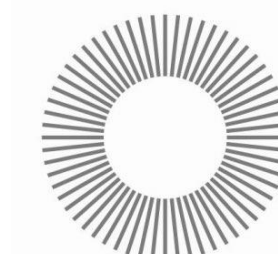


The Investment Climate in Latvia: The Viewpoints of Foreign Investors

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FOREIGN INVESTORS
COUNCIL IN LATVIA

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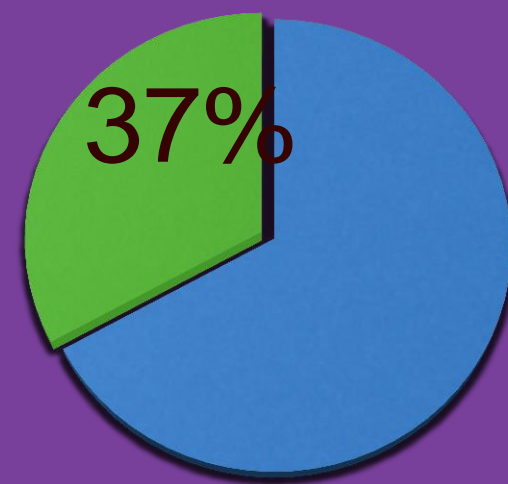


Foreign Companies in Latvia

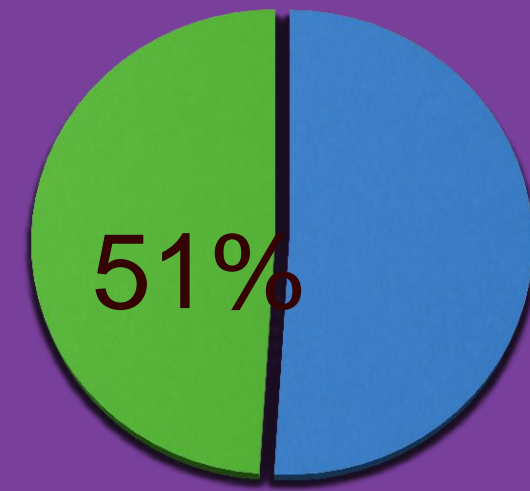
The number of companies above 145K EUR turnover and 50% foreign capital (majority)

4495

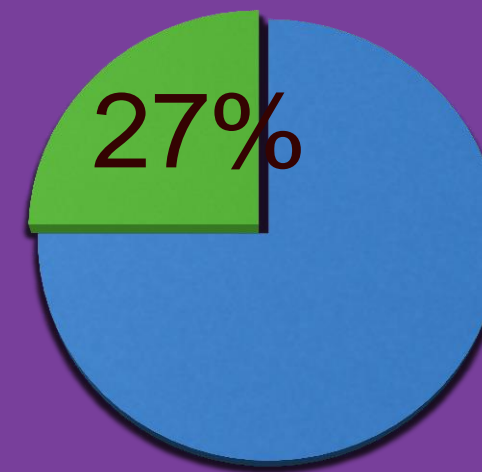
or 1/5 of total number of companies in Latvia



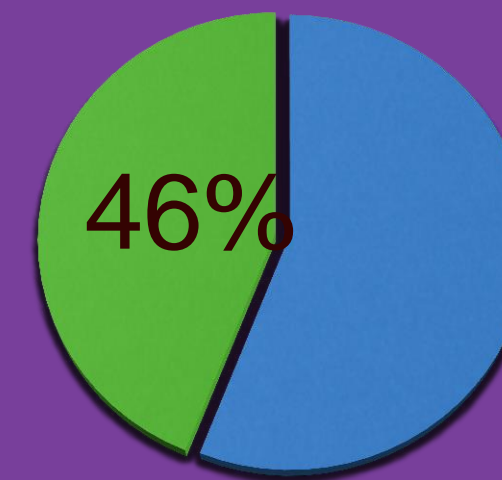
of total social tax



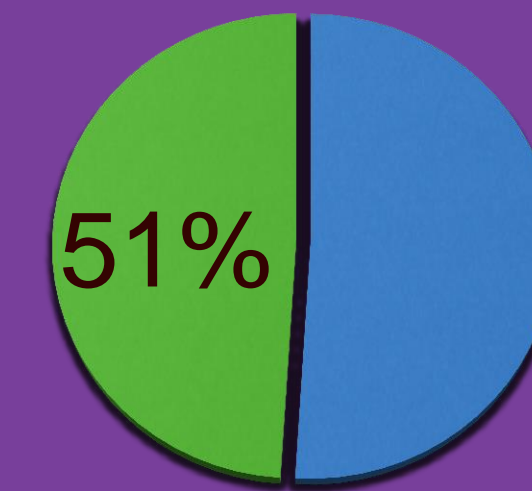
of total taxes paid



of total workforce



of total turnover



of total profit

Source: Firms.lv, Data: 2014

Introduction

Topics covered

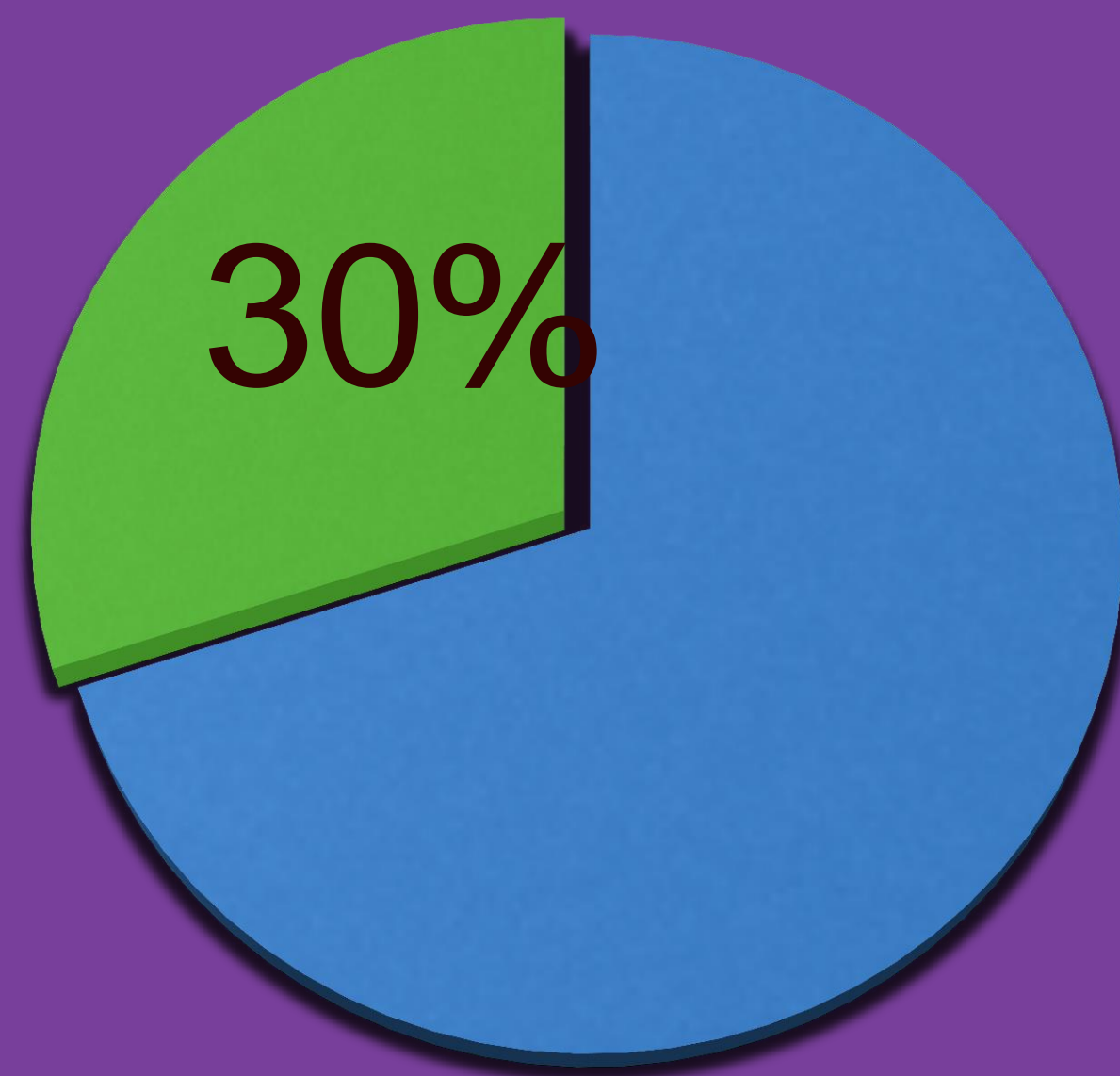
Concerns

Successes

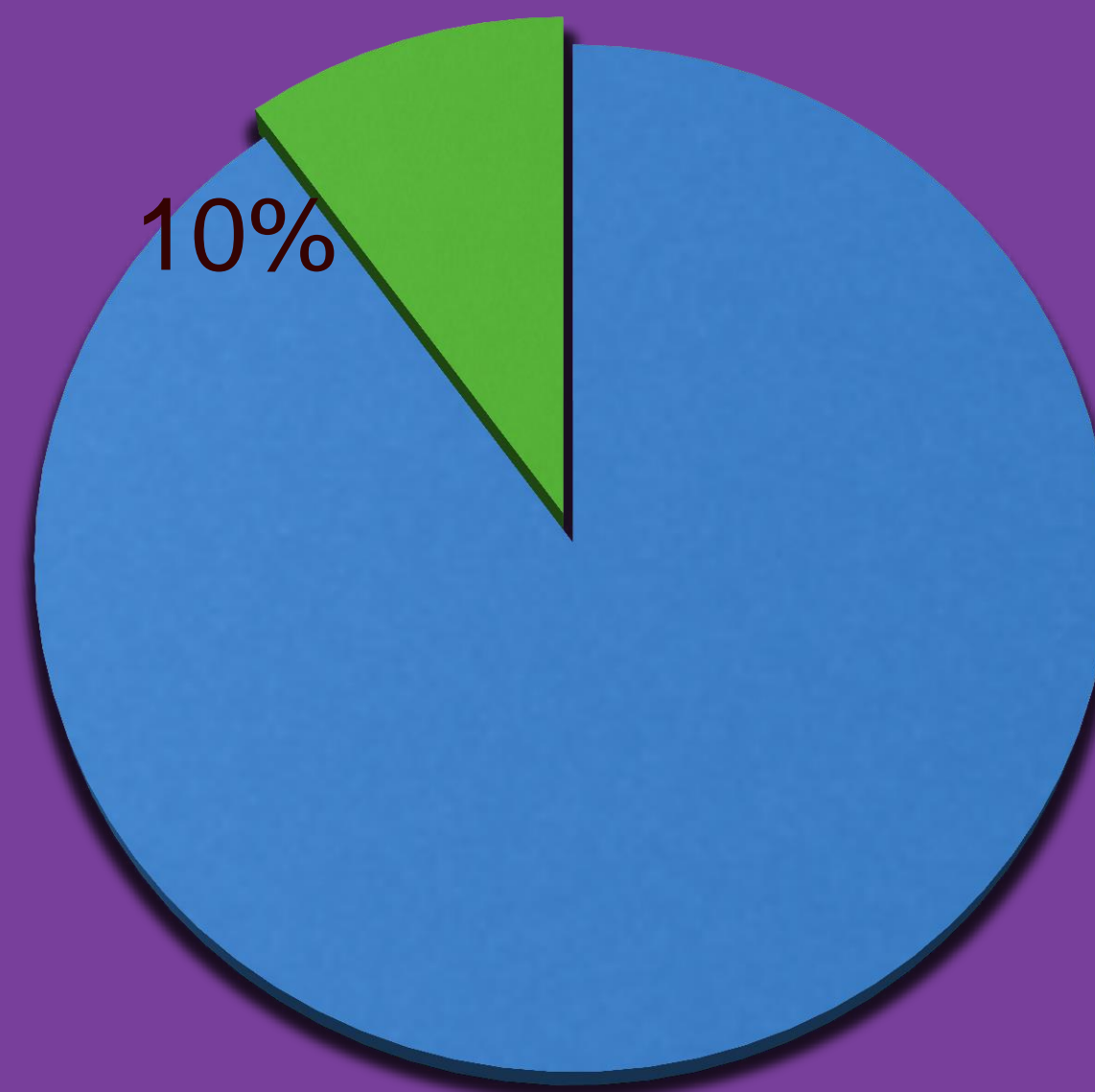


FOREIGN INVESTORS COUNCIL IN LATVIA

Foreign Investors Council in Latvia



of total FDI



of total tax contribution

around
20 000
employees

Source: Lursoft, SRS

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Companies that
took part in the
study



Microsoft



Narvesen



Balta/PZU



NASDAQ



Eversheds
International Limited



Knauf



Cytec Latvia



TAV



Swedbank



EVERY



Klasmann-Deilmann



Neste



Bucher Schoerling



Vitol



SPI Group



Ernst & Young



MTG



Norvik



Linstow



Statoil Retail & Fuel



NCH Advising



SEB banka



Bosch



PWC



Latvijas Gāze/
E.ON



Fortum



Food Union



KMPG

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FOREIGN INVESTORS
COUNCIL IN LATVIA

Economic development

Investments

Overall evaluation & suggestions



Concerns



Success



Decisions



Dynamics



**Expectations
v.s. reality**



Potential



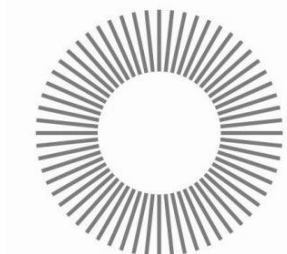
Communication

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FICIL SENTIMENT INDEX 2015

foreign investors' in Latvia assessment of the potential drivers of economic competitiveness of Latvia



Latvia's economy from 1 to 5

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Topics covered

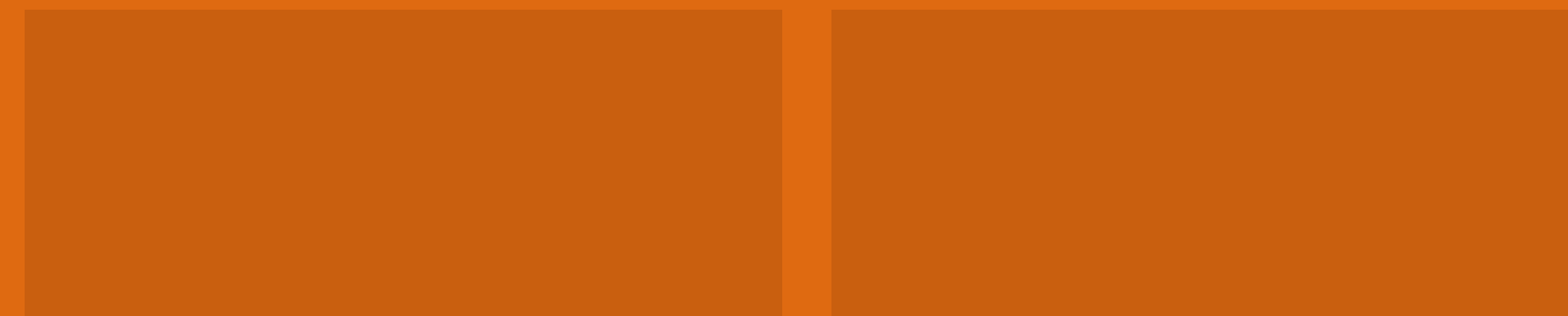
Concerns

Successes



FOREIGN INVESTORS
COUNCIL IN LATVIA

Concerns prioritized



Quote:

Court system

“Corruption (is a problem): in the court system, how you manipulate your way to get to the judge. Procurement.”

(Professional assurance and advisory services company)

Healthcare system

“A rather non-transparent system that affects employee productivity and availability. Costs of health insurance in Latvia are constantly growing, thus affecting the cost of doing business.”

(Technology and IT company)

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FOREIGN INVESTORS
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Concerns prioritized



**Unfair
competition**

Uncertainty

Court system

**Healthcare
system**

**Ability to co-
operate**

**Short-term
thinking**

**Slow economic
growth**

**Availability of
specific
infrastructure**

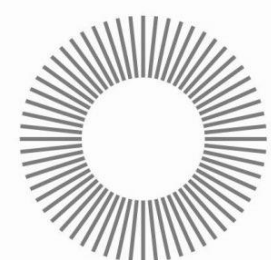
**Social
inequality**

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Topics covered

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COUNCIL IN LATVIA

Quote:

**Unfair
competition**

“We regularly employ workers who elsewhere have received only a salary without taxes, which does not create stability for them. We offer this social stability, pay taxes and for some workers we even pay into their Level 3 pension fund.”

(Manufacturing company)

Viewpoint:

Uncertainty

Lack of predictability of legislative framework, long-term public policy and plans, lack of political stability of government worries foreign investors in Latvia most.

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FOREIGN INVESTORS
COUNCIL IN LATVIA

Concerns prioritized

**Legislation and
government
support**

**Unfair
competition**

Uncertainty

Court system

**Healthcare
system**

**Ability to co-
operate**

**Short-term
thinking**

**Slow economic
growth**

**Availability of
specific
infrastructure**

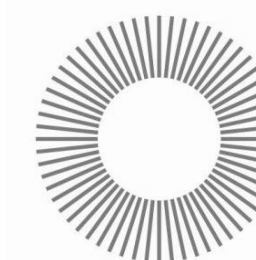
**Social
inequality**

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**Legislation
and
government
support**

Quote:

“Tax legislation is a big problem as a system. For example, the employment tax is above the EU average... Changes take place so often that we cannot keep on changing our systems and programmes to follow.”

(Manufacturing company)

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FOREIGN INVESTORS
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Concerns prioritized

Legislation and
government
support

Education,
science and
value added

Unfair
competition

Uncertainty

Court system

Healthcare
system

Ability to co-
operate

Short-term
thinking

Slow economic
growth

Availability of
specific
infrastructure

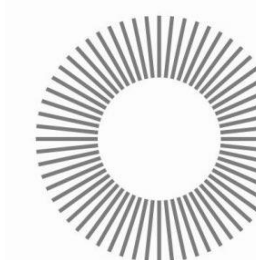
Social
inequality

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Quote:

**Education,
science and value
added**

“Education is one of the key aspects in developing strong economic fundamentals, but this needs to be a political choice. It is important for Latvia to educate people and to develop new industries that will produce high value added. The labour cost advantage that is here today will not be there in the longer term and this is why education should be a focus.”

(Real estate company)

“From the state’s perspective the main concern should be education and innovation – this is about investing in people and this is what will bring the most wealth in the future.”

(Wholesale and retail company)

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FOREIGN INVESTORS
COUNCIL IN LATVIA

Concerns prioritized

**Legislation and
government
support**

**Education,
science and
value added**

**Demography and
access to labour**

**Unfair
competition**

Uncertainty

Court system

**Healthcare
system**

**Ability to co-
operate**

**Short-term
thinking**

**Slow economic
growth**

**Availability of
specific
infrastructure**

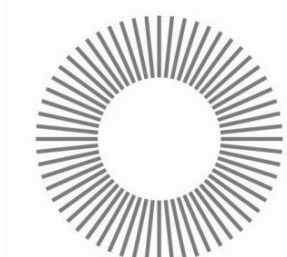
**Social
inequality**

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FOREIGN INVESTORS
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Viewpoint:

Demography and access to labour

Lack of quantity of all types of labour.

Controlled, regulated immigration should solve the increasing demographic challenge as well as clever re-emigration policy.

Companies might take steps to import labour 'at any cost' already in the nearest future.

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FOREIGN INVESTORS
COUNCIL IN LATVIA

The top of successes



Quote:

“Efficiency of labour in Latvia is not lower than in Germany or Scandinavia. Latvians are very good at multi-functionality (i.e., being able to carry out different functions). Latvians are ready to work more and longer. That is connected to efficiency. Could be that someone working till 4 does everything needed and goes home. The level of efficiency is the same as in Germany and Scandinavia.”

Efficiency of labor

(Wholesale and retail company)

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FOREIGN INVESTORS
COUNCIL IN LATVIA

The top of successes



**Financial
infrastructure and
markets regulation**

**Shared service
centres**

Efficiency of labor

Quote:

“Financial market regulation in Latvia is very well organised and very supportive (regulators: The Finance and Capital Markets Commission, The Bank of Latvia, The Ministry of Finance). We have not encountered any obstacles caused by a regulator in Latvia. The regulators have been very open to maintaining a constructive dialogue on the basis of mutual understanding. In this aspect Latvia definitely excels in comparison to Estonia and Lithuania.”

(Finance and banking company)

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FOREIGN INVESTORS
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The top of successes

Environment -
political and
business

Logistics and
overall
infrastructure

Financial
infrastructure and
markets regulation

Shared service
centres

Efficiency of labor

Stability that is brought by integration
of Latvia within EU and NATO

Quote:

“Overall, we experienced a complicated but very supportive local environment on both a political and a business level. We did not expect that Latvia’s integration westwards would happen so fast, that it would be a member of the EU, NATO and the Eurozone in so short a time.”

(Real estate company)

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The top of successes

Environment -
political and
business

Logistics and
overall
infrastructure

Financial
infrastructure and
markets regulation

Shared service
centres

Efficiency of labor

Progress with the way Latvian State
Revenue Service works

Quote:

“The State Revenue Service shows a positive
(development) trend.”

(Finance and banking company)

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FOREIGN INVESTORS
COUNCIL IN LATVIA



Demography

2.0



Availability
of labour

3.0



Quality of business
legislation

3.2



Quality of
health
and social
security

2.6



Demand for
products and
services

3.1



Attitude towards
foreign investors

3.2



Quality of
education

2.8



Hard
infrastructure

3.2



Efficiency of labour

3.2

Scale 1-5, where 1 represents attitude about low competitiveness, 5 represents attitude of very high competitiveness

Good strategic location of Latvia

Belief in continuous growth of Latvia

Quality of workforce and favourable business environment

Good opportunity in emerging market

A policy to be present

Quote:

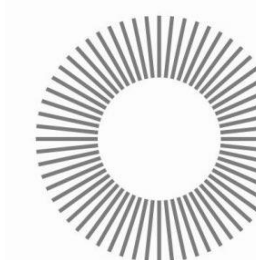
“As for industry- specific reasons- Latvia’s location is very strategically beneficial as it has access to both Russia and the EU and advanced infrastructure, so shipping is not an issue, including for products with short period of use... .”

(Manufacturing company)

Why companies have invested in Latvia?



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