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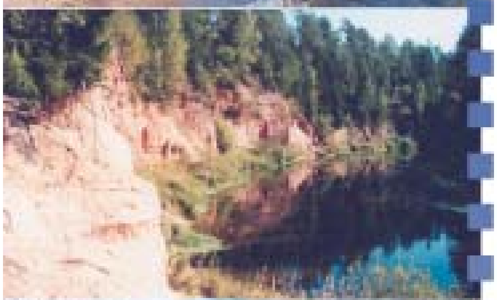
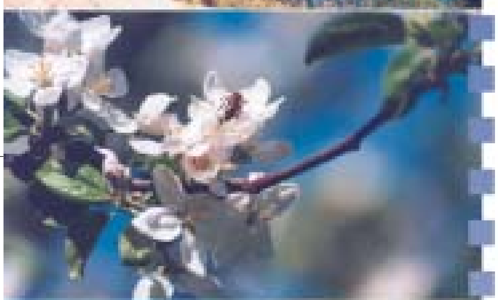
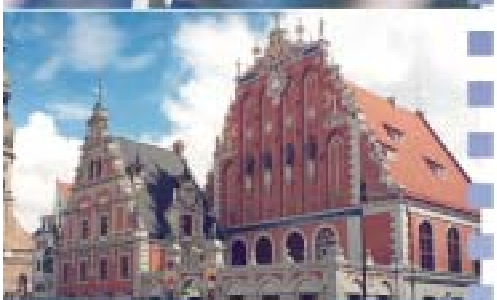
2005/06

Latvijas Investīciju un attīstības aģentūra
Latvian Investment and Development Agency







Latvia

Keystone of the Baltic

As it enters its second decade of renewed independence, Latvia looks forward to an increasingly prominent role in the new Europe. Together with the EU and NATO, Latvia is helping shape the 21st century.

Although the Republic of Latvia was first established in 1918, the ethnic Latvians that form the core of the Latvian nation originate from several Baltic (Indo European) tribes that have lived along the south-western shore of the Baltic Sea for thousands of years.

Over the centuries many national and cultural influences have left an imprint on Latvia's social life. Today, Latvia is a land of 2.3 million people. While a majority of Latvia's residents are ethnically Latvian, its society includes Russians, Ukrainians, Byelorussians, Poles, Jews, Roma and other ethnic groups common to this region.

Latvia is the central country of the Baltic States featuring a 494 km coastline on the Baltic Sea. The landscape is marked by lowland plains and rolling hills, and by thousands of rivers and lakes. Latvia's greatest natural treasure is its vast forests which occupy more than 40% of its territory and are filled with a wide variety of animal and plant life. Latvia has the largest otter population in Europe, as well as deer, elk, wild boar, beaver, fox and hare. Latvia's forests, meadows and coasts attract a large and varied bird population, including annual visits by thousands of white storks and a sizable number of rare black storks.

Latvia's prominent role in Baltic Sea region is due largely to its capital of Riga. Founded in 1201 on the banks of the Daugava River, Riga has developed into a dynamic multi-cultural centre for regional business, trade, finance, science and education. Riga's picturesque Old Town, elegant parks, broad boulevards and stately buildings make it a magnet for tourists as well as a comfortable place to live and work. Riga's varied architectural treasures include one of the largest and best preserved collections of turn-of-the-century Jugendstil (Art Nouveau) buildings in Europe.

With a population approaching 1 million, Riga is the largest city in the Baltic States. Yet other port cities such as Liepaja and Ventspils also play significant roles in national life, as does Latvia's second largest city, Daugavpils.

Traditional culture has been lovingly preserved in Latvia and plays a leading role in many aspects of Latvian social life. Many song and dance festivals are based on Latvia's thousand-year old musical traditions, and take place regularly throughout the country. They culminate in the National Song and Dance Festival, which is held every 4 years in Riga and features over 30,000 singers and dancers from all over Latvia. Arts and craft fairs, and other folk festivals offer a variety of things to do, see and buy.

Popular culture includes everything from opera, ballet and classical music, to modern art, theatre, rock and pop music. The Latvian National Opera is considered one of the best in Europe and has produced such internationally acclaimed stars as Inese Galante, Elina Garanca, Egils Silins and Inga Kalna. Grammy award winning violinist Gidon Kremer created his 'Kremerata Baltica' in Latvia, and composer Peteris Vasks is known around the world.

Not to be left behind, Latvian pop music has also won international acclaim. In 2002, Marie N, representing Latvia, won the Eurovision Song Contest enabling Latvia to host the contest in Riga in 2003. Latvia's premier pop group, Brainstorm, took 3rd in Eurovision in 2000 and has acquired fans throughout Europe. The post-modern Latvian folk rock band 'Ilgi' is a veteran performer at 'world music' festivals and has won international acclaim for its innovative and engaging approach to traditional music.

In sports, the success of Latvia's athletes in international competition has exceeded all expectations for a country of just over 2 million residents. Latvia has always excelled in ice hockey and its national team has always been a top contender in the world championships. The quality of Latvia's teams and the fervour of its fans have earned Riga the honour of hosting the 2006 World Hockey Championships. Many Latvian hockey players, including Arturs Irbe and Sandis Ozolins have been stars in the NHL.

In 2004, Latvia's football team surprised everyone by defeating Turkey to qualify for the world championship. Although Latvia's national basketball teams have not stood out in international competition, Andris Biedrins, 19, was picked in the first round of the NBA draft in 2004 and is beginning his professional career with the Golden State Warriors.

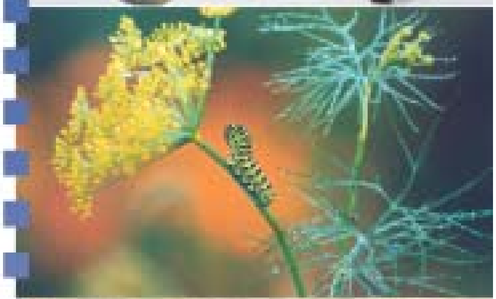
Latvian athletes have won medals in both the Summer and Winter Olympic games, in such sports as track and field, gymnastics, weightlifting and bobsleigh. Fans of 'strongest man' competitions around the world know the name of Raimonds Bergmanis well he is always one of the leading contenders.

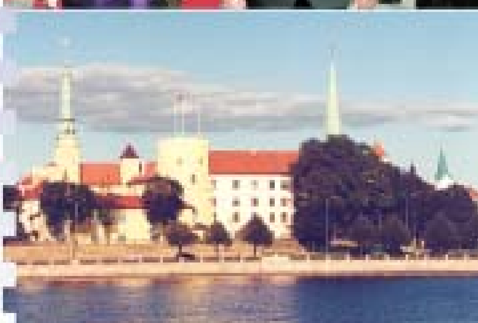
Since restoring its independence after the fall of the Iron Curtain, Latvia has had one of the fastest growing economies in Europe. Foreign investment and tourism are also booming, as more and more people around the world are discovering the charm and attractiveness of this keystone of the Baltic Sea region.

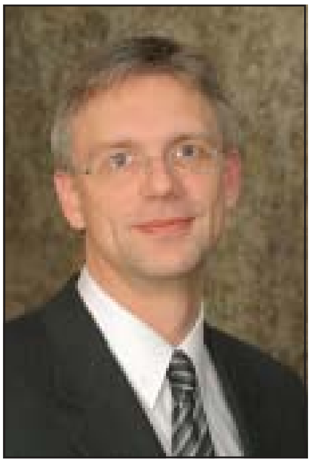
Ojars Kalnins
Latvian Institute

The Latvian Institute -
your starting point for getting to know Latvia: **www.li.lv**

Photos: on the left side: 1. - 5. by Una Sneidere
6. by Uldis Briedis, "Diena"
7. by Aivars Liepins, "Diena"
on the right side: 1., 3. - 4., 6. by Una Sneidere
2., 6. by Ilmars Znotins, "Diena"







Latvia's economy is continuing to show noteworthy growth having undergone significant changes. Economic reforms accomplished in Latvia in previous years, together with the ongoing EU integration process, have already had a positive effect on economic development.

The main task for Latvian economic policy is to create a transparent, stable environment favourable to market development.

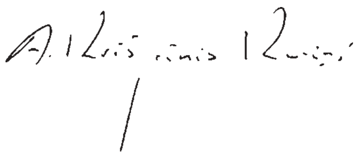
During 2004 industrial output and service sectors showed healthy growth. Latvia's GDP increase of 8.5% was the highest growth rate not only among the Baltic countries, but also among the EU member states. As a result, Latvia has now been recognised as one of fastest developing countries in the world and the most dynamic in the Baltic Sea region.

I am convinced that accession to the EU provides Latvia with new opportunities for economic development. By joining the EU single market Latvia is able to use the advantages offered by a broad and stable market, free movement of goods and services, labour and capital.

Labour and capital intensive industries, like wood processing, furniture, metal processing and textiles, in which Latvia has notable comparative advantage, have particularly good prospects for growth and development. At the same time, more service-oriented sectors led by IT and telecommunications, and logistics have a significant role to play for Latvia in competing in EU and global markets.

Latvia's location at the east-west crossroads provides an excellent opportunity for business development and cooperation with partners from established EU member countries. Being at the EU's border gives Latvia an important role in common market internal and external trade development. Adding in Latvia's proven ability to maintain monetary and fiscal stability, crucial factors for long-term trade relations, completes the picture of a solid environment for building successful business.

Given the extensive opportunities Latvia offers as a trade partner, I invite you to consider our country as a source of business partners with outstanding potential!



Artūrs Krišjānis Kariņš
Minister of Economics

On behalf of the Latvian Investment and Development Agency (LIDA), I invite you to explore a newly updated version of the Latvian Export and Import Directory, published annually for more than ten years.

One of the objectives of the Agency is to facilitate contacts between domestic and foreign businesses and to promote Latvia as a trade partner.

In this respect, location at the centre of the Baltic, which is one of the Europe's fastest-growing regions, gives Latvia direct access to about 100 million consumers within radius of 800 km. Joining the European Union in May 2004 gave the country numerous additional advantages: now, we are part of a huge common market with more than 450 million consumers, with free movement of goods and capital. Latvian role as a transit hub of the Baltic Sea region has been increasing since we entered the EU.

At the same time, proximity to CIS with 200 million inhabitants and the experience amassed in doing business with Russia makes Latvia's place at the crossroads between Northern, Western and East European markets unique.

Transport and logistics infrastructure support our favourable geographic location: three major ice-free ports, whose combined cargo throughput is 55 million tons per year, network of roads and railways, presence of transit and logistics specialists, the largest and most modern airport in the region make us a trade partner with great potential. Moreover, recently we adapted our legislation and custom regulations to make export and import of goods to the EU and the third countries much easier.

Latvian Investment and Development Agency devotes huge efforts to developing external trade and to assisting domestic businesses in increasing their competitiveness and gaining recognition abroad. We are pleased to contribute to the publication of the Export and Import Directory, intended to help foreign companies and organisations to find business partners in Latvia. It will serve you as a reliable source of information on major Latvian exporters, importers, and trade-related service providers.

I hope you will find the Directory a useful tool in starting, developing, and deepening your trade contacts with Latvia.

Andris Ozols
Director
Latvian Investment and Development Agency


PASAULES PIEREDZE
JAU VAIRĀK NEKĀ TRĪSPADSMIT GADUS MĒS PAPLAŠINĀM SAVU DARBA PIEREDZI BŪVNIECĪBAS, ENERĢĒTIKAS UN SAKARU SISTĒMU JOMĀ, STRĀDĀJOT GAN LATVIJĀ, GAN ĀRZEMĒS, UN ŠODIEN ESAM VIENS NO VADOŠAJIEM BŪVNIECĪBAS UZŅĒMUMIEM LATVIJĀ. MĒS VIENMĒR MEKLĒJAM JAUNAS IDEJAS UN ATRODAM JAUNUS RISINĀJUMUS. MĒS BŪVĒJAM ATTĪSTĪBAI.
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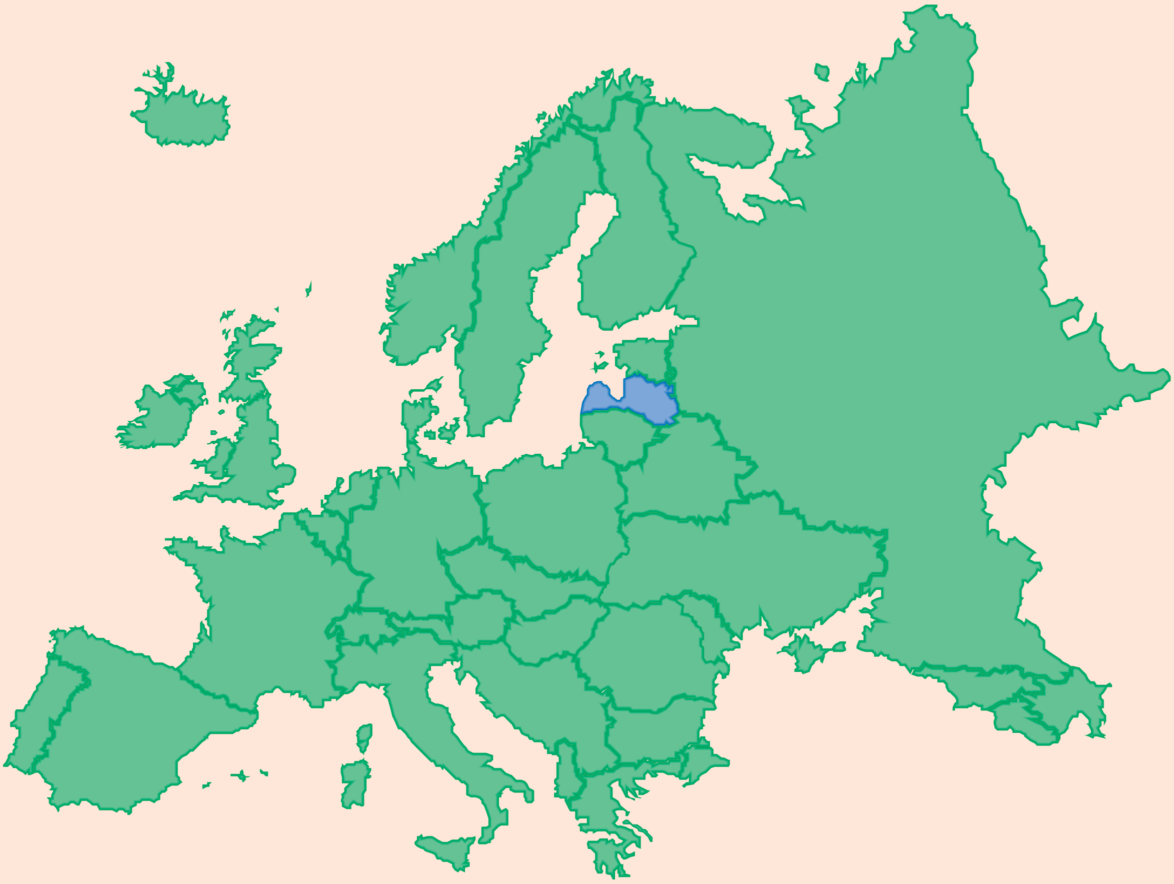
Location

The Baltic country of Latvia is located at the crossroads of northern and eastern Europe, on the east coast of the Baltic Sea. A republic, Latvia is bounded by Estonia to the north, Russia and Belarus to the east and Lithuania to the south, and has a maritime border with Sweden to the west. Other neighbouring countries include Finland, Poland and Germany. The strategic location of Latvia has been the major influence on the country's diverse historical and cultural experiences. Today, it is this location which forms the basis for Latvia's economic success.



Fact Sheet

Political system	Republic, parliamentary democracy
Capital	Riga
Other major cities	Ventspils, Liepaja, Daugavpils, Jelgava, Jurmala
Population (2004)	2.32 million
Area	64 589 km^2
Language	Latvian (official) Russian, English and German are also widely spoken
Legal system	Based on civil law
Currency	1 'Lats' (LVL) = 100 'santims'
Exchange rate	1 LVL = 1.42 EUR (fixed rate as of January 1, 2005)
GDP (2004)	EUR 10.97 billion
GDP growth (2004)	8.5%
GDP growth rate - average over 5 years	7.5%
GDP per capita (2004)	EUR 4 742
Accumulated FDI (2004)	EUR 3.45 billion
FDI Stock per capita (2004)	EUR 1 492

Source: Central Statistical Bureau of Latvia, 2005

Additional information:

›› www.csb.lv
›› www.bank.lv
›› www.li.lv

Investment Ratings (long term)*

Agency	Foreign Currency	Local Currency
Fitch Ratings	A- (Outlook: Positive)	A (Outlook: Stable)
Moody's	A2	n/a
Standard&Poor's	A- (Outlook: Stable)	A-2

*As at May 2005

Additional information on ratings of particular industries and/or banks:

›› www.fitchratings.com
›› www.moodyseurope.com
›› www.standardpoors.com

Latvia has a unique geographical location on the shore of the Baltic Sea and in the centre of the Baltic countries. For centuries, this has placed Latvia squarely at the crossroads of international commerce. Since the 14th century, Latvia has been a major commercial hub between west and east, and was at the centre of the Hanseatic League, the world's first Free Trade Area.

Foreign trade in Latvia has consistently tended to growth. This was particularly noticeable after Latvia's accession to the EU. In 2004, exports increased by 28%, but imports by 25% compared with the previous year.

In 2004, exports to EU countries made up 76.9% of the total volume of Latvian exports and increased by 316.4 million lats or 24.2% compared with 2003.

Wood and wood products traditionally comprise the most significant commodity group in Latvian exports and constituted 30.5% of them in 2004, followed by metals and metal products, textiles and textile articles.

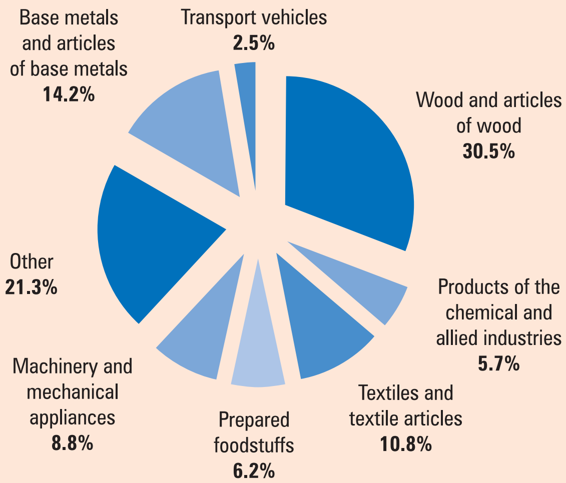
The main export commodities to the EU are wood and wood products, textiles and textile articles.

Compared with 2003, the volume of exports of metals and metal products increased by the greatest amount – by 44.9%, exports of machinery and mechanical equipment were up by 41.8%, and wood and wood product exports rose by 10.8%.

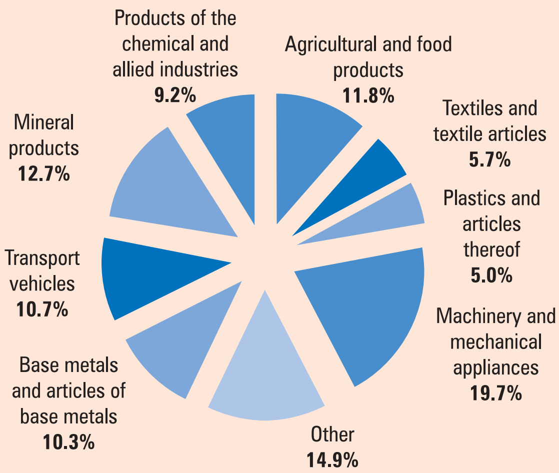
The most important commodities among Latvian imports were machinery, mechanical equipment and electrical equipment making up 19.7% of the total value of imports, whereas mineral products contributed 12.7% and transport vehicles 10.7%. Compared with 2003, the sharpest rise was in imports of mineral products – up by 60.5% whereas metals and metal products rose by 38.8%.

In 2004, Latvia's biggest trading partners were Germany, Lithuania, the Russian Federation and Sweden.

Latvian Export by Sectors, 2004

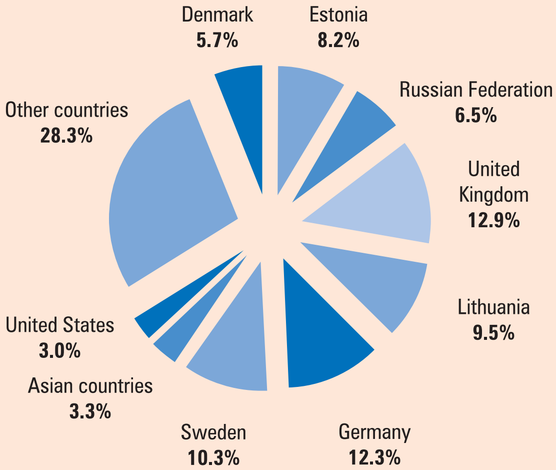


Import to Latvia by Sectors, 2004

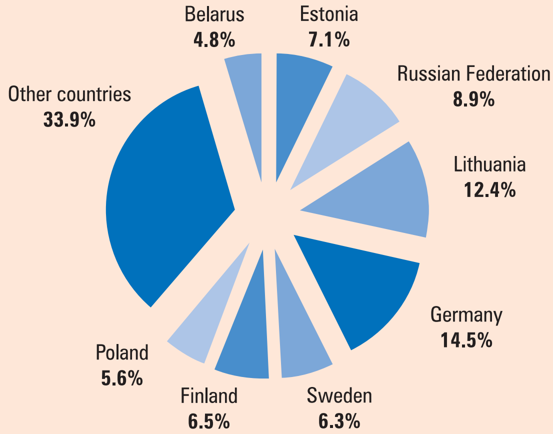


Source: Central Statistical Bureau of Latvia

Latvian Export by Countries, 2004

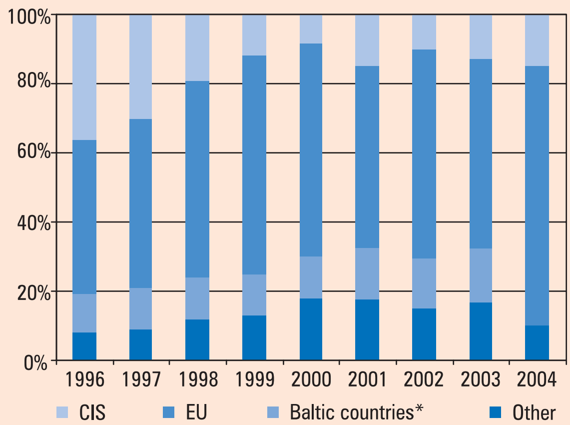


Import to Latvia by Countries, 2004



Source: Central Statistical Bureau of Latvia

Foreign Trade by Groups of Countries 1996 - 2004



* Estonia and Lithuania joined the EU in 2004

Source: Central Statistical Bureau of Latvia

The forestry sector is Latvia's most important export industry with as much as one third of export turnover and an essential role in rural and regional employment. The major export markets for the industry include Great Britain, Germany and Scandinavia, but recent diversification in product range and the desire to improve profit margins have seen Latvian producers increasing their presence in more remote markets such as the USA and Japan.

The industry's success is based on Latvia's favourable combination of vast forest resources, strategic location and cost-efficient labour force. Latvia has one of the richest forest resources in Europe covering more than 45% of the country's area with a total growing stock of 550 million cubic metres.

Currently the leading sub-sector of the industry is sawmilling, which makes up around half of total wood product exports, followed by plywood and boards & panels, prefabricated buildings and construction components such as windows and doors, and furniture.

It is clear that the value added to Latvian wood prior to export is increasing consistently. Further expansion of more advanced manufacturing can be anticipated from the fact that a large part of non-financial and FDI into the industry has gone to furniture, joinery and carpentry item manufacturing.

Key advantages of the sector:

- availability of vast domestic and imported wood resources
- skilled and experienced labour force in a traditional industry
- established timber processing sector including proven R&D capacity

Market trends in sub-sectors

Value added products

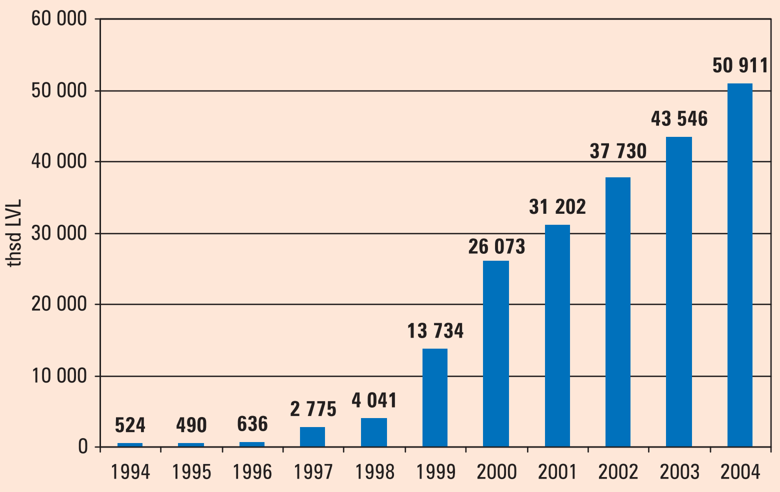
Furniture manufacturing is an important sector in Latvia's timber industry, taking up a substantial part of it – 11%.

The value of the furniture manufactured in Latvia in 2003 was LVL 90.5 million, an increase of 11.3% over 2002. In 2003, 80% of furniture produced was exported, with a value of LVL 72.3 million , mainly to Denmark, Germany and the United Kingdom. Furniture to the value of LVL 23.4 million was imported, mainly from Poland, Lithuania and Italy.

There are well-founded opportunities for the development of furniture manufacturing in Latvia, the main priorities for the realisation of these opportunities being investment in human resources and technologies. There are approximately 12 900 people employed in about 400 mainly small- and medium-size enterprises.

Investment in modern technologies has promoted successful development of manufacturing of massive wood furniture from pine, birch and alder, as well as the manufacture of glued curved components, upholstered furniture and furniture from laminated and veneered particle board.

Export of Builder's Joinery and Carpentry, 1994-2004



Source: Department of Forest Resources, Ministry of Agriculture of Latvia

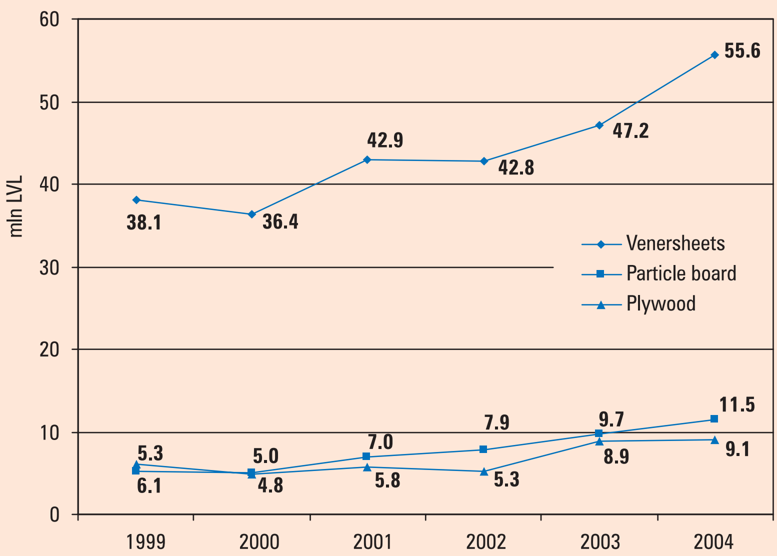
It is envisaged that the value of furniture manufactured in Latvia will increase by 9% in 2004 and could reach a value of LVL 98 million.

There has been very rapid growth in **joinery and carpentry production** (window frames, doors and wooden building surface materials) over the last 5 years. The value of that production has increased 10 times since 1993, mainly over the last 5 years, as a result of investment in the development of modern technologies. This group of products constitutes 7% of the total value of timber products. It is envisaged that the manufacturing of joinery and carpentry production could increase by 6% in 2004 and that export value could reach LVL 46 million.

In board manufacturing and export, the bulk of volume is taken up by birch **plywood.**

Plywood production volumes have tripled since 1993, but the value of that production has quintupled. This has been achieved by adding value, because the amount of raw material used has not increased in the same period. The main market sectors for plywood are the transport industry with 30%, construction (30%) and the furniture industry (12%) of the total volume of plywood sold.

Export of Veneer Sheets, Particle Board and Plywood, 1999-2004



Source: Department of Forest Resources, Ministry of Agriculture of Latvia

It is envisaged that during the next three years, production volumes of birch plywood will increase by 30% as a result of the availability of regional resources.

Consumption of plywood in the domestic market is restricted by the import of oriented strand boards (OSB), volumes of which reached approximately 30 000 m^3 in 2003.

Production of carved plywood has developed considerably in Latvia over the last few years. Production volumes have tripled and currently constitute 1.4% of total timber production.

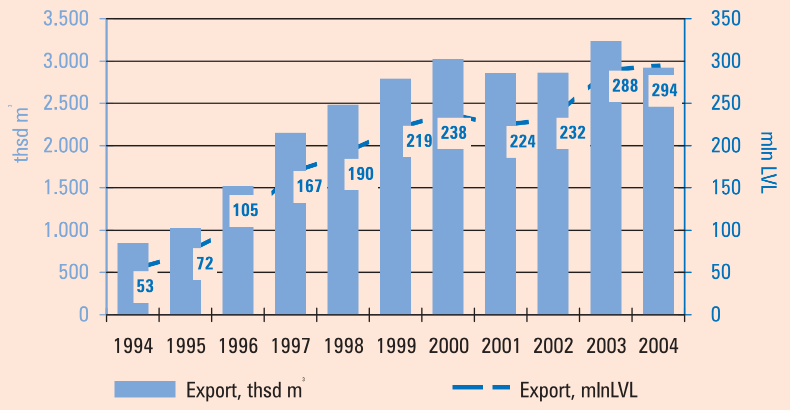
Although there are good traditions and sufficient raw materials for the production of **wood particle board and fibreboard**, their volumes have decreased from 4% to 1.4% since 1993, with the production of fibreboard having been discontinued.

Wood packaging materials are manufactured with comparatively little investment and basic technologies. They are mainly manufactured by small- or micro-enterprises, basically using sawn wood from deciduous trees. The value of the production exported has increased considerably and reached 4% of total forest industry production.

Increase in the higher added-value sector of the forest industry has been observed as a result of the diversification of further processing over the last few years, including the construction of pre-fabricated buildings, garden furniture and equipment, wooden toys and other production of interest to the market.

Sawn wood

Export of Sawn wood, 1994-2004



Source: Department of Forest Resources, Ministry of Agriculture of Latvia

The production of sawn wood constitutes 86% of the total volume of the industrial timber sector. Since 1993, production of sawn wood has developed considerably – the volume of production has increased ten-fold, but the value of production fifteen-fold. In 2003, approximately 4 million m^3 of sawn wood were produced, 3.25 million m^3 (75%) of which was exported. It is envisaged that in 2004 the volume of production of sawn wood will not change considerably, remaining at the 4 million m^3 level. Changes could occur as a result of the increase in sawn wood imports, because the number of the companies further-processing imported sawn wood is increasing.

The quality and price of Latvian sawn wood have increased as a result of the modernisation of production technologies and processes. Larger enterprises have installed drying and sorting equipment. New opportunities to add value are being sought, particularly in the production of planed and impregnated products.

Looking at the development of sawn wood exports, it is apparent that while it constitutes 50% of the total volume of forest industry production, that proportion has been decreasing since 2001. The major areas of domestic consumption are in the manufacture of furniture (32%), production of building materials (windows, doors, flooring, etc. – 46%), and the production of carpentry and household products, including packaging materials (22%).

Over recent years, increased competition for forest resources, together with increases in labour and energy costs have promoted a rapid concentration of saw-milling capacity and a decrease in the number of saw-mills. There are ten or so major and competitive sawmills in a total of about 550 (down from 1250 in 1994) that use modern technologies and produce the largest share of the total volume of sawn wood.

Wood raw materials

Over recent years, timber harvesting volumes in Latvia's forests have stabilised with only small annual increases being seen. In 2003, according to data from the State Forest Service, the total volume of harvested timber was 11.7 million m^3, 4.2 million m^3 of which (or 35% of the total) were harvested in state-owned forests and the rest in forests owned privately, by local municipalities and others. It is felt that harvesting volumes may have stabilised in 2004 and remain at the level of 11.5 million m^3.

Sawn wood production takes up the largest proportion (54.2%) of this round wood followed by round wood (wood, round wood) exports (30%), and the production of plywood, matches, log houses, piles, poles, wood charcoal and others.

Round wood exports decreased by 7.2% in 2003 (and by 0.6% in terms of value) being 3.9 million m^3 in total (of which coniferous products made up 45%, and deciduous 55%). Round wood is mainly exported to Sweden, Finland and Germany.

Round wood imports increased by 18.1% in 2003 (and by 38.5% in value) being 0.46 million m^3, with Russia, Lithuania and Belarus being the main sources.

During the first 4 months of 2004 (compared to the same period of 2003), round wood exports increased both in volume (28.8%) and value (53%). Imports also increased in the same period, by 44.3% in volume and 65.5% in value. The increase in export volume was propelled by the increase in pulpwood prices in Scandinavian markets. Round wood export volumes in the coming years could increase in the small-dimension segment as a result of the increase in imports of sawn logs, sawn wood and other timber articles from Belarus and the Russian Federation. This year an increase is expected in imports of softwood and hardwood sawn wood, because several Latvian sawmills have established plants in Russia and Belarus (in the first quarter the increase more than doubled to 148%).

In 2003, fuel wood exports increased by 54% (84.3% in value), with a remarkable increase in (round) fuel wood export. Fuel wood imports also increased, in both volume and value.

As wood processing is Latvia's leading export industry, it also features a large number of non-government organisations. The leading organisation promoting development within the sector is the Latvian Forest Industry Federation which unites several sub-sector associations:

- The Latvian Timber Exporters' Association
- The Latvian Association of Furniture Producers (*Latvijas mēbeles)*
- The Latvian Association of Wood Processing Enterprises and Exporters
- Latvian Association of Wood Processing Enterprises (*Latvijas Koks)*
- The Latvian Association of Timber Harvesting Companies

Additional information:

›› www.latvianwood.lv
›› www.zm.gov.lv/forestry
›› www.latviantimber.lv
›› www.lvm.lv
›› www.vmd.gov.lv

A rapidly growing number of foreign companies are recognising the benefits of developing supply partners, outsourcing production or placing direct investment in Latvia's machinery manufacturing and metalworking industry sector. The industry spans the whole range from traditional to the very latest high-technology engineering areas. Metals processing and engineering have historically been one of Latvia's leading industrial branches. In the not too distant past, Latvia was a key high-tech manufacturing centre for the Soviet military and aerospace industries. Today, the sector has been restructured to compete in the global market place, mostly with export-oriented contract manufacturing activities – three-quarters of the sector's total output is exported.

Technological capabilities for cooperation and outsourcing include the following:

- **Tool manufacturing** – moulds and dies (prototyping and production)
- **Metal castings** – iron, steel, aluminium and non-ferrous metal alloys
- **Metal machining** – CNC laser cutting, turning, milling, grinding, punching and bending, certified welders
- **Plastic injection moulding, rubber compounds and products**
- **Surface treatment** – powder coating, electrolytic and chemical plating

Structure of the sector:

Basic metal production includes the only metallurgical plant in the Baltic States, as well as the casting of steel, cast iron, bronze and aluminium.

Transport vehicle manufacturing includes the construction and repair of ships, diesel and electric trains and trams, truck trailers and tipper trucks.

Machinery and electrical equipment includes power tools, machinery for the agricultural, food-processing and timber industries, robotised testing equipment for automated assembly lines in mobile handset production, and the production of high-tech evaporative coating equipment used in the aerospace industry.

Metal products include both finished goods such as furniture, domestic wares and construction materials, as well as manufactured individual components or sub-assemblies that are produced to customers' specifications on a sub-contracting basis.

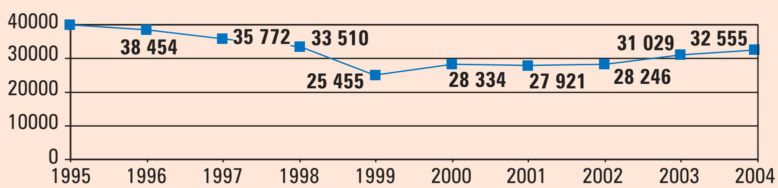
Key attractions of the sector:

- **Competitive labour skill/cost ratio.** The cost of labour is low while the underlying quality of engineering is very high, thus yielding a cost-efficient workforce (labour costs in Latvia are still nearly one-eighth of Scandinavian levels, but productivity is equivalent to 70% of European norms and increasing).
- **Short order-delivery time** – responsive, flexible SMEs, located close to markets and using modern technologies, permit real-time communication and data exchange. Labour strikes or work stoppages practically do not occur.
- **Computerised and on-line capabilities.** The vast majority of companies in the industry are equipped with computer systems and connected to the Internet. The number of companies with their own website is growing rapidly. The most widely used engineering and design programs are Solid Works, Auto-CAD and Master CAD, but others are also utilised.
- **Foreign language abilities** – language barriers are becoming less and less of an obstacle as the great majority of today's plant managers is at least trilingual (Latvian, Russian and English). Many managers also possess German or Scandinavian language skills.
- **Educated and well-trained workforce** – Latvia's well-established education system prepares professional and shop floor staff to compete in today's global market. Universities and colleges provide engineering, technology and science programmes, while technical and professional schools, certified according to EU standards, educate and train the skilled labour force to use the latest technologies in automated and programmable metalworking equipment.

Sector dynamics

Employment: According to 2004 data, more than 32 500 people were employed in the machinery manufacturing and metalworking sector. This was the third year in succession that the number of employees in the sector increased. This is a clear indicator of sustained growth following the massive restructuring and downsizing the industry had gone through since the early 1990s.

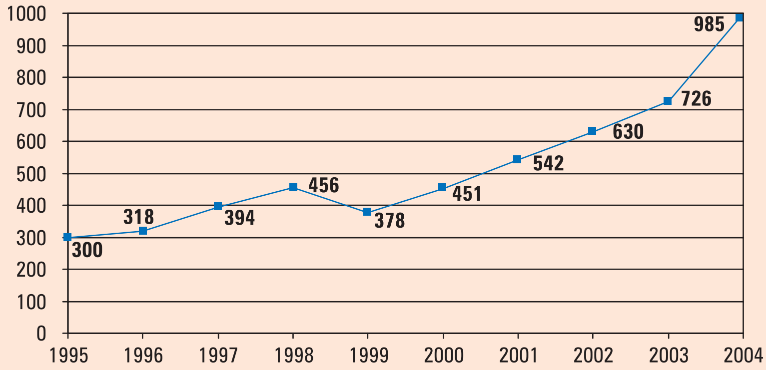
Sector Employment, 1995-2004



Source: Association of Mechanical Engineering and Metalworking Industries of Latvia, 2005

Production Output: The entire sector has achieved an enviable average year-on-year growth rate of nearly 23% since 1999. This is remarkable, considering the prevailing global economic and industrial recession, but also because the sector has more than doubled its output with around one-third of the labour force it had during the 1990s. The key factors accounting for this substantial increase in productivity are investment in modern equipment and technology, and more efficient labour and production management.

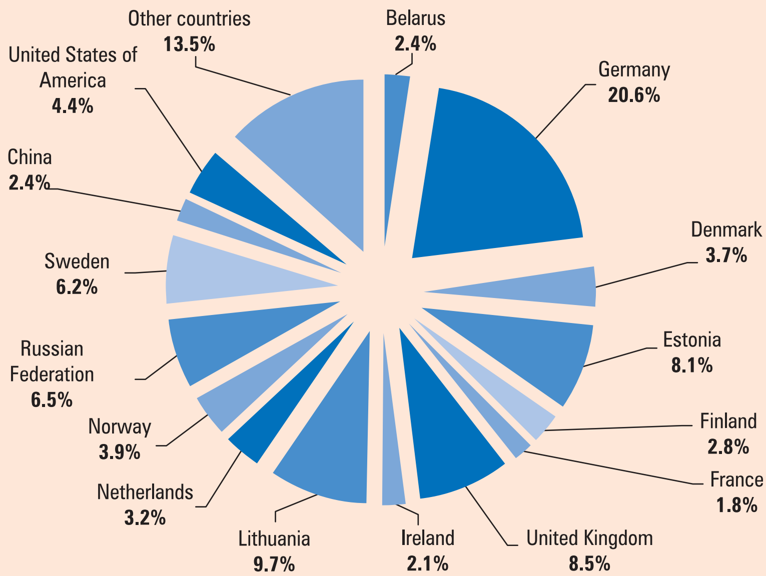
Sector Output in Actual Prices, EUR million



Source: Association of Mechanical Engineering and Metalworking Industries of Latvia, 2005

Export Markets: Nearly three-quarters of total sector output is exported. Today, the largest trading partners for the export of Latvian manufactured machinery and metalworking products are Germany (20%) and Scandinavia (13%). The EU market (including new member countries) is the destination for more than 75% of goods exported from the sector. This is a clear indication that Latvian-produced goods are achieving greater recognition as being extremely competitive in terms of price, quality and delivery time.

Exports by Country, 2004



Source: Association of Mechanical Engineering and Metalworking Industries of Latvia 2005

The **Association of Mechanical Engineering and Metalworking Industries of Latvia** – MASOC is an independent, public, non-profit organisation, founded to be the information and consultancy centre for the sector. The goals of Association are to actively promote the development of the sector, as well as further mutual co-operation between, and the professional development of, each industry's specialists.

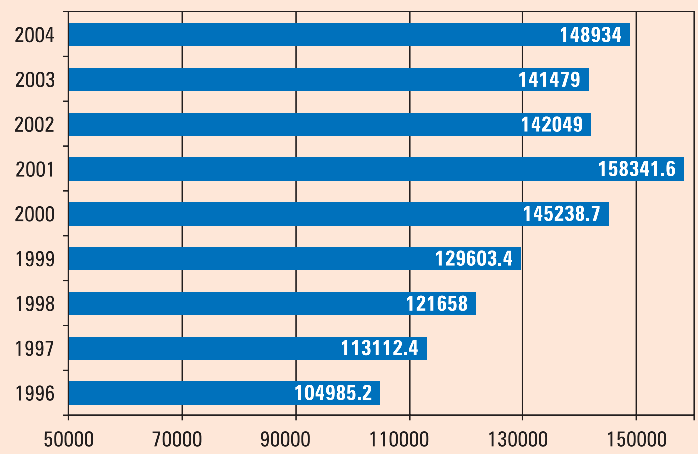
Additional information:

›› www.masoc.lv

The textile industry in Latvia is a dynamic sector. Over the last three years, Latvian textile and clothing producers have invested more than EUR 50 million in new equipment. Many Latvian textile companies have obtained either Oeko-Tex certificates or ISO 9000 certificates, but an increasing number have obtained the ISO 14001 certificate.

The output of the textile sector in 2004 was worth more than EUR 240.2 million and accounted for approximately 5.5% of the total value of industrial goods produced in Latvia. At the end of 2004, the textile industry employed about 17 574 people or 14% of all industrial employees which is 2% of all people active in the national economy. The total output of the textile sector increased by 50% in the period from 1996 to 2004. However, particular sectors have shown much higher growth rates than the industry as a whole.

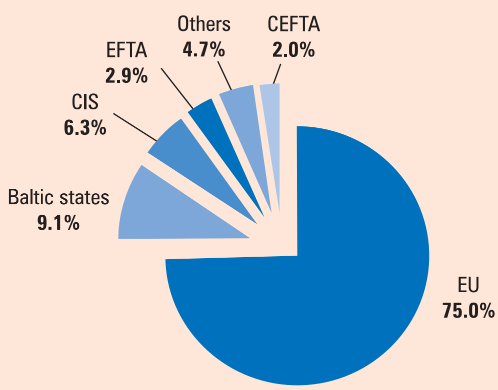
Value of Textiles and Clothing Produced, LVL '000



Source: Central Statistical Bureau of Latvia, 2005

Latvia's textile sector of is strongly export-oriented with 84% of total output being exported in 2003. 75% of those exports went to member countries of the European Union, whereas 6.3% went to CIS countries. As a result most sector companies conform to the high requirements for product quality demanded by customers in the EU. In 2003, textiles and textile articles made up 12.6% of Latvia's total exports, another indication of the sector's high competitiveness.

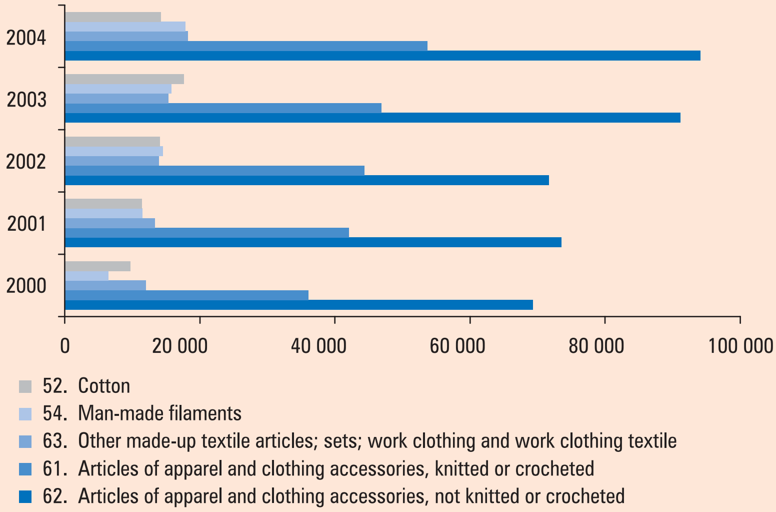
Export of Textiles and Textile Articles, 2003



Source: Central Statistical Bureau of Latvia, 2004

Of Latvia's total textile exports, the proportion exported to the European Union increased from 41% in 1994 to 75% in 2003. In 2003, the five main western European importers of Latvian textile goods were Germany (23.3%), Sweden (19.3%), Denmark (15.9%), Italy (12.9%) and the Netherlands (6.5%).

Composition of Exports, 2000-2004



Source: Central Statistical Bureau of Latvia, 2005

Latvian textile companies have an excellent reputation for offering short delivery lead times.

The majority of workers in the Latvian textile industry have a broad range of skills, with a proven ability to produce goods with high added value. The majority of production workers in the industry possess vocational school or high school education. They are mostly multi-skilled and can easily learn new skills if required.

All of the largest textile companies and most of the smaller ones have dedicated managers who often became co-owners during the privatisation process and thus have a strong motivation to succeed. Most of these people possess university-level technical education, but many of them also have post-graduate degrees. In almost all companies senior managers speak fluent English or German, which is a substantial advantage when dealing with customers and business partners abroad.

The largest textile companies in Latvia such as *Lauma*, *New Rosme*, *Rita* and *Aurora Baltika* have brand names that enjoy high recognition in markets to the east of Latvia.

Senior engineering staff generally possess degrees or diplomas from Riga Technical University or other universities, a good working knowledge of English or German, which enables them to monitor and keep up with global trends in the industry.

The Latvian Association of Textile and Clothing unites 64 textile, textile article and apparel production companies that produce 85% of the total output of Latvia's light industry. The association was established in 1994. The main activities of the association involve representing the interests of its members at government level, assisting in the search for business partners, organising trade missions and training, carrying out market research and analysis, and other activities facilitating the industry's development and growth.

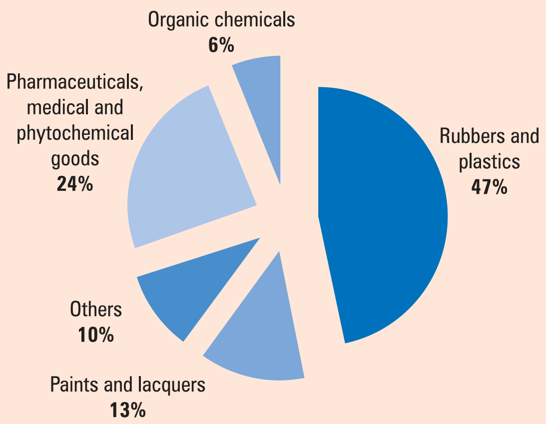
Additional information:

›› www.vrua.lv

LATVIJAS INVESTĪCIJU UN ATTĪSTĪBAS AĢENTŪRA
LATVIAN INVESTMENT AND DEVELOPMENT AGENCY

Latvia's chemical industry comprises two main segments – export production of pharmaceuticals, raw materials and part-processed products (e.g. casein, glass fibre and its products) and the manufacture of paints, industrial and household chemicals for domestic and regional markets. As a result, exports make up 54.3% of manufacturing volumes. Volume manufacturing of chemical products is mostly carried out by large companies located in the Riga area, in Valmiera and in Dobele.

Composition of Chemicals, Pharmaceuticals and Detergents Sector, 2004



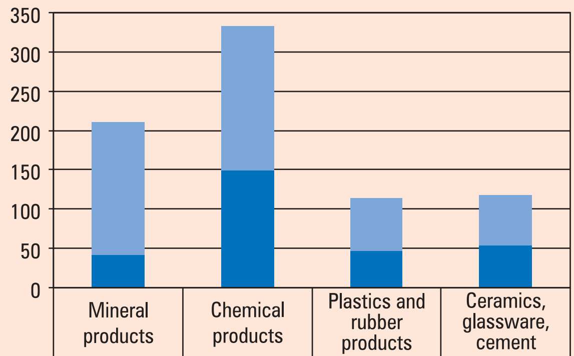
Source: Central Statistical Bureau of Latvia

Latvia possesses a variety of chemical industry sub-sectors in addition to its substantial pharmaceuticals industry. A large segment consists of paints, coatings and adhesive producers, where about 14 companies are present, with two dominant producers. Glass and glass-fibre production is even more widely represented. In this sub-sector the leading company is the *Valmieras Stikla Skiedra*, a manufacturer of glass fibre and technical glass fabrics, with production output almost entirely being exported. Another sub-sector with one dominant company is rubber production, in which *Baltijas Gumijas Fabrika* produces an extensive range of rubber products. The ceramics sub-sector consists of numerous individual entrepreneurs, who might be considered artisans rather than manufacturers. There are still some manufacturing facilities, however, offering bulk production of standardised ceramic products. Latvian companies also produce agrochemicals, household chemicals, plastics products, building materials such as concrete, ceramic tiles and lime, and gypsum products.

The number of people employed in the Latvian chemical industry is about 6500, which is 5.5% of the total number employed in manufacturing. Of these, 3730 are specialists, 1110 senior-level experts and researchers, and 50% of them work in the pharmaceuticals & medicines sector. 306 companies operated in the chemical sector in 2004 compared to 256 in 2003. Among the largest, with more than 250 staff, are *Grindeks*, *Olainfarm* and *Dzintars*.

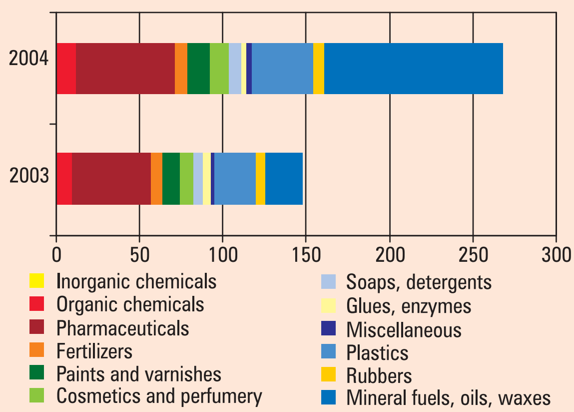
The graphs below illustrate the composition of Latvia's chemical industry exports.

Composition of Exports, 2003/4, EUR million



	Mineral products	Chemical products	Plastics and rubber products	Ceramics, glassware, cement
2004	169.20	182.70	67.50	63.70
2003	41.05	149.80	46.90	53.60

Latvian Export Structure 2003/04, EUR '000



Source: Central Statistical Bureau of Latvia

Financing of Academic Research and R&D

In 2003, the Ministry of Education and Science financed academic research and R&D to the value of EUR 9.1 million. This was divided into two parts: grant financing – EUR 6.2 million, and the financing of branch programmes – EUR 2.9 million.

As a result of Latvia's participation in the EU's Fifth Framework Program (5-IP), five centres of excellence at European level were established:

- The Institute of Solid State Physics at the University of Latvia
- The Latvian State Institute of Wood Chemistry
- The Institute of Physics at the University of Latvia
- The Institute of Atomic Physics and Spectroscopy at the University of Latvia
- The Bio-medical Research and Study Centre at the University of Latvia

The chemical sector in Latvia has great potential, with numerous new product development and manufacturing opportunities. The production of pharmaceutical preparations, such as peptides, derivatives of amino acids and bio-polymers, and veterinary medicines can be developed even further through a combination of local raw materials and the new product development potential of Latvia's research institutions. Organic chemistry developments also have potential in organic synthesis production (peptides, derivatives of amino acids, biopolymers) and the manufacture of generic pharmaceuticals. Several bio-technology companies are seeking venture capital to attain commercialisation of their innovations. Research at the Latvian Institute of Inorganic Chemistry has provided a foundation for the production of nano-sized refractory compound powders.

One of the leading promoters of the chemicals industry is the Association of the Latvian Chemical and Pharmaceutical Industry. Additionally, there are several organisations, which have specialised in supporting specific sub-sectors, for example, the Pharmaceutical Producers' Association, the Latvian Bio-energy Association and the Latvian Building Materials Producers' Association amongst others.

Additional information:

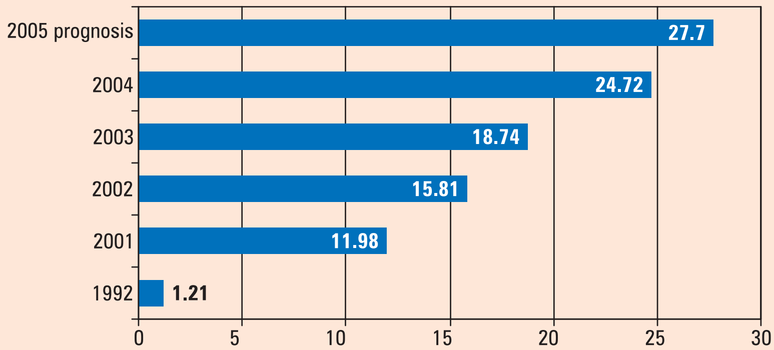
›› www.lakifa.lv
›› www.nki.lv
›› www.pmi.lv

The most significant output of the bio-pharma sector comes from the manufacture of pharmaceuticals & medicines. Production of finished goods and generics is the largest sub-branch. The most noteworthy players in this sub-branch are two large companies *Olainfarm* and *Grindeks*, and medium-sized companies *Medpro*, *Baltijas Terapeitiskais Serviss*, *Farma Balt* and *LMP*.

There is no doubt that this sector is attractive, because of the good opportunities to manufacture marketable and competitive products. Latvia's high proportion of qualified and skilled personnel means that there is excellent potential for inventing highly engineered laboratory instruments and equipment.

The diagram below shows sales volume movements for one of the leading pharmaceutical producers *Grindeks* and is a good reflection of the sector as a whole.

Grindeks Sales Volumes, LVL million



Source: JSC Grindeks

Development trends within the sector include:

- bio-tech lab equipment manufacture
- bio-reactor manufacture
- bio-fuel production
- generic pharmaceuticals manufacture
- sub-contracting of research services, production and packaging

Among several institutes and research laboratories in operation, two leading scientific institutions stand out:

- The Institute of Organic Synthesis is involved in fundamental research into organic chemistry, bio-chemistry, medicinal chemistry and molecular pharmacology. It combines these activities with contract research and development of new drugs, and the custom synthesis and analysis of biologically-active compounds. A total of 17 original medicines and over 60 chemical processes for manufacturing generics have been developed by the IOS.
- The Institute of Inorganic Chemistry of Riga Technical University carries out research on theoretical and practical problems in the fields of inorganic chemistry and technology.

Additional information:

›› www.lakifa.lv
›› www.latbio.lv
›› www.grindeks.lv
›› www.olainfarm.lv
›› www.farmabalt.lv
›› www.medpro.lv

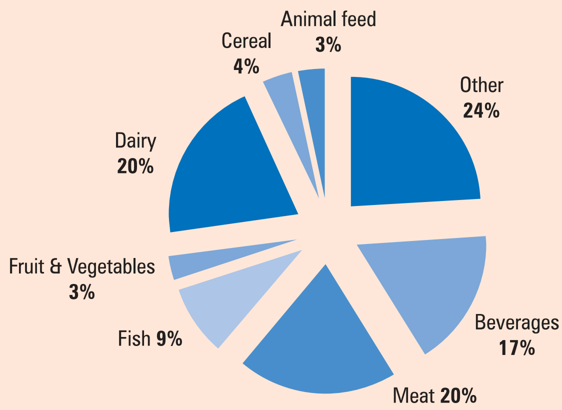
Latvia has always been richly endowed with good food resources, particularly fish, milk, grain, meat, wild berries and mushrooms. At one time the country was even known as "The Larder of Sweden" and later as "The Larder of Russia". These traditions have basis the basis for the rapid evolution of Latvia's modern food & beverage industry.

The food and beverage industry is the largest industrial sector in Latvia, it is around 22% - 32% of total manufacturing output. In 2003, the sector had around 900 companies employing more than 32 000 people in all, 24% of total industrial employment.

The most encouraging signs of development are seen in the dairy, meat and vegetable sectors. Here, the more progressive processors have formed long-term relationships with farmers to ensure the necessary quantity and quality of raw materials.

Currently, almost three quarters of Latvian food sector production is consumed within the local market, the rest is exported, particularly to neighbouring markets (Russia, Lithuania, Estonia and other EU countries). The local market is limited and now saturated, so companies need to intensify their activities in acquiring new markets abroad.

Food & Beverage Production, 2004



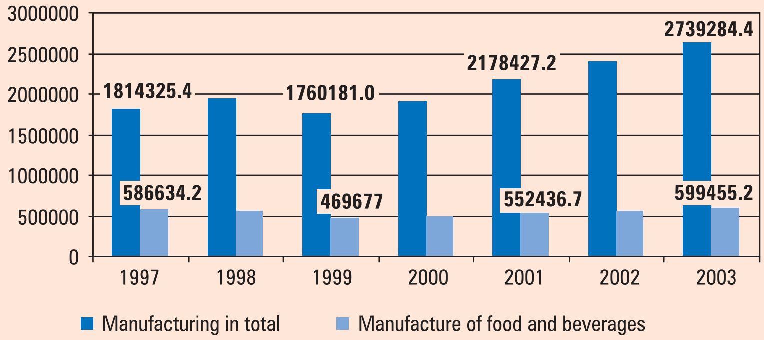
Source: Central Statistical Bureau of Latvia

Compared with years 2000-1, the main difference is that, at that time, the main area of growth was exports to the Russian market, however in 2002 and 2003 the export of goods to EU countries grew more rapidly. In 2002 they made up 9% of total food exports, but by 2003 had reached 25%.

The main food industry exports in 2003 were dairy products (EUR 21.1 million), wheat (EUR 17.5 million), fish (EUR 16 million) and cacao confectionery (EUR 5.7 million).

Sales to the traditional markets of Russia and the CIS have been hampered by uncertainty and unfortunate experience. Latvian food producers have been hit several times by economic crises in Russia: during 1998 exports decreased by 13.5% and total production volume was reduced to 60% of pre-crisis levels. Since 2000, the external trade sector has shown a tendency toward export growth. 2001 and 2002 were years of rapid export growth with 69% and 30% annual increases respectively. In contrast, export growth in 2003 was only 3%, made up mainly of increases in sugar and sugar confectionery products (by 171%), confectionery products (66%), grain (59%), processed fruit and vegetable products (31%), dairy products (24%) and non-alcoholic and alcoholic beverages by 20%.

Food & Beverage Output Changes 1997 - 2003
Compared to Total Manufacturing, LVL '000

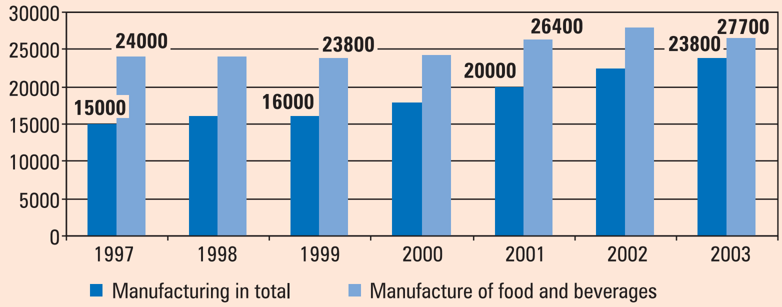


Source: Central Statistical Bureau of Latvia

Gaining entry to EU markets is dependent on production being competitive, and food companies are investing intensively in technology to raise quality and implement new standards. Some EUR 255 million has been invested in production facilities and equipment since 2001.

The government has also launched several initiatives to promote quality improvement, such as the Food Quality Assurance Programme, the SAPARD programme, and marketing promotion programmes aimed at stimulating domestic consumption.

Gross Industrial Output per Employee, EUR '000



Source: Central Statistical Bureau of Latvia, 2004

With Latvia becoming a member state of the EU, larger avenues are opening up for its exporters, with the EU having concluded preferential trade agreements with a number of countries, where previously Latvian products did not benefit from any trade relief.

The country is at the heart of Europe's fastest-growing region – the Baltic Sea Region. The cultural fusion of the indigenous population and newcomers has added variation to Latvian food patterns down the centuries and Latvia is fortunate in still having a beautiful landscape, wholesome produce and agricultural traditions based on sound ecology.

Additional information:

- www.lpuf.lv
- www.marketingapad.lv
- www.zm.gov.lv
- www.lta.lv
- www.pvd.gov.lv

The information and communications technology (ICT) industry is one of the most dynamic sectors of the economy and is considered to have great potential for future development. The turnover of the sector is rising rapidly having seen more than 15 % average annual growth over the last decade.

The successful development of the ICT sector is based mainly on thriving ICT services, the highest share belonging to the software development and telecommunications segments.

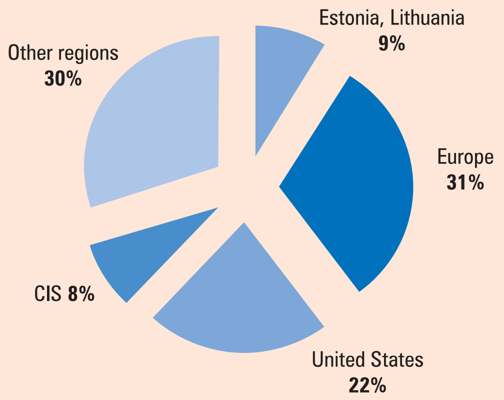
The Latvian companies active in this sector work in a number of specialised areas, including software development and re-engineering; information system design, development and implementation; the introduction of enterprise resources planning services; implementation of modern Internet B2B solutions; development of computerised software tools, development of payment card systems, and the localisation of foreign software.

More than 70% of the companies operate with high added value, especially those in software development, training and integration services, as well as in consultancy.

Near-shore and offshore services have increased recently. Latvian businesses are able to offer world-level quality at significantly below-average costs. The largest and most dynamic export-oriented ICT companies, and those offering global services together control 80% of the ICT market in Latvia and are members of the Information Systems (IS) Cluster.

Initial goals set when forming the cluster have been reached successfully, and export indicators have been increasing on a yearly basis. In 2003, Latvian ICT exports increased by 52% over the previous year. Export growth among IS cluster companies has occurred far more rapidly than has been the case in the sector as a whole. 17% of cluster companies have export as more than 50 % of total turnover. The export share for *Exigen Latvia* is 90% and for *SAF Tehnika*, 95%.

Major Export Directions for the IS Cluster, 2003



Source: Latvian Information and Communication Technology Association

Exports to the other Baltic States have increased (by 24.9%), as have those to the European Union (1.5%), to CIS countries (26.7%), and to the United States (3.7%). The largest percentage increases have been to Asia and the Middle East. While these are not yet very high, the very fact that they are happening shows that, in addition to their technical competencies and skills, Latvian ITC companies possess the ability to adapt to different cultural. ethnic and business environments.

Even though the ICT sector is evolving rapidly, there is still huge export and investment potential for further expansion and building cooperation with partners in many other countries all over the world.

Local companies are eager to cooperate and the successful foreign investment projects already carried out prove that Latvia is an appropriate place for investment and doing business. Latvia provides substantial competitive advantages to the ICT investor, based on the following factors:

- favourable location, the Baltic sea region – Europe's fastest growing market of more than 90 million people, spanning the wealthy economies of Scandinavia and Germany, the rapidly expanding economies of the Baltic States and Poland, and the vast potential markets of north west Russia
- availability of highly skilled ICT professionals with experience in international projects including project management; good language skills; combining western cultural attributes with knowledge of the Russian market;
- highly developed communications and logistics infrastructure
- significant government support and attractive taxation policies

Electronic Communications

In January 2003 the whole electronic communications sector was opened up to competition. In October 2004 Latvia adopted a new Law on Electronic Communications that ensures accordance with the EU regulatory framework.

Competition has pushed tariffs down and expanded the range of services offered. As new tariff plans were launched in 2004, customers gained the option of choosing tariffs appropriate to their usage. Additionally, Internet prices were reduced and availability extended. As a result, there was a 64% rise in the number of DSL connections during the first nine months of 2004.

Electronic communications can be considered a profitable business – 7.8% of cumulative foreign direct investment has gone to this sector. *Lattelekom*, the incumbent fixed telecoms operator, *LMT* and *TELE2*, the country's two largest mobile phone operators, posted Latvia's highest profitability indicators – 19.4%, 32.5% and 26.5% respectively, in 2003.

The demand for mobile communications services continued to grow rapidly in 2004 demonstrating the dynamic development within the sector. The increased affordability of mobile communication services and reductions in mobile telephone prices and service charges have been the decisive factors driving dynamic growth in the number of users. Latvia experienced the second highest growth of mobile phone users in Europe last year. At the end of 2004, mobile penetration had reached 67% of the population.

The two largest mobile operators are *LMT* and *TELE2*, but newcomers virtual operator *ZetCOM* and CDMA technology player *Triatel* are also making a contribution.

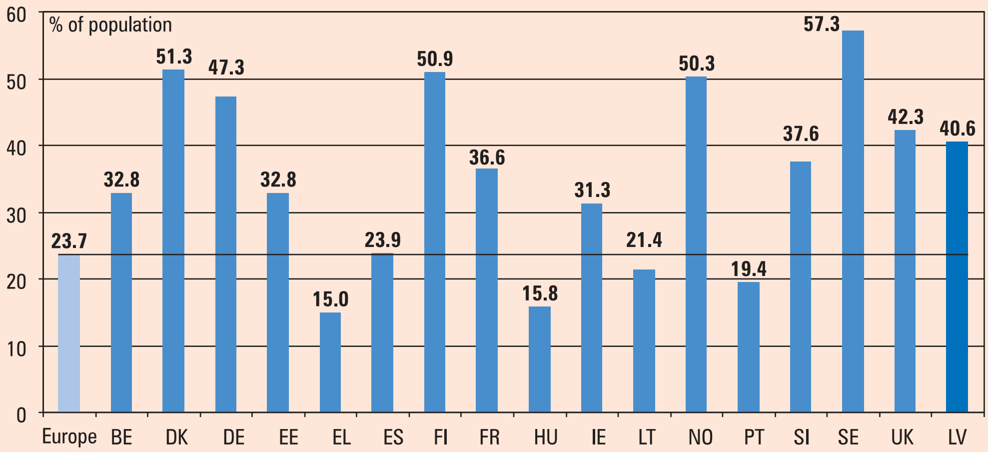
The rapid development of Internet services, growth in the number of Internet service providers and users has resulted in around 45% annual growth in turnover for ISPs.

Total international ISP internet capacity has grown more than ten times during the last three years and rapid growth is foreseen to continue for the next few years.

The usage of both computers and the Internet has risen dynamically over recent years.

Statistical evaluation of Internet users' penetration shows significant growth (According to International Telecommunications Union (ITU) data, as much as 40% annually). The level of penetration is significantly higher than the average level in Europe and it is the highest among new EU Member States.

Internet Users as Percentage of Population, 2003



Source: International Telecommunications Union

The sector is promoted internationally by a non-governmental professional organisation, the Latvian Information and Communication Technology Association (LICTA). The main goal of LICTA is to facilitate the development of an information society in Latvia. Other key LICTA objectives include encouraging the growth of a vigorous ICT and electronics industry in Latvia and lending support to the selling of ICT and electronics products and services abroad. LICTA is the coordinator of the Information Systems Cluster, which unifies export-oriented ICT companies.

Other associations and organisations active in the sector are:

- Latvian Internet Association (www.lia.lv)
- Latvian Association of Computer Technologies (www.itnet.lv)
- Latvian Telecommunication Association (www.telecom.lv)
- Latvian Association of Electronic Communications
- Business Software Alliance (www.bsa.lv)

Additional information:

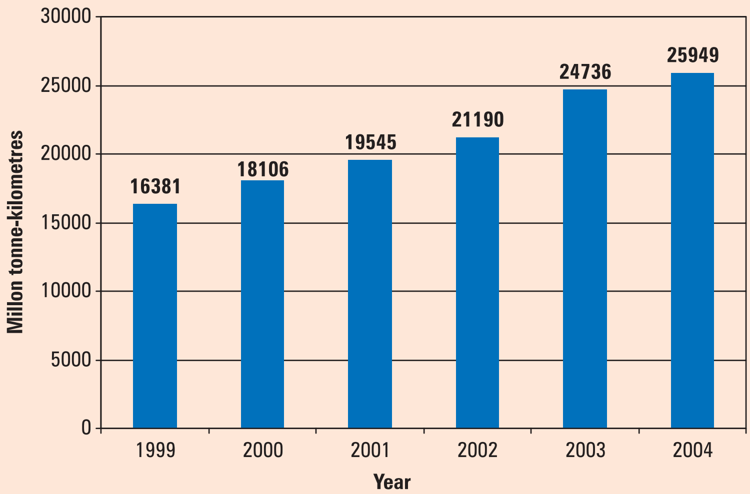
- www.litta.lv
- www.is.lv

Throughout history, Latvia has been a key transit point in both north-south and east-west directions because of its geographical location at a junction of strategic transportation flows connecting major world economies such as the USA, European Union, Russia, CIS and the Far East. Transit is one of Latvia's strongest industrial sectors, a fact recognised by the government which has designated it a priority sector in the national economy. Nearly 90% of the turnover of Latvian ports and 75% of railway cargo, and all of the oil and oil products transported via Latvia's trunk pipeline system is transit. More than 8% of Latvia's employees work in the transportation and servicing of transit cargo. The importance of the transport, transit and storage sector is shown by the fact that it accounts for of 9-10% of GDP. The revenues from the carriage of transit made up approximately 60% of the total export of services in 2004.

Integration in the overall European transportation system is in progress, thus meeting the needs of the national economy in the provision of high quality freight transport services, as well as increasing the variety of options and flexibility in the carriage of passengers and cargo. Latvia has successfully met EU regulatory requirements in road transportation.

Latvia recognises that the development of an effective, safe, multi-modal, balanced; environmentally-friendly and competitive transport system is a priority. The main goal for the sustainable development of Latvia's transport system is the full integration of Latvia's transport infrastructure into the Trans-European multi-modal transport system. Particular attention is being paid to developing coastal shipping and combined transportation. The promotion of ferry traffic in the Baltic Sea is, and will be, emphasised further through the involvement of Latvia's ports. One priority is to construct and develop industrial and distribution parks. In developing the transport and energy infrastructure of the European Union, essential conditions include the effective use of the transport and energy networks;, development planning from an economic point of view, taking into account established goods and passenger transport corridors, and the development potential of economic relations between the European Union and its neighbouring countries.

Total Volumes of Cargo Transportation 1999 – 2004 (Rail, Road and Air Transport)



Source: Latvian Investment and Development Agency

Railways link Latvia with Russia, CIS, the neighbouring Baltic States, and through Poland, the rest of Europe. In Latvia, rail cargo transportation by is all handled by the national *Latvian Railways* company (*Latvijas Dzelzceļš*). Latvia possesses a dense railroad network connecting the country to destinations as far as the Russian Far East, wherever the former Soviet railway gauge standard is in operation. There are additional opportunities for trade connection with Japan and southeast Asia. At present, *Latvian Railways* serves mostly as a transit trunk-line with as much as 75% of total freight volumes being transit goods moving through Latvian ports and 60% of freight rolling-stock being tanker wagons. Movement in the opposite direction – to Moscow and other parts of Russia and CIS countries – is dominated by container cargo. There is enough capacity to substantially increase the cargo transported by rail. At present, the east-west railway corridor has the capacity to transport 50 million tonnes of cargo annually Latvia has three major ice-free **ports:** Ventspils, Riga, and Liepaja; and seven minor ports: Salacgriva, Lielupe, Engure, Mersrags, Roja, Kolka and Pavilosta. The three major ports have been granted favourable incentive regimes to help them attract new business (80-100% direct tax relief and significant reductions in indirect taxes (VAT, Excise)). Ventspils and Riga Ports are Free Ports whereas the entire city and port of Liepaja form a Special Economic Zone.

Latvia's **road network** is well-developed and further improvement is underway. The government has worked toward promoting conditions for developing a high quality road infrastructure and to attaining a level of road safety that will meet internationally accepted standards. The *Via Baltica* is the most important transport corridor traversing Latvia in a north-south direction. *Via Baltica* is the European transport corridor also known as route E67. It connects such European cities as Helsinki, Tallinn, Riga, Kaunas and Warsaw, and Riga, Kaliningrad and Gdansk. The road network is uniform throughout the country. All locations in Latvia are within easy reach of road transport. Traffic is light, with very little traffic congestion, the exception being morning and evening peak hours in the capital city, Riga. The overall low level of traffic is a great advantage for transit flow and interrupted driving. An additional advantage for road users is that there are no roads, bridges or tunnels requiring the payment of tolls.

The Latvian government has invested more than EUR 38 million in the modernisation of Riga **International Airport**, which is the largest air traffic centre in the Baltic States. Over 700 thousand passengers are departing yearly from Riga International Airport. There are regular direct flights from Riga International Airport to 17 countries. Among the airlines operating daily flights are SAS, British Airways, Lufthansa, Finnair, Aeroflot, CSA, Transaero and airBaltic. Cargo service is provided by a number of airlines such as British Airways, Finnair, Lufthansa, CSA, Aeroflot, LOT, Lauda, and airBaltic. International courier services are available, including from DHL and UPS.

Why Latvia?

Geographical location between East and West, being the EU's external border with Russia and Belarus, in particular for the Russian market, but also because of the potential transit of Far East cargo via the Trans-Siberian Railway connection to western Europe. The strategic central location of the capital Riga, including its own consumer market potential, offers opportunities for development within the Baltic States and is sufficient reason for a number companies to have located their Baltic States head offices there.

Quality and level of transport and logistics services is improving, being led by large, international transport and forwarding companies with the capability and expertise to organise value-added activities.

Quality of road, rail, and maritime infrastructure. The transport connections for maritime cargo flows in containers, the quality of railway and road transport systems are good.

Availability of skilled labour. Larger companies provide training for their staff. Most workers have knowledge of 3 foreign languages (mostly English, Russian, German).

Availability of high level IT in the transport industry with modern IT/data systems in general use, Internet connections, and the development of electronic data interchange. The development of technology is being stimulated by the major international transport and forwarding companies.

Government support for the development of the transit, transport and logistics sector is adequate, customs and tax legislation has been considerably improved in recent years, so both customs and tax authorities work with good communications and information systems.

Taxation issues. During the last year, Latvia, in close co-operation with the European Commission, has succeeded in introducing national legislation to meet all the requirements of international transit flows and the operators involved.

There are several organisations supporting the industry such as the Latvian Logistics and Customs Brokers Association, National Association of Latvian Shipbrokers and Shipping Agents, Latvian Association of Freight Forwarders, Latvian Stevedore Companies' Association, and the Latvian Association of International Road Carriers who between them represent the interests of a large number of stevedores, warehousing companies, freight forwarding and transport service companies.

Additional information:

- www.transport.lv
- www.lmba.lv
- www.laff.lv
- www.lauto.lv

The Electronics and Electrical engineering (E&E) industry in Latvia has a long and impressive history. It continues to be one of the most promising and important manufacturing sectors with its remarkable export performance in high-tech products. E&E companies, as most Latvian manufacturing sectors, have managed to survive economic transition and are now, post-recovery, experiencing high growth rates. To ensure that this progress is sustainable, however, it is of the most importance that a development strategy be defined, covering education, science and industry objectives.

The main companies operating in this sector possess the full range of technologies necessary for the entire production process, tool-making and software development.

An important factor for Latvia's development is its experience in economic relationships with Russia and central and eastern European countries.

This sector has historically strong traditions in Latvia – there were 64 000 employees in 1991. Despite number of employees in E&E manufacturing having been reduced significantly there remains good potential to attract qualified workers. With the recovery of the industry and the establishment of several new companies in the late 1990s, the output of the E&E sector is undergoing rapid growth. The average annual growth rate since 2000 has been 27%. The inflow of foreign direct investments has had a positive impact. E&E companies with foreign capital in Latvia are modern and operate with up-to-date equipment and technologies.

Following an analysis of the sector in Latvia, the following overall development goals have been defined, to be attained by 2010:

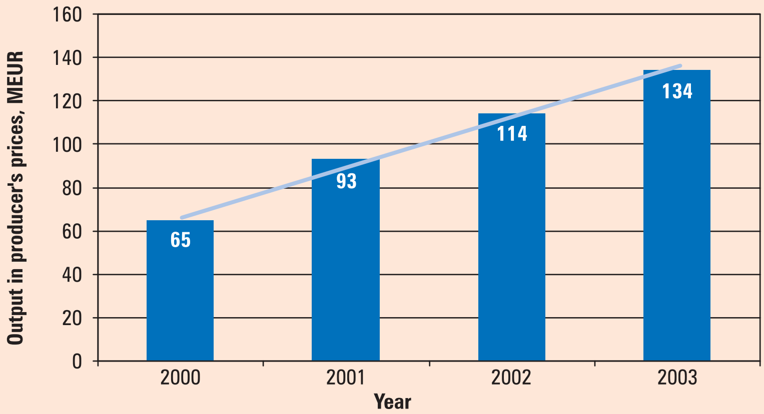
- The E&E sector should achieve the leading position among manufacturing sectors in terms of value added per employee
- Increase productivity by 18% per annum to reach 40% of the current EU average level (~EUR 70 000)
- Annual increases in the number of manufacturing companies in the sector of 5-7, reaching at least 120 companies
- Annual increases in the number of employees in the sector of 5%, reaching 8500
- Annual increases in production volumes, i.e. products with high added value, of 24% to reach a volume of EUR 600 million, equivalent to at least 9% of total manufacturing output
- Annual increases in exports of 24% to achieve 10% share of total exports
- Significantly upgrade E&E study programmes and increase the number of graduates by creating new study places to attain at least 800 graduates of vocational studies and 550 completing higher education annually (in 2003, 553 completed vocational training and 382 specialists graduated)
- Achieve decentralisation by developing at least two new regional E&E education and scientific centres and increase production outside Riga (in 2002, 77% of E&E production output was in Riga)

Import and export of the sector

The electronics and electrical engineering sector is classified as being high-tech and middle-to high-tech. Although Latvia's electronics and electrical engineering industry is export-oriented, it only contributes a small share of Latvia's total exports of products. Electronics and electrical engineering products only made up 3.7% of Latvia's total exports of products in 2003. The opposite is true for imports, where E&E imports made up 8.4% in 2003, reflecting the high demand for electronics and electrical engineering products in both private and public sectors.

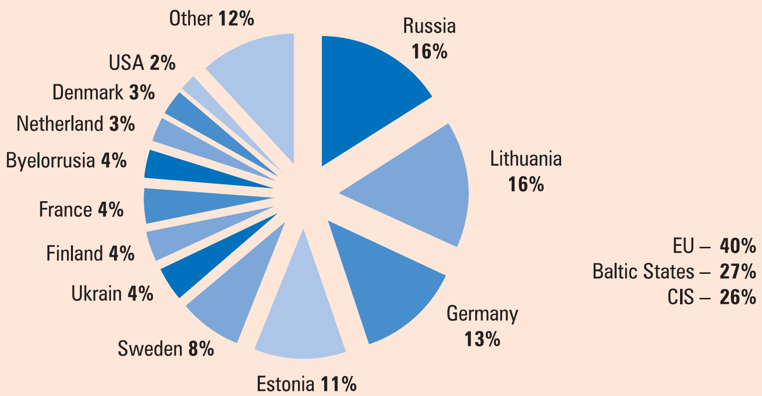
Export and import dynamics. Time of economic crises in Russia (year 1998) badly impacted production and export volume of electronics and electrical engineering industry. As a result, export was volatile and even decreased in 1998 by 9,5% and in 1999 – by 18% compared to preceding year. Also import of electronics and electrical engineering had negative growth in 1999 (-6,3%). Export and import volume of the industry has stabilised during 2000-2002 bespeaking of recovery of the industry and market for these products in Latvia. Export on average has grown by 16,3% annually during 2000-2002 (export of manufacturing sector – by 12% p.a.), while import – by 12% p.a. In fact, export of electronics and electrical engineering products increased even by 23% in 2002.

Manufacturing Output, EUR million



Source: Central Statistical Bureau of Latvia, Latvian Electrical Engineering and Electronics Industry Association

Export by Countries, 2004



Source: Central Statistical Bureau of Latvia

Additional information:

›› www.letera.lv

September, 2005

10th International Trade Fair for the Food Industry, Beverages, Food Processing Technology And Packaging. International Food Competition **RIGA FOOD** September 7 - 10 ›› Web: www.bt1.lv	Foodstuffs. Delicatessen, seafood, spices. Tinned, frozen products, convenience foods. Soft drinks and alcoholic beverages. Catering technology and products. Shop and restaurant equipment.
6th International Pets and Veterinary Industry Exhibition **PET EKSPO** September 17 - 18 ›› Web: www.bt1.lv	Pet food, accessories. Veterinary. Education and information.
8th International Exhibition **FURNITURE.INTERIOR.DESIGN** September 22 - 25 ›› Web: www.latexpo.lv	All variety of furniture and furniture accessories. Interior and furniture design.

October, 2005

10th International Furniture Exhibition **FURNITURE** October 6 - 9 ›› Web: www.bt1.lv	Furniture for public and residential premises. Furniture fittings and components. Finishing materials. Interior and design.
International exhibition and contact forum for professional furniture making supplies **WOODWORKING. MACHINERY. TECHNOLOGY.** October 6 - 9 ›› Web: www.bt1.lv	Equipment for saw mills and woodworking plants, woodworking machines, cutting tools and machines. Tools for woodworking and building, wood finishing materials, furniture making machines and materials. Furniture, door, window fittings. Packaging.
International Trade Fair for House and Flat Design and Security **HOUSE. APARTMENT** October 20 - 23 ›› Web: www.bt1.lv	Architecture, design and reconstruction of apartments. Repairs and refurbishment. Finishing and decorative materials. Plumbing and heating equipment. Lighting. Home security and alarm systems. Consumer electronics, electric appliances and equipment. Home design and current trends.
2nd international exhibition for energetic and technologies for optimisation of natural resources utilisation **ENVIRONMENT AND ENERGY** October 20 - 22 ›› Web: www.bt1.lv	Energy generation. Transmission, conversion and distribution of electricity. Generation of renewable energy. Wind, solar, hydrogen and bioenergetics solutions. Heat supply. Water supply and sewerage. Air, soil, water purification and treatment. Refuse removal, processing and regeneration. Environmental monitoring and controlling systems. Public utilities.
3rd Exhibition of Work Wear And Personal Protective Equipment **SAFE WORK** October 20 - 22 ›› Web: www.bt1.lv	Work wear, uniforms. Technical fabrics. Personal and site occupational safety equipment. Surveillance of work environment. Legislation.

LATVIJAS INVESTĪCIJU UN ATTĪSTĪBAS AĢENTŪRA
LATVIAN INVESTMENT AND DEVELOPMENT AGENCY

November, 2005

10th International Exhibition and Fair for Subcontracting, Mechanical Engineering, Tools, Electrical Engineering and Electronics
BALTIC INDUSTRY
November 2 - 5
›› Web: www.prima.lv

Mechanical engineering, metalworking, electronics, electrical engineering, manufacture of plastics and rubber, maintenance and repair technologies, raw materials, industrial automation.

1st Baltic consolidated beauty industry project. Exhibition, forum, festival, competitions, conferences, master classes, workshops and shows
BALTIC BEAUTY WORLD
November 4 - 7
›› Web: www.bt1.lv

Curative, professional and consumer cosmetics. Perfumery, hair- and nail care products. Equipment for hairdresser and beauty salons, and SPA centres. Tanning salons. Aromatherapy. Specialised periodicals and literature. Jewellery, bijouterie, watches and accessories.

January , 2006

13th international travel trade fair
BALTTOUR 2006
February 10 - 12
›› Web: www.bt1.lv

Travel trade. Travel agencies. Professional tourism organisations. Representative offices for outgoing tourism. Airlines. Transportation services. Hotels. Media.

February , 2006

11th international exhibition of textile, clothing, leather garments and production equipment
INTERTEXTIL BALTICUM 2006
February 23 - 25
›› Web: www.bt1.lv

Fabrics, materials and supplies. Clothing, knitwear, underwear, leathers and furs, home textile. Textile and leather industry equipment and technology. Clothing design.

March , 2006

9th international exhibition of books and publishing
BOOK 2006
March 2 - 5
›› Web: www.bt1.lv

Publishers, booksellers, wholesalers. Libraries. Second-hand bookshops, museums. Branch associations.

20th international building industry trade fair
HOUSE I 2006
March 15 - 19
›› Web: www.bt1.lv

Architecture. Design. Planning. Building. Reconstruction. Building machinery and materials. Plumbing and thermal engineering. Lighting and wiring. Home technology and equipment. Environmentally safe construction. Real estate. Conference and seminars.

13th Baltic regional exhibition for recreation, tourism and sport
RECREATION AND SPORT 2006
March 30 - April 2
›› Web: www.bt1.lv

Goods for tourism, recreation and sport. Sport and recreation complexes. Recreation, tourism and sport related services. Tours for active people.

7th exhibition of motorcycles and biking accessories
MOTORCYCLE 2006
March 30 - April 2
›› Web: www.bt1.lv

Different motorcycles and scooters, accessories. Bikers' clubs.

10th exhibition of boats and yachts
BOAT SHOW 2006
March 30 - April 2
›› Web: www.bt1.lv

Boats, yachts, small watercrafts.
Boating equipment.

3rd exhibition of fishing tackle and accessories
ANGLING 2006
30 March–2 April
›› Web: www.bt1.lv

Fishing tackle and accessories. Fishing facilities and campsites. Special fishponds and lakes. Fishing clubs, societies and associations. Fishing tours and events.

April , 2006

6th international forest management and wood production exhibition
FOREST AND WOOD 2006
April 6 - 9
›› Web: www.bt1.lv

Forest management, forestry machines, timber preparation, sawing and processing machines. Occupational safety and work apparel. Consultations and presentations. Machinery demonstration, competitions. Education and training.

4th international exhibition for agricultural production and rural infrastructure
RIGAAGRO 2006
April 6 - 9
›› Web: www.bt1.lv

Agricultural, stock farming, horticultural, fish farming equipment and technologies. Rural infrastructure. Rural production management, novelties and consultations. Logistics, finance, scientific developments.

10th garden and floristry exhibition
GARDEN. FLORA 2006
April 6 - 9
›› Web: www.bt1.lv

Landscape architecture, greenery arrangement and improvement. Seeds and plants. Flowers and floristry. Gardening machines, inventory. Soil amelioration.

2nd international exhibition for hunting, game management and hunters' outfit
HUNTING 2006
April 6 - 9
›› Web: www.bt1.lv

Hunting weapons, outfit. Game management. Hunting tours. Seminars. Consultations. Competitions.

3rd Exhibition of Automotive Parts, Accessories and Service Station Equipment
AUTOMECHANICS 2006
April 20 - 22
›› Web: www.bt1.lv

Automotive parts, body parts and automotive accessories, auxiliary equipment. Repair, maintenance, tuning. Repair and maintenance equipment, service station equipment and tools.

3rd International exhibition and conference for transport, communications and logistics
TRANSPORT AND LOGISTICS 2006
April 20 - 22
›› Web: www.bt1.lv

Sea and river transport, road transport, aviation, railway and pipeline transport. Services provided by forwarders and terminals. Warehouses, warehousing equipment. Packaging. Freight handling. Financial and data management.

May , 2006

3rd specialised national exhibition for medicine
MEDICA 2006
May 18 - 20
›› Web: www.bt1.lv

Pharmaceutical and medical technologies. Dentistry equipment, materials and instruments. Optics. Special literature.

2nd International Exhibition of Accountancy and Financial Management
ACCOUNTANCY 2005
24-26 May
›› Web: www.bt1.lv

Audit, revision, accounting and financial services, management and accounting systems, software, professional education, office equipment.

Latvijas Investīciju un attīstības aģentūra
Latvian Investment and Development Agency

Promotion of entrepreneurship, investment and foreign trade

The Latvian Investment and Development Agency (LIDA), a government agency reporting to the Ministry of Economics, was set up to promote business development by facilitating foreign investment and increasing the competitiveness of Latvian entrepreneurs in domestic and foreign markets.

With more than 10 years of experience in the attraction of foreign direct investment to Latvia and the promotion of foreign trade, LIDA offers integrated solutions by supporting both Latvian-based companies trading internationally, and overseas enterprises seeking business partners or locations in Latvia. LIDA also developed and manages state support programmes for entrepreneurs, co-financed from EU Structural funds.

LIDA is also involved in the implementation of national programmes on export and innovation promotion, takes part in EU 5th Framework Programme projects, participates in the facilitation of Public-Private Partnerships and in the implementation of state functions in the energy sector.

Working in close cooperation with the business community (particularly with the Foreign Investors Council in Latvia (FICIL), National Economy Council and associations) LIDA facilitates the steady improvement of the business environment, especially in the area of administrative procedures.

In total, 136 of 143 recommendations made by FICIL and business associations were implemented between 1999 and 2004, and as a result, Latvia now ranks among the top ten countries worldwide in terms of business start-up time, with business registration possible within 11 days.

One-Stop-Shop for Foreign Investors and Buyers

Investment Facilitation

Assistance in investment location selection and implementation of investment projects:

- Provision of all relevant information on business opportunities and investment incentives
- Identification of the best property options for manufacturing facilities, offices and land
- Assistance in establishing and developing contacts with Latvian business partners
- Legal assistance with start-up procedures

Suppliers' Searches

Assistance in finding appropriate Latvian suppliers and in increasing their competitiveness:

- Provision of information on Latvian exporting companies, export products and services
- Search of Latvian suppliers according to buyers' requests
- Distribution of incoming business proposals to Latvian companies directly and via the Internet
- Organisation of trade seminars and foreign trade missions to Latvia
- Consultancy and foreign market studies for Latvian enterprises
- Assistance to Latvian companies at various international exhibitions and trade missions, export promotion campaigns and business matchmaking
- Provision of information on workforce availability and skills' evaluations

Follow up service

Follow-up and support after the implementation of investment or sub-contracting projects.

State Support Programmes

Implementation of a number of state support programmes, available to companies registered in Latvia, advancing grants for participation in international exhibitions and trade missions, consultancy, modernisation of business-related infrastructure, development of new products and technologies, increasing the qualifications of employees.

Information on the EU single market

The Euro Info Centre (EIC), operating within LIDA, provides information about European Union policies, legislation, regulations, trade system, and assists in seeking of business partners within the EIC network in 42 countries around the world.

International and regional network

LIDA is local and international at the same time. A network of foreign representatives and cooperative network with other institutions in Latvia and abroad takes LIDA close to its customers and links them to business partners and locations in the main markets.

LIDA has representative offices in London (UK), Hamburg (Germany), Stockholm (Sweden), Paris (France), Amsterdam (the Netherlands), Oslo (Norway), Copenhagen (Denmark), Alma-Ata (Kazakhstan), and Moscow (Russia), and an established network of public representatives in Germany, Israel, Australia, USA, Ukraine and China.

By 2009, LIDA will have a total of 15 offices abroad.

LIDA works in close cooperation with the Ministry of Foreign Affairs and Diplomatic Missions represented in 75 countries around the world.

LIDA also cooperates with local municipalities and regional development agencies and in the near future will open its own regional offices.

Foreign representatives
LIDA foreign representatives provide information about business opportunities in Latvia, relevant legislation, the taxation system, the national economy and external trade. They promote and facilitate cooperation between Latvian companies and businesses in the particular country or region. The representatives assist in the finding of co-operation partners.

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Exporters

Classified List of Exporters

LATVIJAS INVESTĪCIJU UN ATTĪSTĪBAS AĢENTŪRA
LATVIAN INVESTMENT AND DEVELOPMENT AGENCY