

FICIL

VIEWPOINTS OF FOREIGN INVESTORS
ON THE DEVELOPMENT OF INVESTMENT
CLIMATE ACROSS THE BALTIC STATES

SENTIMENT

INDEX

2024



FICIL

RBS

RIGA BUSINESS SCHOOL
Riga Technical University



SSE RIGA

CONTENT

4	Foreword
6	Impact of companies with foreign capital in Latvia
7	Introduction
8	Focus of FICIL Sentiment Index: government spending efficiency, collaboration between Baltics
10	Investment attractiveness of the Baltic States
13	Further investment plans
14	Assessment of the government spending efficiency
16	Areas that require increased government spending to stimulate economic development
18	Areas, where the three Baltic States should collaborate more intensively
20	Most helpful EU support instruments to the Baltic States
21	Messages to the policymakers
31	Companies that took part in the study

ABOUT THE AUTHORS

This report has been prepared by the Foreign Investors Council in Latvia (FICIL) in collaboration with the Stockholm School of Economics in Riga (SSE Riga) and RTU Riga Business School (RBS). The data collection has been assisted by the Foreign Investors Council in Estonia (FICE), Investors' Forum in Lithuania, and the Investment and Development Agency of Latvia (LIAA).



Tatjana Guznajeva

Executive Director of FICIL with 15 years of experience in policy analysis and evaluation. Prior to FICIL, Tatjana has worked at an international consultancy Technopolis Group, UN agency - International Labour Organisation, and the British Red Cross. Tatjana holds an MSc in Public Policy and Human Development from the United Nations and Maastricht University.



Prof. Arnis Sauka

Director of the Centre for Sustainable Business at the Stockholm School of Economics in Riga, the Head of the State Competitiveness Council, and the Head of the Council at Vidzeme University of Applied Sciences. He holds a Ph.D. from the University of Siegen.



Dr. Claudio A. Rivera

Director of Undergraduate Programs and Assistant Professor in Leadership at RTU Riga Business School. Claudio pioneers the integration of advanced technologies into educational frameworks, and leads the FICIL work group on education and labour market.

FOREWORD

As global uncertainties intensify and security threats escalate, the Baltic States have found themselves on the front line of Europe's collective defence. The consequences of these developments are being felt across every sector—from energy to finance, from infrastructure to innovation. Amid these pressures, the foreign investors that operate in Estonia, Latvia, Lithuania, remain deeply committed to the region's future and recognise that, while the current moment demands resilience and unity, it also presents a chance to make strategic choices that will shape the next decade of growth and stability.



In response to the posed challenges, the governments in the Baltic States have ramped up defence spending to historically high levels, reflecting the fact that the Baltics have effectively become the EU's defensive buffer. The foreign investors welcome bold actions, recognising that the security imperative has reshaped the investment climate, as resources shift toward defence and away from other sectors.

While security is clearly essential, it must not come at the expense of other crucial goals. Foreign investors emphasize that nurturing human capital, achieving energy independence, reaching green-economy targets, and advancing digital transformation are equally vital for long-term prosperity. In fact, the surge in defence spending offers an opportunity to spur innovation and development in the wider economy. For example, defence procurement and infrastructure projects can be leveraged to support high-tech manufacturing, renewable energy and workforce skills development.

In light of urgency for resource reallocation and reformulating of strategic goals, it is essential to maximise utilisation of available public resources. For years, FICIL has consistently called on the Latvian government to carefully scrutinize budgets, identify opportunities for boosting government spending efficiency, and act on concrete proposals—such as consolidating overlapping administrative functions, setting measurable goals and spending reduction targets, and fully implementing the recommendations of the State Audit Office of the Republic of Latvia. This year's research highlights that similar messages were delivered by the foreign investors across the three Baltic States to their national governments, as greater spending efficiency would allow to reallocate resources to strategic areas, thereby stimulating competitiveness, strengthening security and fostering development.

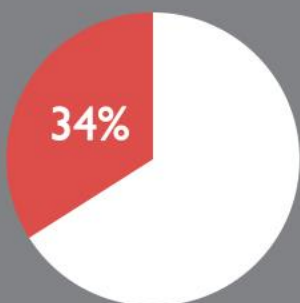
Finally, foreign investors urge the national and EU policymakers – as well as the international community – to step up to the challenges posed by the new geopolitical reality, and support the Baltics by making strategic decisions that ensure long-term development, security, prosperity and collaboration. The foreign investors and FICIL, in particular, stand ready to support this effort, confident that careful planning and bold action will turn today's challenges into tomorrow's opportunities for the Baltic region.

Reinhold Schneider
FICIL Chairperson of the Board

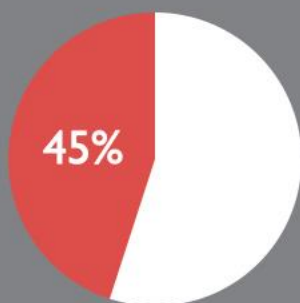
THE NUMBER OF COMPANIES
ABOVE 145K EUR TURNOVER
AND 50% FOREIGN CAPITAL
(MAJORITY)

4369

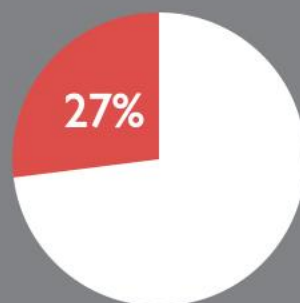
OR 1/9 OF TOTAL NUMBER OF COMPANIES IN **LATVIA**



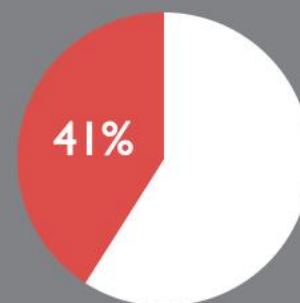
OF TOTAL SOCIAL
TAX



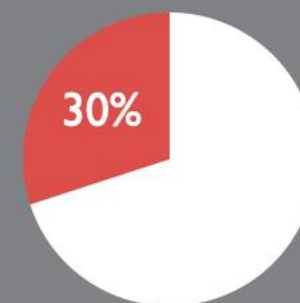
OF TOTAL TAXES
PAID



OF TOTAL
WORKFORCE



OF TOTAL
TURNOVER



OF TOTAL
PROFIT

INTRODUCTION

The FICIL Sentiment Index was established in 2015 by FICIL, in cooperation with the SSE Riga.

This is the tenth FICIL Sentiment Index report. It aims to foster evidence-based policy decisions and promote a favourable investment climate by highlighting key concerns and suggestions of the foreign investors.

While the Index has historically focused on Latvia, the 2024 Baltic States edition marks a notable expansion. For the first time, the study covers all three Baltic States – Estonia, Latvia, and Lithuania.

In total, 118 companies participated in the study, namely 58 companies from Latvia, 32 from Estonia, and 28 from Lithuania. Besides the survey completion, 10 foreign investors from Latvia, 5 from Estonia, and 2 from Lithuania participated in in-depth interviews.

FOCUS OF THE 2024 STUDY:

Comparative analysis of foreign investor sentiment across all three Baltic States – Estonia, Latvia, and Lithuania – with a particular focus on investment climate and government spending efficiency.

PARTICIPANTS:

118 companies
LATVIA - 58
ESTONIA - 32
LITHUANIA - 28

AREAS HIGHLIGHTED IN THIS STUDY:



INVESTMENT
CLIMATE



EU SUPPORT



COLLABORATION
BETWEEN THE
BALTIC STATES



GOVERNMENT
SPENDING
EFFICIENCY



GEOPOLITICS,
DEFENCE AND
INNOVATION



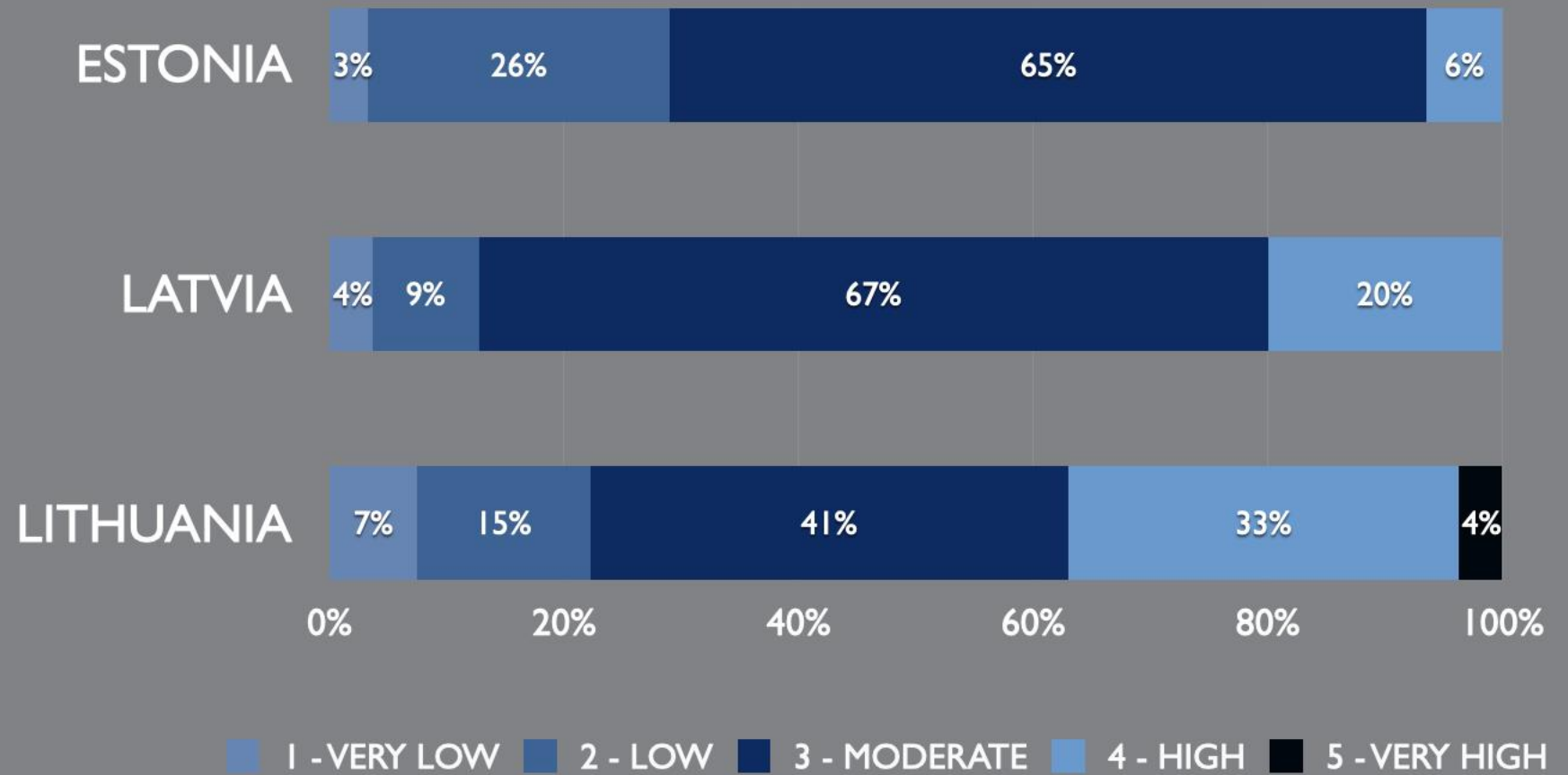
KEY RESULTS

CURRENT INVESTMENT ATTRACTIVENESS

2.7

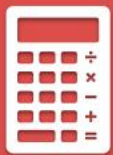
3.0↑

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TOP-4 PRIORITY AREAS, WHERE URGENT ATTENTION OF THE POLICYMAKERS IS NEEDED

ESTONIA



PRODUCTION
COSTS



ENERGY
RESOURCES



AVAILABILITY OF
LABOUR
(‘HANDS’)



TAX SYSTEM

LATVIA



DEFENCE



AVAILABILITY OF
LABOUR
(‘HANDS’)



INVESTMENT
INCENTIVES



EDUCATION AND
REQUALIFICATION

LITHUANIA



DEFENCE



AVAILABILITY OF
LABOUR
(‘HANDS’)



POLITICAL
ENVIRONMENT
STABILITY



TAX SYSTEM

KEY STRENGTHS OF THE INVESTMENT CLIMATE

ESTONIA



LATVIA

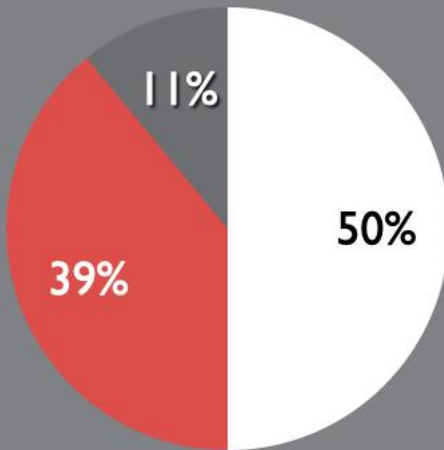


LITHUANIA

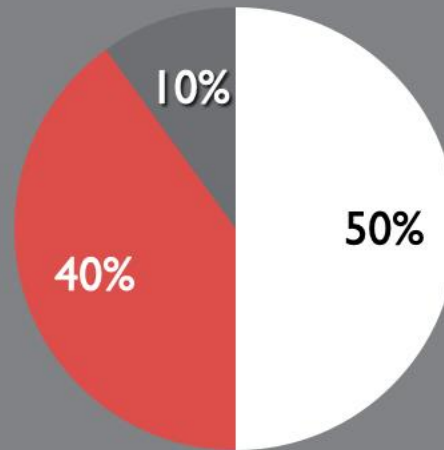


FURTHER INVESTMENT PLANS

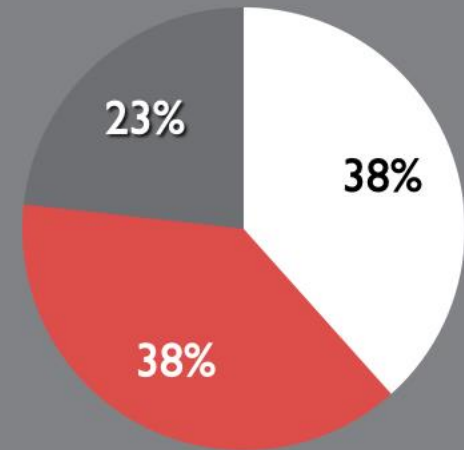
ESTONIA



LATVIA



LITHUANIA



- YES, WE PLAN TO INCREASE INVESTMENT
- NO, WE DO NOT PLAN TO INCREASE INVESTMENT
- NOT SURE

ASSESSMENT OF THE GOVERNMENT SPENDING EFFICIENCY



GOVERNMENT
SPENDING
EFFICIENCY

2.5

ESTONIA

2.4

LATVIA

2.8

LITHUANIA

SCALE 1-5, WHERE '1' - VERY LOW, '2' - LOW, '3' - MODERATE, '4' - HIGH, '5' - VERY HIGH

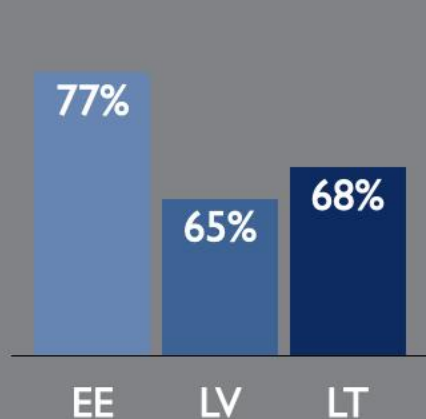
SUGGESTIONS ON HOW TO IMPROVE GOVERNMENT SPENDING EFFICIENCY



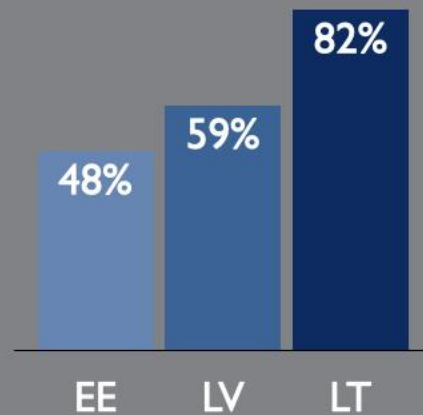
AREAS THAT REQUIRE INCREASED GOVERNMENT SPENDING TO STIMULATE ECONOMIC DEVELOPMENT



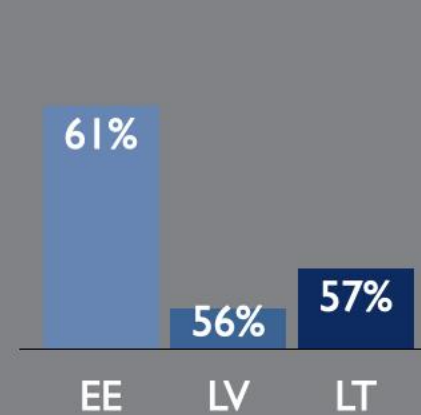
EDUCATION AND HUMAN
CAPITAL DEVELOPMENT



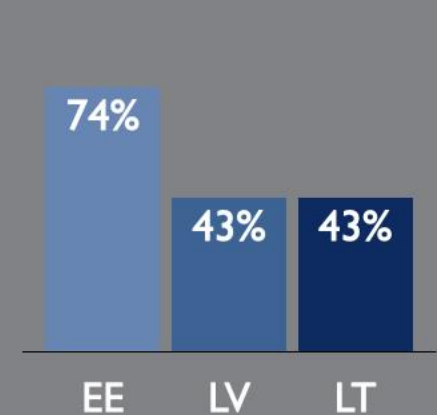
DEFENCE AND NATIONAL
SECURITY



ECONOMIC DEVELOPMENT
& INDUSTRY SUPPORT



RESEARCH &
DEVELOPMENT



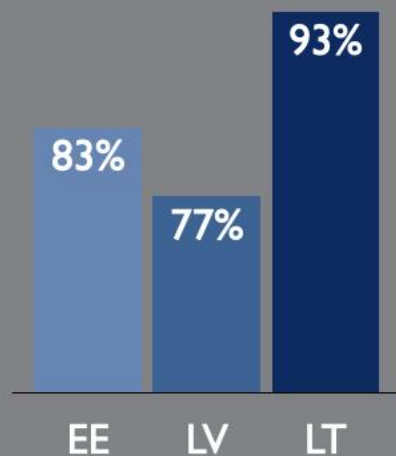
SUGGESTIONS ON HOW TO REDUCE GEOPOLITICAL AND SECURITY CONCERNS



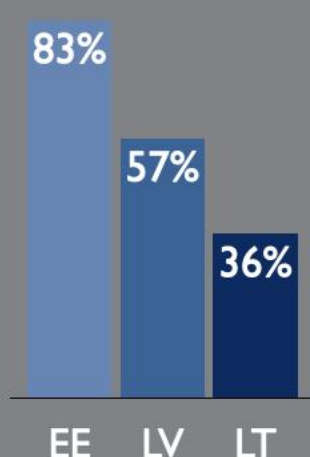
AREAS, WHERE THE THREE BALTIC STATES SHOULD COLLABORATE MORE INTENSIVELY



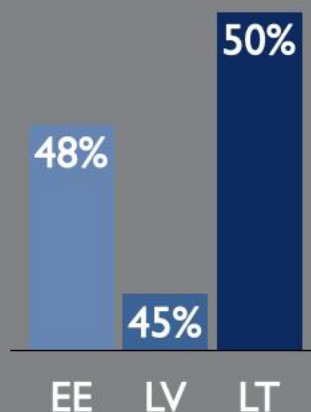
DEFENCE



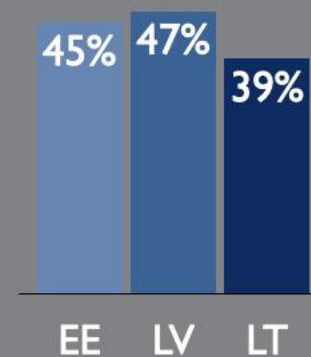
ENERGY AND ENVIRONMENT



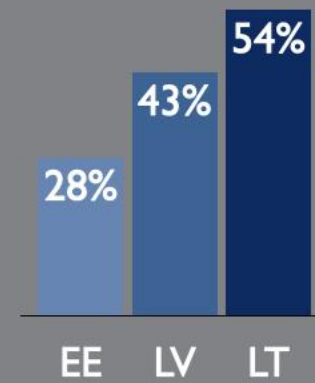
SCIENCE, TECHNOLOGY AND INNOVATION



ECONOMY AND INDUSTRIAL DEVELOPMENT



INFRASTRUCTURE

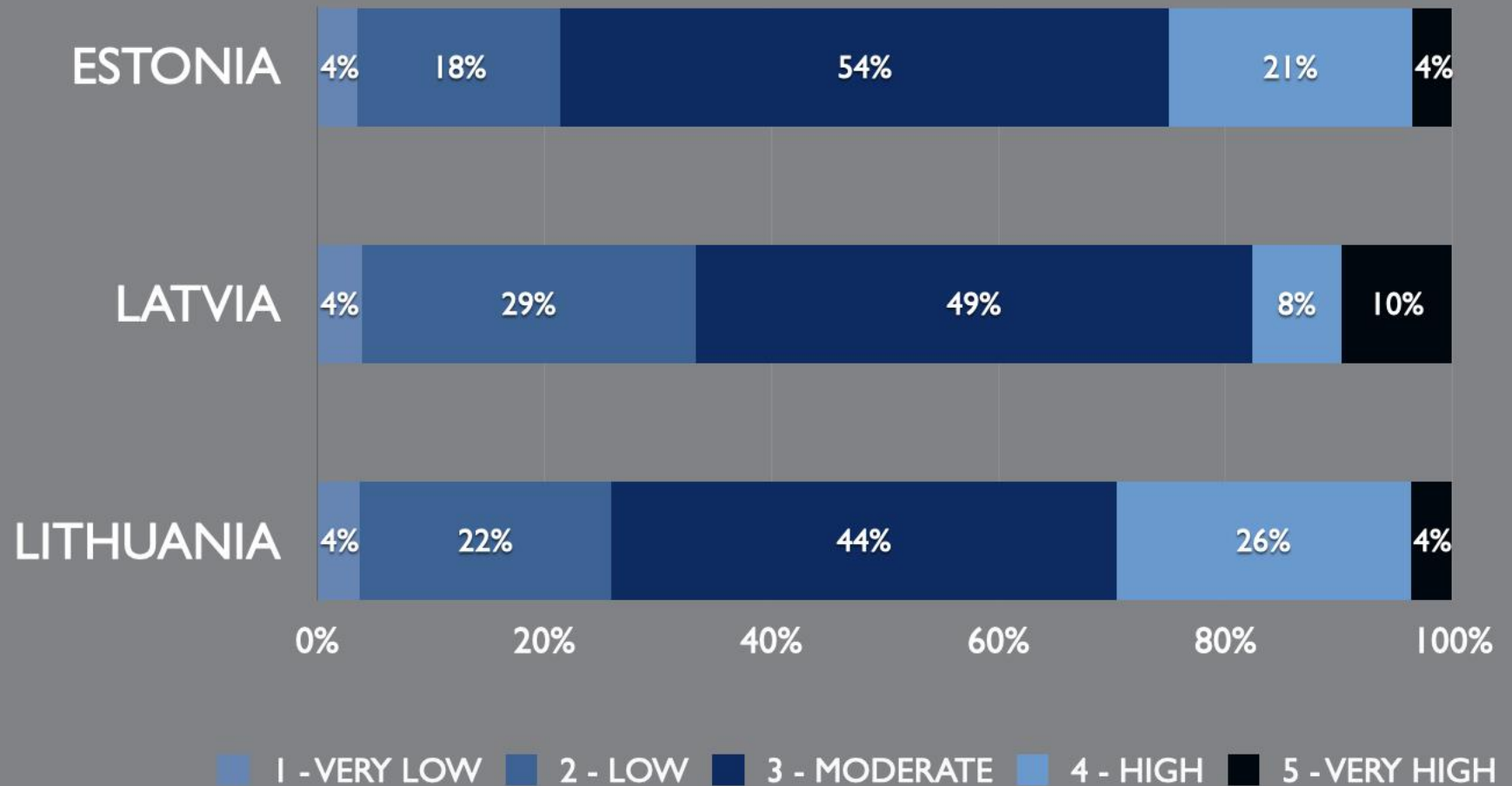


FOREIGN INVESTORS' ASSESSMENT OF THE EU SUPPORT TO THE BALTICS

3.0

2.9

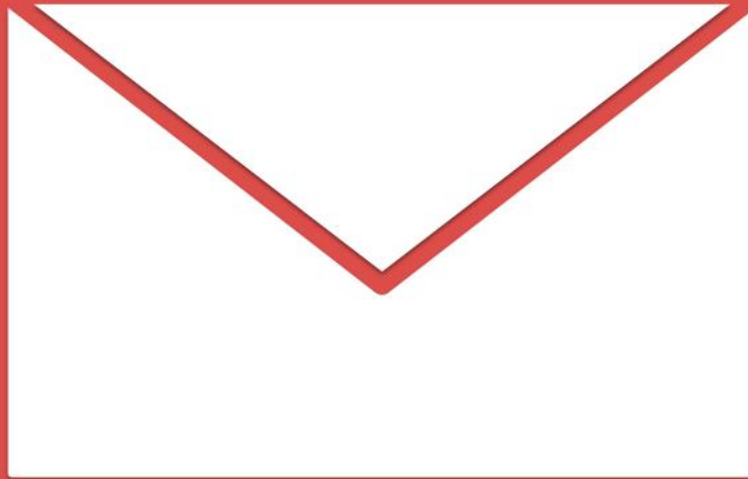
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MOST HELPFUL EU SUPPORT INSTRUMENTS



MESSAGES TO THE POLICYMAKERS



FOREIGN INVESTORS IN ESTONIA: KEY MESSAGES TO THE ESTONIAN PRIME MINISTER



It is necessary to build security confidence, restore favourable energy prices, invest aggressively in innovation including R&D, and radically reduce bureaucracy.



Focus on Estonian competitiveness, do not raise taxes – it is not a solution for boosting the economy. We need to focus on key industries of growth to stimulate the economy.



Please make sure that you coordinate with the business community before implementing new laws/regulations.



Put priority on fighting the inflation



Transparency, clear goals, and a clear motivating message to the Estonian people

FOREIGN INVESTORS IN LATVIA: KEY MESSAGES TO LATVIAN PRIME MINISTER

“

Listen to those who have already invested in your country, they did it once, they will do it again.

“

Latvia needs strategic investments in workforce development, infrastructure, and innovation. Strengthening vocational education, reducing bureaucracy, and implementing competitive tax policies will attract foreign investors and boost local businesses.

“

Sell Latvia to industry investors above all. LIAA should be focusing exclusively on investment attraction. Streamline permitting and fight for every new factory.

“

It is not the time anymore to sit still. Bold and fast decisions are needed in order to ignite Latvia's economic development.

“

Use the opportunity NOW to include Latvia into EU's defence investment plan both to grow the economy and to strengthen defence!

FOREIGN INVESTORS IN LITHUANIA: KEY MESSAGES TO LITHUANIAN PRIME MINISTER



Lithuania needs bold action: invest in talent and education, create a predictable and investment-friendly environment, accelerate infrastructure development (especially rail, ports, and energy), and ensure public sector agility.



Focus on human capital development to attract business and reduce production costs.



We need to focus on solving key challenges (human capital, unpredictable regulations etc.), and the renewables sector should be stimulated.



There is an opportunity for Lithuania to implement a new version of the Government – transparent and collaborative with business – to advance the country for everyone who has decided to live there.



Be careful with introducing changes in the tax system, address human capital challenges

FOREIGN INVESTORS IN ESTONIA: KEY MESSAGES TO THE BALTIC POLICYMAKERS



Collaboration is key, we underutilise its potential. Politicians should think like businessmen – look at mutual interest, cooperate, be strategic and sell their countries well.



Cooperate in ways that will result in synergy for the entire area. Defence, Infrastructure, Energy at least.



More cooperation to shape the common economic space and cut bureaucracy.



Learn from each other and make a Baltic strategy.



Together we are stronger. Let's work together now, during the critical times (we can continue fighting afterwards ;)) — we are in the same boat!

FOREIGN INVESTORS IN LATVIA: KEY MESSAGES TO THE BALTIC POLICYMAKERS



Closer economic cooperation between the Baltic States is essential for regional growth. Streamlining cross-border trade regulations, investing in joint energy and transport projects, and coordinating labour market policies can drive competitiveness. A unified Baltic innovation and technology hub could position the region as a leader in high-tech industries within the EU.



Every single Baltic country is too small to survive independently, co-operation is a must. Let's unite our efforts not only in defence, but in many other economic areas.



We believe that regional collaboration—through shared R&D initiatives, infrastructure development, education of workforce, and investment incentives—will be key to ensuring long-term economic benefits for the Baltic region.



Get united in your priorities. Let's not be competitors, but partners.



Disconnecting from the Russian electrical grid - together - we did it. Let's build upon that and cooperate even closer in defence, infrastructure, and energy sectors.

FOREIGN INVESTORS IN LITHUANIA: KEY MESSAGES TO THE BALTIC POLICYMAKERS



The Baltic States must work together more strategically — harmonizing regulations, building joint infrastructure projects, coordinating energy security policies, and promoting the region globally as a single, attractive business and innovation hub. Collaboration will multiply our opportunities.



Let's put away competition and focus on synergies. We are small — let's stick together.



Invest into research and education to drive value generation.



Only by standing together and developing defense forces, societal resilience and joint infrastructure can we be strong enough to survive.



Let's work together, stop competing, make joint real plans on collaboration that are mutually beneficial.

FOREIGN INVESTORS IN ESTONIA: KEY MESSAGES TO EU POLICYMAKERS



“

More real actions than nice talks.



“

Cheap energy and reasonable cost of capital are essential for our markets to grow, but it may properly work only if our region is considered as a safe place for doing business, from military threat perspective.



“

Less restrictions, more innovative freedom.



“

Focus is needed, prioritize action plans and don't try to find consensus in all topics.



“

Do everything you can to increase the competitiveness of the entire EU market by keeping regulation to minimum and increasing the idea of one market.

FOREIGN INVESTORS IN LATVIA: KEY MESSAGES TO EU POLICYMAKERS



Support and strengthen the role of Latvia and Baltic states in Europe. EU commitment to the Baltics is key to the strength and defence capabilities of Europe.



Latvia can take care of its economic development if helped with geopolitical concerns. Please focus on partnering and helping to make sure it's a safe place to develop.



Focus on innovation, productivity and reduce the red tape.



The EU should provide more tailored support for small and medium-sized enterprises (SMEs) in Latvia, ensuring equitable access to funding for digitalization and green initiatives. Structural funding should focus on reducing energy dependence, improving transport links, and ensuring that regional disparities are minimized.



Only united EU can achieve safety and prosperity!

FOREIGN INVESTORS IN LITHUANIA: KEY MESSAGES TO EU POLICYMAKERS



Wake up! Threat to the Baltics is a threat to the EU. Move faster from words to actions!



Give defence support to the Baltics to ensure security of Europe — transform Baltics into defence hub of Europe.



Focus on what matters and cut away bureaucracy that doesn't bring financial value.



Start using a risk-based approach — take some measured risk developing a better business environment. Do not just focus on minimizing risk.



Targeted investments in cross-border infrastructure, digital connectivity, defence, industrial cooperation and energy independence are needed. EU policies must also be flexible enough to allow for more local solutions.

COMPANIES THAT TOOK PART IN THE STUDY



COMPANIES THAT TOOK PART IN THE STUDY



Foreign Investors' Council in Latvia (FICIL) is a non-governmental organisation that brings together the largest foreign companies in Latvia, the foreign chambers of commerce and the Stockholm School of Economics in Riga.

FICIL actively searches for and proposes solutions to improve and develop the business and investment environment in the country in cooperation with the Government of Latvia.

Full FICIL Sentiment Index report available at

WWW.FICIL.LV

