustainable investments in a supportive ecosystem, including investment in research and development, availability of skilled AI professionals, and ethical considerations to ensure responsible and inclusive AI adoption in country, as well as create programs and devote resources to dedicated training of businesses, professionals and the general population.

# Harnessing the power of AI

Europe missed the wave of cloud computing, is at risk of losing the race in quantum computing, and it cannot afford to miss the AI opportunity. A 2023 study by Goldman Sachs estimated that generative AI could account for a 7% increase in global GDP over ten years. This equates to about \$7.1 trillion globally, and \$1.8 trillion (€1.7 trillion) in Europe and Central Asia alone.<sup>8</sup> The EU must seize the AI opportunity and regain its position as a global leader, particularly in AI applications.

First, a mindset shift is needed. Policymakers should view the tech sector as a key partner in achieving its goal of building an Open Strategic Autonomy, and leverage available technology assets (computing power, e-commerce platforms, open-source AI models) to build its own autonomy as foundation for high-value adding jobs and services.

How can we stimulate and make sure that these new technologies come from Latvia and Latvian citizens benefit from it?

This requires a change in perspective: from “what new technologies need to be regulated in the next five years” to “how can we stimulate and make sure that these new technologies come from Latvia and Latvian citizens benefit from it”.

The private sector, particularly tech companies, have made significant investments in data centers, leading to the development of cloud computing, cloud-based AI applications, and edge services, which are crucial for driving innovation in Europe.<sup>9</sup> It's estimated that US firms alone have invested a substantial \$597 billion towards ICT infrastructure and cloud solutions in Europe.

The relationship between tech companies and the EU is marked by mutual dependencies. Tech companies make long-term investments in the EU because it is a competitive market and offers political stability. In return, the investments of tech companies can support the EU's strategic autonomy agenda and help it regain its leadership in innovation and technology.

In 2020, the Ministry of Smart Administration and Regional Development in Latvia approved an information report on the development of artificial intelligence solutions. The main objective of this document and “Digital Transformation Guidelines for 2021-2027” is to encourage the adoption of artificial intelligence technologies in both the State administration and the Latvian economy as a whole.<sup>10</sup> Small-in-size countries like Latvia can overcome barriers to AI adoption through strategic partnerships, international collaborations, targeted investments in research and development, and leveraging unique strengths and expertise. Additionally, initiatives such as knowledge sharing, capacity building programs, and international support can help in accelerating AI adoption efforts.

## Open access to state-of-the-art AI creates opportunities for Latvian startups and developers.

Training a new foundation model from scratch requires significant resources that may not be readily available to businesses or startups. It is complicated and costly to run foundation models from an engineering perspective. Most companies cannot afford it, let alone improve them or re-train the model for specific uses. Open models lower these barriers to entry. Open-source models often come with detailed research papers enabling knowledge sharing and allowing startups and small companies to ramp up operations quickly, thereby reducing training costs. European businesses can build on open models to create new AI tools or launch new AI ventures without spending significant amounts on research and computing. In this way, the economic benefits of AI accrue to a broad community of developers and firms, not just those in Silicon Valley.

Open-source models can also have the added benefit of attracting top talent to Europe interested in contributing to the field of open science.

The EU faces a shortage of digital experts who can develop cutting-edge technologies. The Digital Economy and Society Index (DESI) reports that 4 out of 10 adults and every third person who works in Europe lack basic digital skills. Over 70% of businesses have said that the lack of staff with adequate digital skills is an obstacle to investment.<sup>11</sup> Open-source AI technologies democratize access to machine learning making it easier to train EU citizens on machine learning technology.

# Regulatory framework and national policy

AI continues to transform the way information and data are processed and analyzed, and it has a long-lasting impact on decision-making. While AI presents immense opportunities, it can have certain concerns, which are being addressed by comprehensive legal frameworks such as the EU AI Act to ensure proportionate, risk-based and responsible approach. It is important, however, that regulation, and, at times, over-regulation does not hinder innovation and economic competitiveness of Latvia.

To ensure a border-free digital economy across the EU a coherent understanding and practical guidance to business in interpretation and application of the EU AI Act and other EU regulatory frameworks that would be harmonized across all EU Member States should be ensured.

This will create a stable and predictable environment for businesses and investors, fostering growth and innovation. This can only be achieved through close collaboration with industry stakeholders during the EU AI Act implementation process. Regular consultations with companies and industry associations will help identify practical challenges early on, allowing for swift adjustments

and minimizing disruptions. Additionally, establishing a well-equipped and transparent regulatory authority should be a priority to oversee the application of new rules. This body must be capable of providing timely support and clear guidance to businesses, enabling them to fully comply with new requirements while maintaining Latvia's competitiveness in the global AI landscape.

We need to foster public-private cooperation, address the skills gap and work toward enabling customers and businesses to leverage the benefits of AI for a better experience and increased productivity. Organizations in Latvia are encouraged to take proactive steps in order to fully harness the benefits of AI while safeguarding fundamental rights and ensuring user safety. It is crucial to act promptly by conducting risk assessments and initiating preparations for the forthcoming changes brought by the AI Act. By taking these measures, organizations and enterprises in Latvia can progress towards a more secure and reliable AI environment, enabling them to embrace the advantages of this transformative technology to the fullest extent.

The government can play a crucial role in facilitating the implementation of the AI Act and supporting organizations – entrepreneurs and startups, innovators etc. in Latvia in their efforts to navigate the changes and foster a secure and trustworthy AI environment.

Here are some ways in which the government can provide assistance:

## AWARENESS AND EDUCATION

The government can initiate awareness campaigns and educational programs to ensure that organizations and individuals are informed about the AI Act, its requirements, and the benefits of responsible AI adoption. This can include workshops, seminars, and online resources to help organizations understand their obligations and make informed decisions.

## GUIDANCE AND SUPPORT

The government can provide clear guidelines and best practices to assist organizations in conducting risk assessments, implementing necessary measures, and complying with the AI Act. This can involve developing frameworks, templates, and toolkits that organizations can utilize to evaluate and mitigate AI-related risks effectively.

## COLLABORATION AND KNOWLEDGE SHARING

The government can foster collaboration between industry, academia, and regulatory bodies to facilitate the exchange of knowledge, experiences, and lessons learned. This collaborative approach can help in developing practical solutions, addressing challenges, and promoting the adoption of responsible AI practices across different sectors.

## REGULATORY OVERSIGHT AND ENFORCEMENT

The government can establish mechanisms for regulatory oversight and enforcement to ensure compliance with the AI Act and other digital issues. Preferably the function would be performed by a single umbrella institution.

## RESEARCH AND DEVELOPMENT FUNDING

The government can allocate funding and resources to support research and development initiatives related to AI. By investing in AI research, the government can encourage innovation, drive advancements in AI technologies, and foster the development of secure and ethical AI solutions.

## INTERNATIONAL COOPERATION

The government can engage in international cooperation and collaboration to align AI regulations, standards, and best practices with other countries and global organizations. This can facilitate the exchange of knowledge, harmonize regulatory approaches, and promote a consistent and interoperable AI ecosystem.

By taking these steps, the government can provide valuable assistance to organizations in Latvia, enabling them to navigate the changes brought by the AI Act more effectively and create a conducive environment for responsible AI adoption and implementation.



# Data-driven governance and collaboration

By introducing better governance of digital transformation, focusing on data governance, centralized and professional management of digital implementation projects, provision of data accessibility standards, centralization of data anonymization standards and standardization of data privacy and interpretation, the country will be able to speed up its digitalization process. During recent years data governance has emerged as a prominent topic of discussion and new regulations in various industries in Latvia, including healthcare, social services, education, and science etc. Nevertheless, this process is slow, and it is important to set prioritized areas in Latvia where the progress must be faster starting from data standardization, workflow digitalization, setting new key performance and quality indicators that all would lead to measurable and better outcomes.

To accelerate on Latvia's digital challenges and goals, adopting Sandboxes and a Green Corridor approach can be effective pathways for testing and refining new digital services and AI applications in a controlled environment, fostering innovation while ensuring regulatory compliance. For this purpose, Latvia should build upon the promising ground for leadership with the “Law on support for innovative entrepreneurship and priority projects” (Sandbox Law) and by empowering smart digital public services and environments through collaboration between public and private stakeholders in programs such as Innovation Laboratories.

# Conclusions and recommendations

Digital transformation is a key factor in ensuring further economic growth. The adoption of emerging technologies and AI solutions in business and public sector organizations offers immense opportunities to boost their efficiency, productivity and innovation. However, their wider implementation requires a coordinated approach based on appropriate policy, legislation and best international practices.

AmCham calls to consider establishing a government led coordination group involving all stakeholders, which would promote the adoption of AI in Latvia and acceleration of economic opportunities, namely:

**Taking on a leadership role in setting a clear government's strategy for digitalization and promotion of AI.**

**Fostering synergy between all public sector institutions involved in the digitalization processes of the country and encouraging a culture of collaboration with the private sector and academia in creating a supportive environment for innovation and AI adoption.**

**Communicating with the private sector on AI investment opportunities and available support for businesses to engage in R&D, automation and AI activities and initiatives.**

**Fostering digital skills of Latvian businesses and citizens in cooperation with education institutions and businesses to ensure a greater STEM talent supply.**

AmCham stands ready to engage in dialogue with Latvian policymakers in support of their efforts as stated in the Government Action Plan<sup>12</sup> to facilitate the implementation of digital solutions to ensure Latvia's prosperity and security.

# References

- <sup>1</sup> The Ministry of Economy of Latvia, 2023: <https://www.em.gov.lv/lv/industriala-politika>
- <sup>2</sup> Latvian Industrial policy guidelines 2021-2027, 2023: <https://www.em.gov.lv/lv/media/4157/download>
- <sup>3</sup> Eurostat, Productivity trends using key national accounts indicators, 2023: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Productivity\\_trends\\_using\\_key\\_national\\_accounts\\_indicators#Labour\\_productivity\\_trends\\_at\\_country\\_level](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Productivity_trends_using_key_national_accounts_indicators#Labour_productivity_trends_at_country_level)
- <sup>4</sup> Informative report "Forecast of macroeconomic indicators, revenues and general government budget balance in 2024, 2025 and 2026", 2023: <https://www.fm.gov.lv/lv/media/14832/download?attachment> (Page 12)
- <sup>5</sup> European innovation scoreboard: [https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard\\_en](https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en)
- <sup>6</sup> Digitālās ekonomikas un sabiedrības indekss (DESI) Latvija: <https://ec.europa.eu/newsroom/dae/redirection/document/88752>
- <sup>7</sup> European Commission. Latvia 2024 Digital Decade Country Report: <https://digital-strategy.ec.europa.eu/en/factpages/latvia-2024-digital-decade-country-report>
- <sup>8</sup> Goldman Sachs. The generative world order: AI, geopolitics, and power: <https://www.goldmansachs.com/insights/articles/the-generative-world-order-ai-geopolitics-and-power> ECIPE. ICT Beyond Borders: The Integral Role of US Tech in Europe's Digital Economy
- <sup>9</sup> <https://ecipe.org/publications/the-role-of-us-tech-in-europes-digital-economy/>
- <sup>10</sup> [Minister Pūce: artificial intelligence solutions should be used to boost economic productivity | Viedās administrācijas un reģionālās attīstības ministrija \(varam.gov.lv\)](#)
- <sup>11</sup> European Commission. Digital Skills and jobs: <https://digital-strategy.ec.europa.eu/en/policies/digital-skills-and-jobs>
- <sup>12</sup> The Government Action Plan, 2024: <https://likumi.lv/ta/id/349266-par-valdibas-ricibas-planu-deklaracijas-par-evikas-silinas-vadita-ministru-kabineta-ievereto-darbibu-istenosanai> (No. 035. 35.1.)

**AmCham** speaks on behalf of more than 160 leading U.S. and international companies in Latvia. It is committed to fostering trade, investment, partnership and friendship between the U.S. and Latvia and serves as a business, knowledge, networking and policy forum. Among AmCham's priorities is strengthening Latvia's economic security by attracting FDI and increasing national competitiveness with a focus on digital transition and human capital.

The AmCham Digital Affairs and AI working group aims to explore and communicate the benefits of the digital economy and AI for increased competitiveness, transparency, growth, and innovation in Latvia. The working group aims to raise awareness among the business community and the Latvian society by introducing best practices in successful digitalization and AI application as well as engage in a dialogue with policy makers on digitalization and AI implementation.

**AmCham Latvia**  
Thought leadership hub