



## Expand Latvia's potential in the largest market of the world

### The Position paper of the American Chamber of Commerce in Latvia and the Latvian Chamber of Commerce and Industry

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The American Chamber of Commerce in Latvia (AmCham) and the Latvian Chamber of Commerce and Industry (LCCI) applauds the continuous economic growth of Latvia and efforts to increase Foreign Direct Investment (FDI). In order to enhance the economic development and increase US investment, AmCham and LCCI call for establishment of permanent economic representation office of Latvia in the United States of America. We believe such action is a critical component to promoting and expanding Latvian exports to the US, increase the number of Latvian investment in the US, as well as to attract more American investment to Latvia.

We envision the economic representation office offering general information on market opportunities in the US and serving as a platform for connecting businesses and business organizations in Latvia and in the US. We believe that the establishment of such office would expand trade and investment between the two countries.

According to the *Guidelines of the Export of Goods and Services and the Promotion of Foreign Investment for 2013-2019* approved by the Cabinet of Ministers of Latvia, the US is viewed as a high-priority country for attracting FDI for Latvia, yet after the closure of the previous economic representation office in 2008 located in Washington D.C., further progress has not been made.

Latvia's bilateral trade<sup>1</sup> with the US continues to increase growing by 33% in the first half of 2015 compared to the same period in 2014. Both Latvian exports of goods and services to the US have grown steadily by 40% and 20% respectively compared to the past year. However, only 1,3% of all Latvian exports reach the US. The US ranks the 9<sup>th</sup> largest investor in Latvia with over €318M accumulated FDI in share capital of companies this year, while Latvian FDI in the US is only slightly over €1,3M<sup>2</sup>. The main export goods from Latvia to the US were machinery, mechanical and electrical equipment, a variety of industrial supplies, optical devices, textile, wood and food. The main export services were IT

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<sup>1</sup> EUR 314M total of trade between Latvia and the US in 2014. Source: Latvian Investment and Development Agency: [http://eksports.liaa.gov.lv/files/liaa\\_export/dynamic\\_content\\_files/2015.04\\_lv\\_asv\\_ekon\\_sad.pdf](http://eksports.liaa.gov.lv/files/liaa_export/dynamic_content_files/2015.04_lv_asv_ekon_sad.pdf)

<sup>2</sup> Ibid



services, transport and tourism. The majority of the US investment in Latvia lies in the sectors including real estate, manufacturing, tourism, transport and logistics, consulting and financial services.

The American and Caribbean countries are among top five priority markets of LCCI members. The Americas were listed as their priority geographical markets by 10% of all LCCI members. From the Americas, LCCI members are mostly interested in the United States, followed by Canada, Argentina, Brazil and Chile.

Both statistical data and surveys of Latvian companies indicate that there is significant room for improvement of bilateral trade and investment. In sharp contrast, the economic relationship between the EU and the US is the largest and strongest in the world accounting for about half of global GDP. The value of goods and services that cross the Atlantic Ocean amounts to EUR 500Bn a year<sup>3</sup>. If Latvia could reach even 0.5% of this EU-US trade value, its trade with the US would be 11 times larger than it is currently.

Therefore we would like to draw attention to three points that we consider essential for Latvia in order to tap into immense potential of the unparalleled EU-US trade and investment flow:

- **Latvia should be better represented in the US;**
- **The economic representation office should be efficient and bring results;**
- **Outlining the main tasks and responsibilities of the representation office.**

### **Latvia should be better represented in the US**

In our opinion, Latvia should act strategically and proactively to capture the largest economic market in the world, and specifically:

- To encourage Latvian companies to do business in the US and provide assistance in establishing a presence there;
- To increase Latvian investment to the US by measuring the increase of Latvian companies establishing operations in the US;
- To increase trade from Latvia to the US and export capacity of Latvian companies;

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<sup>3</sup> Source: The European Commission, Directorate General for Trade:  
[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113465.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf)



- To provide information about the US market and overall business environment to Latvian entrepreneurs;
- To ensure representation of Latvia in the largest trade shows, exhibitions and business events in the US in order to increase the US investment in Latvia;
- To expand economic relationship between Latvia and the US under the current geopolitical and economic circumstances when Latvian entrepreneurs are increasingly looking to diversify their business activities.

**In order to ensure efficiency and results of the economic representation office the following steps should be considered:**

- 1) Setting strategy, goals and priorities of the economic representation office in consultation with both government and private sectors;
- 2) Selecting and recruiting or outsourcing a leader with strong US experience and network as well as understanding of the US market and Latvia's business needs;
- 3) Identifying the most appropriate site location strategically aligned to Latvia's foreign economic goals and industries of potential collaboration.
- 4) Defining top 3 industries where Latvian business sees its potential in the US both from trade and investment perspective (IT; biotech & pharmaceuticals; food processing).
- 5) Defining top 3 industries of potential investment from the US (financial capital, shared services centers, machinery, food production, transit and transport, commercial services).
- 6) Measuring the results against the strategy and goals achieved.

**The main responsibilities of the economic representation office should include, but not be limited to:**

- 1) Analyzing US market segments and aligning them to the potential of the Latvian market;
- 2) Providing administrative support to Latvian and American businesses;
- 3) Providing access to business critical information;
- 4) Supporting Latvian business on the municipal level in the US;
- 5) Ensuring ongoing economic cooperation with the Embassy of Latvia in the US;
- 6) Engaging with business and non-governmental organizations such as AmCham (Launchpad USA program), other chambers and associations, honorary consulates, Latvian diaspora organizations to ensure targeted networking and information exchange;



- 7) Providing professional business consultations about the business environment and culture in the US as well as essential information on market-entry to accelerate development of Latvian companies;
- 8) Creating and maintaining a database and providing access to business resources;
- 9) Hosting and participating in informative seminars, workshops and international trade shows to obtain expert advice, network and connect.
- 10) Hiring or outsourcing an international trade consultant;
- 11) Assisting Latvian companies to arrange pre-screened appointments with potential partners, distributors or agents.
- 12) Customized market research can be conducted by an independent consultancy in the US, not necessarily by the economic representation office.

In order to strengthen Latvia's economic security, we urge policy makers to establish the permanent economic representation office of Latvia in the US or find alternative ways how to ensure permanent support to Latvian companies exploring business opportunities in the US. The US is a vast and significant market, whose appeal will increase even more once the Transatlantic Trade and Investment Partnership (TTIP) between the EU and US is concluded.

We stand ready to engage in dialogue with the stakeholders, and submit practical recommendations to facilitate the development of the strategy and planning.

#### **About AmCham**

AmCham speaks on behalf of 150 leading U.S. and international companies in Latvia. AmCham is committed to fostering trade, investment, partnership and friendship between the U.S and Latvia and it serves as a business, knowledge, networking and policy forum for its members and partners. AmCham's actions are grounded in four core values: integrity, responsibility, cooperation and excellence. More information: [www.amcham.lv](http://www.amcham.lv).

#### **About the Latvian Chamber of Commerce and Industry**

Latvian Chamber of Commerce and Industry (LCCI) is a voluntary, politically independent organisation uniting micro, small, medium and large-sized companies from all regions and economic sectors of Latvia. Based on the number of its members, LCCI is the largest non-governmental organisation of businessmen, which unites individual companies, industry associations, city business clubs, and other businessmen unions. LCCI represents the interests of entrepreneurs in state and regional institutions, as well as offers services so as to ensure Latvia has excellent companies in an excellent business environment. LCCI works in three areas: business environment, competitiveness of the companies and export. More information: [www.ltrk.lv](http://www.ltrk.lv).

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