



# Latvia



Latvia, located between Estonia and Lithuania, and sharing borders with Belarus and Russia, is also thriving in its new democratic era. The country is as integrated economically as it is geographically in the Baltic region, with about half of Latvia's overall trade taking place within the region. A visible trend in Latvian trade over the last decade is its reorientation toward the West. Specifically, trade with the European Union has increased 18.2 percent over the last five years. Also within the last five years, the Latvian economy has grown more than 25 percent, with average GDP growth of 4.7 percent. The economy slowed at the end of 1998 and the beginning of 1999 due to the impact of the Russian financial crisis on the Latvian economy, leading to a brief decline of GDP growth to 1.1 percent in 1999. However, the economy recovered quickly in 2000, and despite global economic instability, Latvia achieved 6.6 percent GDP growth in 2000. Latvia finished the first quarter of 2001 with even more impressive growth of 8.2 percent. Latvian GDP totaled \$7.15 billion at the end of 2000, while per capita GDP reached \$3,013.

Similar to Estonia and Lithuania, the Latvian government attributes its success to conservative macro-economic policies, strict monetary discipline, and the most liberal currency exchange regime of the Baltic states. These aspects, combined with the administration of laws establishing copyrights, patents, and trademarks, create a friendly and supportive environment for trade and foreign investment. Overall foreign trade in 2000

totaled 5.49 billion euros, with imports increasing to 3.5 billion euros and exports reaching to 2.02 billion euros. The same trend in FDI inflows can be witnessed in Latvia as in Estonia and Lithuania. Total FDI in 2000 grew to 1.5 billion euros. As Latvia continues preparations to join the European Union, the Latvian government expects these figures to increase as more and more foreign companies look toward the Baltic states as crossroads into the European Union, Scandinavia, and northwest Russia.

## AREAS OF INTEREST FOR U.S. COMPANIES

One important fact to remember when pursuing business interests in the Baltic states is that all three countries promote themselves as part of a larger package in the Baltic Sea region. Individually, each country wants to improve its commercial activity within its own borders. Latvia is no exception and has focused on a few sectors that hold specific opportunities for U.S. companies. They are IT/telecommunications, forestry/woodworking equipment, pollution control equipment, and maritime/port development.

According to the Latvian Development Agency, Latvia has fully entered the information age, with annual revenues in the software industry of approximately \$28 million and an annual growth rate of 150 percent. More than half of the Latvian IT market consists of computer hardware, and the computer literacy rate for ages 15 to 30 exceeds 90 percent. The Latvian government has placed the highest priority on IT development and would like Latvia to serve as an IT hub for the Baltic region. As for telecommunications, Latvia has one of the highest mobile-phone penetration rates in Central and Eastern Europe, and mobile telephony is one of the fastest-growing subsectors of the telecommunications industry.

Forestry has a long tradition in Latvia. Some 45 percent of the land area is classified as forest, of which approximately 7 million acres are available for commercial forest operations. The approximate annual timber harvest is 8.3 million cubic meters. Wood and wood products count for 45 percent of Latvia's total exports. The local sawmill industry has potential for expansion, but the existing mills need

## LATVIA: FACTS AND FIGURES

**Total area:** 64,589 square km (a little bigger than West Virginia)

**Population:** 2.4 million

**Real GDP growth:** 6% (2003 forecast)

**Inflation:** 3% (2003 forecast)

**GDP by sector:** services 71%, industry 24%, agriculture 5%

**Main industries:** buses, vans, street and railroad cars, agricultural machinery, synthetic fibers, fertilizers, washing machines, radios, electronics, pharmaceuticals, processed

foods, textiles

**Currency:** lat

**Exports:** wood and wood products, machinery and equipment, metals, textiles, foodstuffs

**Imports:** machinery and equipment, chemicals, fuels, vehicles

**Main languages:** Latvian (official; first language spoken by 57% of the population), Russian (main language of communication for 40% of the population), Lithuanian.

Sources: CIA, EIU, IMF.

technology and machinery upgrades, as well as new managerial and marketing know-how. The best prospects for U.S. exports are sawmill equipment, woodworking and furniture-making machinery, plant technologies and training, and pulp and paper mills (new and used).

The Soviet era left behind large, heavily polluted industrial areas, crumbling infrastructure, and abandoned military bases. Latvia is eager to invest funds and resources in environmental protection in order to meet EU and other international standards. Both the Latvian Ministry of Environmental Protection and municipal governments have implemented several environmental projects, ranging from wastewater treatment to landfills. Existing opportunities for U.S. exports in the environmental sector are consulting services, wastewater treatment technology, ozone-friendly industrial technologies, pollution control equipment for oil and transportation industries, and water supply and sewerage development.

The maritime transportation and logistics sector plays a pivotal role in the economy of Latvia. Latvia has three of the largest ice-free ports among the Baltic states. Although each port varies in specialty and capacity, Latvia is working diligently to expand its liquid and dry-bulk facilities in Ventspils and Liepaja. Currently, feasibility studies are being reviewed and plans for future development are pending.

Latvia, Estonia, and Lithuania offer several trade and investment opportunities for U.S. companies. These markets are quite small and their conditions at times vary, but they all share strong economic conditions, political stability, and a commitment to regional and global trade liberalization and commercial integration. The fast economic growth and remarkable transformation over the last decade of the Baltic states underscore the importance of the region as an East-West crossroads. ■

## OPPORTUNITIES AT THE BALTIC-SCANDINAVIAN CROSSROADS

by William Corley

*Export America*

The environmental sector encompasses high-tech activity and broad societal interest in Finland. Finnish consumers, businesspeople, and government officials are highly aware of environmental protection. Finnish legislation requires the best available technology for environmental applications. This requirement appears in laws concerning water resources, waste management, air pollution control, and sea protection.

### Woodland

Finland's environmental outlook relates to the beauty and utility of its forests. Forestry, including paper, pulp, and wood products, is a major contributor to the Finnish economy. Forests cover more than 70 percent of Finland, and one out of every five Finns earns his or her living directly or indirectly from trees. The wood and paper industry accounts for a quarter of Finland's export earnings. Finnish manufacturers dominate the paper and paperboard market in Western Europe.

Finland's wood and paper industry is the primary end user of air- and water-pollution control equipment. The industry is highly efficient and environmentally sensitive. It has allocated some 90 million euros annually, or up to 10 percent of its total domestic investment, into environmental protection in recent years.

Demand for pollution control equipment is rising in part due to concern over ecological degradation in northwestern Russia and the Baltic countries. Through technology transfer, Finland has helped its eastern neighbors to tackle some of their environmental challenges. In recent years, Finland has concentrated primarily on cooperation with and investment in St. Petersburg and its environs, given the pressing need to improve wastewater treatment and reduce harmful discharge into the Baltic Sea.

### Techland

The Finnish government encourages both the use and development of environmentally friendly products. It grants subsidies and tax breaks to companies that buy or export Finnish pollution control equipment. The government has also funded technology facilities, which have established R&D departments for pollution control technology. Meanwhile, Wood Wisdom, a 1998–2001 public-private project, brought together hundreds of scientists and experts from research organizations, forestry companies, academic institutions, and environmental groups. Such initiatives spur local competition and innovation in environmentally sound practices. They have produced advances in wood processing, biomass energy, and satellite tracking of forest resources, among others.

### Top Prospects

The best sales prospects for U.S. companies are within recycling of solid waste (from both households and industry). Additional prospects include the potential to supply equipment such as monitoring and measurement instruments for air pollution, as well as technology to reduce sulfur dioxide and nitrogen oxide emissions. Finland is also a critical gateway to the Baltic nations and northwestern Russia, where further significant environmental projects will arise. For more information about Finland as well as exporting environmental technologies worldwide, see the November 2002 issue of *Export America*.

Sources: U.S. Commercial Service, Helsinki; Finnish Ministry of the Environment; Finnfacts; Virtual Finland.