



FOREIGN INVESTORS  
COUNCIL IN LATVIA

# FICIL Sentiment Index 2024

## *THE BALTIC STATES EDITION*

**RBS** RIGA BUSINESS SCHOOL  
Riga Technical University



Fore

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English language editor: Betija Pavulāne



## 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, and from infrastructure to innovation. Amid these pressures, the foreign investors who operate in Estonia, Latvia and 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 challenges posed, 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 towards defence and away from other sectors.

While security is clearly essential, it must not come at the expense of other crucial goals. The foreign investors emphasise 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 the urgency for resource reallocation and reformulating of strategic goals, it is essential to maximise the utilisation of available public resources. For years, FICIL has consistently called on the Latvian government to carefully scrutinise 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 one 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

## Executive Summary

Based on the current research data, the overall sentiment of the foreign investors about the investment climate in the Baltic states is positive. Despite differences between Estonia, Latvia and Lithuania, the views of the foreign investors on key challenges and business opportunities reveal surprising similarities between the countries. Besides defence, the human capital challenges occupy the most attention of the foreign investors across the three Baltic states. These challenges are associated with a lack of available talent, an education system that cannot catch up with the realities of the labour market needs, and, to a smaller extent, migration and social integration challenges. In addition, the critical remarks about a lack of a long-term strategy of a country, expanding bureaucracy, slow decision-making (talking instead of doing) by policymakers, a lack of support for R&D and innovation have been mentioned throughout interviews. The specific challenges of foreign investors in Estonia and Lithuania are related to an unstable political environment, especially a changing tax regime, while in Latvia, government spending efficiency seems to be a more painful topic.

Despite these critical remarks, the resilience of the Baltics and the progress of their development is certainly recognised and appreciated; therefore, the list of the Baltic states' strengths or advantages of doing business in the region is also extensive. The foreign investors praise the government of Estonia for stepping on a path towards becoming a digital hub of Europe. Digitalisation, as an enabler of transformation across all industries, seems to bring benefits to the entire economy. The foreign investors pointed out that Latvia also has significant tech talent and potential for joining Estonia in its digitalisation journey, although until now, Latvia has not been sufficiently communicating about its resources and potential in the area of digitalisation. In the view of the foreign investors, throughout the years, Latvia has managed to maintain its long-term comparative advantage, namely competitive labour costs, while also succeeding in developing digital and physical infrastructure, logistics, and connectivity. However, the key strength of Latvia, also compared to the other Baltic states, is rooted in its talent pool. When the foreign investors discussed the key strengths of Lithuania, they pointed out its ambitious and bold business culture, which stimulates innovation and is more risk-prone, and to the effectiveness of business institutions that have been fostering investment attraction and business development.

In the view of the foreign investors, progress in government spending efficiency and bureaucracy reduction is noticeable across all the Baltic states, especially due to the increasing digitalisation of the public sector. Nevertheless, the foreign investors argue that more achievements in these areas would be feasible, and they would further enhance the attractiveness of the Baltics. When discussing solutions to boost government spending efficiency, the foreign investors across Estonia, Latvia, and Lithuania have advocated for more radical ones, such as the restructuring or elimination of government agencies, and for creating systems that ensure the accountability of public sector employees. In this context, clear KPIs, targets and performance-based budgeting were highlighted.

In the view of the foreign investors, stronger collaboration between the Baltic states, especially in the area of defence, energy and infrastructure, is considered highly desirable, strategic and pragmatic, bringing multiple benefits to the three countries. Among the list of arguments in favour of stronger collaboration between the Baltic states are listed – larger political and lobbying power, bigger market development and clearer specialisation of each country, which would point to market opportunities in each of them, the development of sustainable value

chains, greater efficiency and preservation of financial resources for strategic needs, and the implementation of joint EU-funded projects etc. Nevertheless, the competition and comparison between the Baltic states, as well as the mentality of a zero-sum game, paired with the determination to focus on its own identity-building that is unique from neighbours, are the key challenges that could undermine the prospects of more intense collaboration.

To overcome these challenges, the foreign investors assert that the Baltic states must build trust through an open discussion on the strategic interests of each country and develop a grand, joint strategy for the development of the Baltics. Several interviewees suggested that private sector representatives should participate in building such a strategy, as, in essence, their resources and commitment will drive its implementation beyond the mandate of any elected government.

The foreign investors across the three Baltic states feel that the Baltics are living in a new geopolitical reality. It is not solely related to the war in Ukraine, but also to the recent elections in the United States of America, as well as, escalations in Asia and Africa, and the tariff wars that influence worldwide trade. As a result, investors frequently use the terms “the EU must grow up”, and “the national governments should wake up”, which signals a perceived sense of urgency for realising that readjustment to the new geopolitical system is needed, and that the policymakers across all governance levels should take responsibility and action for ensuring defence and security without an overreliance on external partners.

In light of the geopolitical challenges, the foreign investors call for the development of new regional partnerships between the Baltic states, but also possibly incorporating Nordic/Scandinavian countries, or a specific neighbouring country, such as Finland or Poland. If successful, the Baltics could present new viable models of regional economic-political partnerships to the world.

The foreign investors, generally, are grateful to the EU for the provided support but admit that it has not been sufficient for the Baltic states in a new geopolitical reality. Higher and targeted support for the Baltics is considered justifiable, as the countries represent the most vulnerable part of the EU while being a fortress and a defence zone of the Union. To summarise their sentiment – Europe is as strong as the countries that border Russia. Given the fact that the perception of safety, security or a feeling of confidence in investment opportunities is associated with a human factor, the foreign investors highly value clear communication from the policymakers and the reassurance of government support.

When the foreign investors were asked whether the geopolitical risks in the Baltics affected investment decisions in their companies, they pointed out the difference between current and potential investors. Current investors have adapted to the situation, witnessed the remarkable resilience of the Baltics throughout the years, and therefore seem optimistic about the future. In addition, some investors even argue that the current geopolitical situation provides many new business opportunities.

The central message of the foreign investors that operate in the Baltics is clear – it is time to think and act beyond borders, to break barriers and form new partnerships, and to be flexible and agile. The challenges may bring many new opportunities if they are actively pursued!

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## Introduction and methodology

Launched in 2015 by the Foreign Investors' Council in Latvia (FICIL), in cooperation with the Stockholm School of Economics in Riga (SSE Riga), the Sentiment Index serves as a platform to capture and reflect the views of long-term foreign investors. The Sentiment Index aims to foster evidence-based policy decisions and promote a favourable investment climate by summarising the key concerns and suggestions of the foreign investors, specifically companies that have chosen to invest and operate in the Baltic states.

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. This broader scope aims to provide a more holistic overview of the investment climate in the region, explore the potential of addressing joint challenges, and enable cross-country comparisons, based on direct insights of the foreign investors active across the Baltic market. This pan-Baltic research effort was made possible through collaboration with the Foreign Investors Council in Estonia (FICE), Investors' Forum in Lithuania, as well as, with the support of the three investment agencies in the Baltic states – Investment and Development Agency of Latvia, Invest Lithuania, and Invest in Estonia. The methodological and data analysis support has been provided by FICIL's long-term academic partners – Stockholm School of Economics in Riga (SSE Riga), specifically by Prof. Arnis Sauka, and Riga Business School (RBS) – by Dr Claudio Andres Rivera.

The expansion of the study reflects the important role that the foreign investors play in the economies of the Baltic states. To illustrate, in Latvia, foreign investment accounts for 45% of all taxes paid and more than 40% of total company turnover. In Lithuania, based on 2022 data, the proportion of turnover of foreign-controlled enterprises reaches 30.2%, while the proportion of persons employed in foreign-controlled enterprises – 16.1%. In addition, the foreign investors help to improve productivity, introduce innovations and support infrastructure development. In view of this, it is essential to understand how foreign investors view the business environment and what challenges they face.

The 2024 Sentiment Index research had a mixed-method approach, consisting of a survey and in-depth interviews, conducted with the top-level managers of the foreign-owned companies operating in one Baltic state or across the entire region. To ensure that the research collects views of the foreign investors that have made a significant contribution to the economies of the Baltic states, the eligibility criteria have been applied. Participating companies were required to confirm that foreign capital represents at least 50% of total investment in a Baltic state and indicate that their annual turnover exceeds EUR 145,000. These criteria were applied uniformly across Estonia, Latvia and Lithuania to ensure a consistent methodological approach.

In total, 118 companies participated in the study, namely 58 companies from Latvia, 32 from Estonia, and 28 from Lithuania. The full list of companies that participated in the research, as well as a short description of their business activities, are provided in Appendix 1. These companies represent a diverse range of industries and most of them operate across several Baltic states, which enabled a more precise comparative analysis. In addition to completing the survey, participants were invited to take part in follow-up interviews to provide deeper context and qualitative insights. Altogether, 10 foreign investors from Latvia, 5 from Estonia, and 2 from Lithuania participated in in-depth interviews, offering reflections on key survey findings and elaborating on their experience of doing business in the respective countries. Given the larger number of research participants from Latvia, the current research presents more quotes

about the investment climate in Latvia, although it maintains a balance in terms of insights regarding the investment climate across all three Baltic states.

Besides the original findings collected through surveys and interviews, the current report also draws on data from independent, non-governmental organisations that represent and collaborate with the foreign investor communities in the Baltic states. This additional data is particularly relevant when analysing trends in investor sentiment over time. In Estonia, the report incorporates insights from the *FICE Executive Survey*, conducted by the Foreign Investors' Council in Estonia (FICE). In Lithuania, we reference the *Investors' Confidence Index for Lithuania (ICIL)*, published quarterly by the Investors' Forum. These external sources complement the primary data, collected by FICIL, and contribute to a more comprehensive examination of the foreign investor sentiment across the Baltic region.

The current report includes selected quotes that illustrate the views and experiences of foreign investors across the Baltic states. These quotes have been gathered from both the survey responses and the in-depth interviews conducted during the research process. To maintain confidentiality, all quotes are anonymised and only attributed to the sector in which the company operates. No company names or identifiable information are included. To help readers distinguish between perspectives from different countries, quotes are visually marked with colour-coded boxes: blue for Estonia, red for Latvia, and yellow for Lithuania. These excerpts appear throughout the report to provide additional context, highlight recurring themes, and give a voice to the individual experiences of foreign investors. Survey and interview guidelines can be found in Appendix 2.



## Chapter 1: Foreign investment climate in the Baltic states

The current chapter provides an analysis of the investment climate in the Baltic states, based on the views of the foreign investors. Section 1.1 presents a generic quantitative assessment of the investment climate in the three Baltic states, as well as the reflections of the foreign investors on the country images, cultural and other differences between Estonia, Latvia and Lithuania. Section 1.2 delves into the challenges and areas that require the attention of policymakers to improve the investment climate in the Baltic states. Section 1.3 provides suggestions from the foreign investors to address the identified challenges, while section 1.4 presents key advantages for investing in the Baltics. The final section within this chapter (section 1.5) highlights the investment plans of the foreign investors in the Baltics.

### 1.1. Assessment of the investment climate in the Baltic states and general perceptions

The sentiment of the foreign investors about the investment climate across the three Baltic states has been collected and analysed throughout the years by different organisations. As noted earlier, in the current research, we are presenting data, collected by independent, non-government organisations that represent and/or collaborate with the foreign investor communities in the Baltic states. The data, presented in Table 1, reflects relative stability in the investor sentiment across the three Baltic States from 2019–2023 with some fluctuations. In Lithuania, the foreign investors' sentiment has slightly declined since 2019, yet improved in 2022. In Latvia and Lithuania, the foreign investors have been most satisfied with the investment climate in 2021, while a gradual decline has been observed since then.

**Table 1: Foreign investor assessment of the investment climate in the Baltic states (2019–2023).**

Year	Estonia (Overall Satisfaction with the Business Climate %) <sup>1</sup>	Latvia (FICIL 1–5, where 5 is the most positive assessment) <sup>2</sup>	Lithuania (ICIL 0–2, where 2 is the most positive expectation) <sup>3</sup>
2019	Satisfied 60.82 %	2.6/5	1.14/2
2020	No data	2.7/5	1.02/2
2021	Satisfied 45 %	2.9/5	1.17/2
2022	Satisfied 54.10 %	2.3/5	1.07/2
2023	No data	1.9/5	1.04/2

This year, the foreign investors have been asked to assess the current investment attractiveness of the Baltic state in which they operate. The assessment was conducted on a 5-point scale, where '1' means that the investment attractiveness is very low, '2' – low, '3' implies that it is moderate, '4' means high, and '5' is considered very high investment attractiveness. In the view of the foreign investors, the current investment attractiveness of the Baltic states is estimated at **3 (moderate)** – the distribution of responses and the mean and median values are displayed below. In comparison to the previous year, the current assessment of the investment climate in Latvia and Lithuania is significantly higher, while in Estonia it is at the same level.

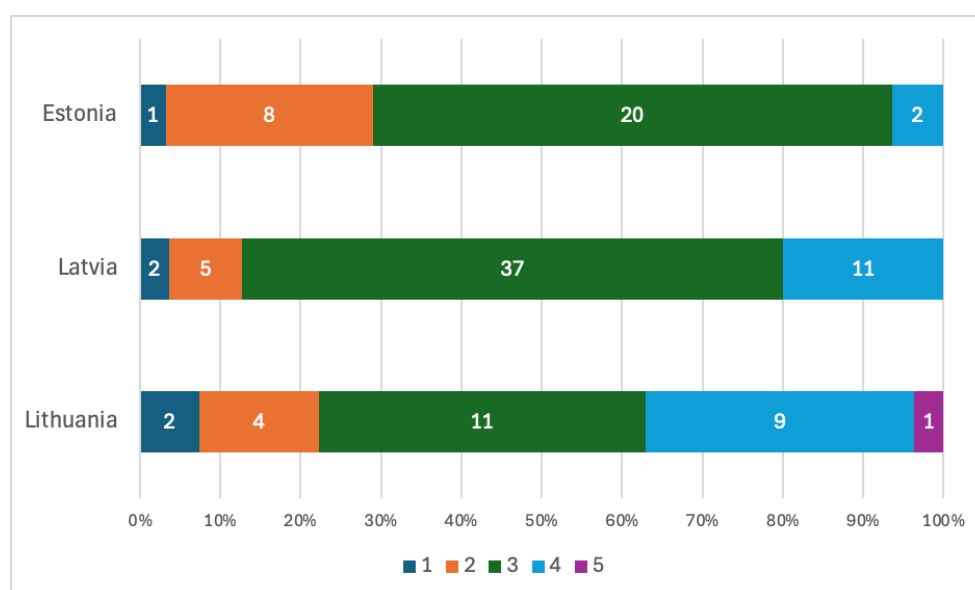
<sup>1</sup> FICE. How satisfied are you with the overall business climate in Estonia?

<sup>2</sup> FICIL. Sentiment Index

<sup>3</sup> Investors Forum. The Investors' Confidence Index for Lithuania (ICIL)

**Figure 1: Overall, from the perspective of your company, what is the current investment attractiveness of Latvia/Lithuania/Estonia?**

*Scale 1–5, where ‘1’ means very low investment attractiveness and ‘5’ means very high investment attractiveness from your company’s perspective.*



	Estonia	Latvia	Lithuania
Median	3.0	3.0	3.0
Mean	2.7	3.0	3.1

When the foreign investors were asked to provide a general comment about the investment climate in the Baltic state(s) where they currently operate, the overall sentiment was positive. Moreover, given the fact that many interviewed company managers have experience working across the three Baltic states, they gladly provided a comparative analysis, pointing to differences in country images, unique strengths and cultural differences.

While speaking about the Baltics in general, the foreign investors highlighted that Latvia, Lithuania and Estonia have strong potential and a solid foundation, which makes these countries resilient, despite geopolitical challenges and vulnerabilities that are characteristic of small economies. All three countries share similar levels of technological advancement, offer relatively business-friendly tax systems, a good quality of life, supported by state-funded education and healthcare, and face a common challenge: the availability of skilled labour. Talent is considered a central driver of business decisions and the determinant of the location where the foreign investors choose to do business.

In the view of the foreign investors, **Estonia**’s success has been attributed to more strategic planning and a strong reputation as a digital leader, not just through technological development but also through effective branding and long-term planning. The Estonian culture has been characterised as a culture of compromise, which helps to make decisions and foster collaboration. While Estonia is currently facing an economic slowdown, it continues to benefit from the strong foundation built over the past decades.

The most frequent comment regarding the investment climate of **Latvia** was about the great untapped potential of the country and its solid foundation for business: good infrastructure, a

strong pool of engineers and tech talent, and a democratic environment that allows open public discourse. However, many investors admit that the country suffers from negative self-perception and self-criticism, which is being spread through the media, exaggerating the severity of the challenges that the country faces. In light of this, many interviewees encouraged being more objective and vocal about Latvia's achievements. In addition, the foreign investors suggested a shift in mindset – from dwelling on the past (historical challenges and difficulties) towards embracing and building a desirable vision of the future. Lastly, the foreign investors noted that political indecisiveness and a lack of strategic focus, at times, lead to prolonged debates and missed opportunities.

The entrepreneurial drive and more risk-tolerant approach in **Lithuania** in contrast to other Baltic states, characterises the local culture. Entrepreneurs are quicker to act and experiment, fuelling the private sector. The country's economy has grown in recent years, driven by export diversification and rising consumer confidence – though this optimism is beginning to slow, in the view of the interviewees. Lithuania is also making strides in innovation, but progress is hampered by insufficient support for universities and early-stage entrepreneurs. Talent shortages, to some extent, are being addressed through migration, although integrating newcomers, especially from Russia and Belarus, remains complex due to political sensitivity.

#### ***Quotes of respondents/interviewees from Estonia***

***Administrative and support service activities*** – I can't stress enough how important foreign investment is for a small country like Estonia. It's not just about boosting the economy overall – it also plays a key role in supporting the growth of small local businesses.

***Agriculture, forestry and fishing*** – Estonia is quite uniform in its governance – goal-oriented and focused. When it comes to regional cooperation, Estonian colleagues are often more willing to compromise and find common solutions, which makes collaboration smoother. I think Estonian culture is more compromise-oriented, which helps to make decisions and move on.

***Agriculture, forestry and fishing*** – In terms of actual technological development and capabilities offered by the Baltic countries, there isn't a significant difference – they are more or less on a similar level in this regard. Estonia manages to market itself better as a digital country, but actually, Latvia has many technologically advanced companies, tech innovations and tech talent.

***Agriculture, forestry and fishing*** – Our government is more envious of Lithuania now, as they currently have better economic growth. So, we try to understand what they do better. Over the years, we have been looking at Finland – we are trying to find our way now. There was a moment when we thought we did it all – Estonia succeeded, and then the government relaxed, and we have a crisis now. Currently, efficiency is decreasing while salaries are growing.

***Manufacturing*** – Taxes are quite low across the Baltics. The government provides free health and education – in other countries, it comes at a higher cost. We must be efficient, grateful and not complain so much, as we get too pessimistic for no good reason. Sometimes, I think that people in the Baltics should travel abroad more to understand how lucky they are. When people from Scandinavia come here, they appreciate the good quality of the health system, the good food, the architecture and the culture generally.

#### ***Quotes of respondents/interviewees from Latvia***

***Manufacturing*** – Latvia is a fantastic country with enormous potential. But to fully realise this potential, we need to focus on deeper cooperation with our neighbours and commit to long-term development and modernisation.

**Real estate activities** – Latvia is a beautiful country with many smart people, with good infrastructure, and with solid institutions. This is a real democracy with stable economic growth. We should stop undermining our own success by saying derogatory things about Latvia.

**Real estate activities** – Latvia does not manage to sell itself well as a country for investment to attract companies. Lithuanians and Estonians do it much better. This should not be delegated to LIAA only, as the government should make a strategic defence industry development plan and sell it to the world.

**Manufacturing** – Putting all aspects into perspective, we see progress in Latvia in terms of digitalisation and government sector efficiency. So, things are not bad, they could just be better.

### **Quotes of respondents/interviewees from Lithuania**

**Information and communication** – The general challenge of companies across the world is talent availability – businesses will move to countries where there is talent. There are circular relationships between business and talent. Latvia, in my view, has a slightly stronger talent pool, especially in terms of engineers – and this is rooted in historical context and the way industry has developed here. Lithuania, while also competitive, faces more challenges when it comes to human capital and talent availability. Lithuania tries to close labour and talent gaps through migration – it works, with the exception of the integration of nationals from Belarus and Russia.

**Arts, entertainment and recreation** – The innovation environment is improving in Lithuania; we have been paying attention to innovation, but I think greater support is needed for universities (more funding). Innovators/entrepreneurs are looking for support from universities, but it is lacking – there are good business ideas, but people cannot get funding and other support.

**Arts, entertainment and recreation** – Latvia has many smart, professional people. This is the country's strength. But I think Latvia's key problem is that the country is constantly looking back – to the past, instead of looking to the future. The country is overly focused on challenges that the past has brought, and it takes up too much attention and slows down progress. Latvian politicians should definitely think about the country's future, directing the attention of people towards solutions instead of problems, to build the Latvia that they want to see.

**Arts, entertainment and recreation** – In recent years, the Lithuanian economy has been growing much faster than expected. The diversity of companies and export routes are key success factors, in my view. Previously, we worked with Germany and with the Scandinavian countries – we focused too much on one country. But now, the country has diversified its exports to different countries, which has helped to alleviate trade sensitivity and dependence. In addition, consumer sentiment in Lithuania has improved – people have higher income expectations and, as a result, the domestic market has expanded. This is also reflected in the prices of real estate – they have been growing, which points to increasing consumption and optimism among the population. Right now, I think that consumer optimism is slowing down. I see it, based on the demand in retail shops and by talking to both entrepreneurs and people in Lithuania.

**Arts, entertainment and recreation** – The Lithuanian business culture is very active – we take an idea and run with it. With this quick running and doing, we hit the wall sometimes, but then we get up and run in the other direction. We are action-oriented and this definitely helps drive the private sector. Estonians always think things through – they have more strategic, long-term planning, and they communicate their economic strategy much better, so it opens opportunities for investors. This is their strength. Digitalisation is definitely a good direction chosen by the government. Now, Estonia is struggling a little, despite the fact that it has been ahead of the other Baltic states for several years. I hope the Estonian economy will get back on track soon.

**Information and communication** – There is an interesting cultural phenomenon in the Baltics – people who deserve fair praise do not get it, while people who do not do anything are being rewarded. This is particularly relevant for the public sector – public servants who do good work are not known to the public. This needs to change to cultivate not only efficiency but also initiative, leadership and innovation.

## 1.2. Key challenges of the foreign investors in the Baltic states

Over the years, the foreign investors in the Baltic states have been pointing to the labour availability challenges, quality of education/training, inefficiencies of the public sector and bureaucratic constraints, challenges in the tax systems/regulations, and uncertainty, due to a lack of long-term development strategies. The current and anticipated human capital challenges have been occupying the most attention of the foreign investors. The above-listed challenges are considered barriers or constraining factors that limit the economic potential of the three Baltic states.

**Table 2: Key Challenges per Country (2019–2023).**

Year	Lithuania <sup>4</sup>	Latvia <sup>5</sup>	Estonia <sup>6</sup>
2019	Education Talent Migration Efficiency of public sector	Demographics Quality of education & science Availability of labour	Access to skilled labour Legal and regulatory system Tax regulations
2020	Education Efficiency of public sector Talent migration	Demographics Uncertainty Tax system	No data
2021	Education Efficiency of public sector Talent migration	Demography Access to labour Uncertainty	Access to skilled labour Legal and regulatory system Tax regulation
2022	Education Efficiency of public sector Talent migration	Demography Access to labour Level of education and science	Access to skilled labour Labour regulations Bureaucratic constraints
2023	No data	Geopolitics Domestic market size Availability of local skilled labour	Increasing labour costs Access to skilled labour Rising inflation

According to the current research, there are two key areas that require the urgent attention of policymakers, namely **defence** and **availability of labour** ('hands' rather than 'management level'). Once again, human capital availability is a common challenge across the three Baltic states. The foreign investors in Latvia are especially concerned about this, as the top-4 priority areas also include education and requalification, pointing to a need for systemic changes.

Due to geopolitical challenges, defence has appeared as a key challenge. It is interesting to note that the foreign investors that operate in Estonia are less concerned about defence, as it occupies seventh place on the list of areas that require attention. For investors in Estonia, the main challenge seems to be production costs, which, based on the interviewee data, is also related to a shortage of labour, which drives salary growth.

Both Lithuania and Estonia are concerned with changes to the tax system, while in Lithuania, the foreign investors point to the instability of the political environment. These countries have been introducing changes to their tax systems recently, which have not been appreciated by the foreign investors.

<sup>4</sup> Investors Forum. Areas on which the state [government] should focus the most?

<sup>5</sup> FICIL. Top Three Challenges of the Latvian investment climate

<sup>6</sup> FICE. Which factors have you considered the most challenging for doing business in Estonia?



**Table 3: Top-4 priority areas, where the urgent attention of policymakers is needed.**

<b>Estonia</b>		<b>Latvia</b>		<b>Lithuania</b>	
Production costs	34%	Defence	31%	Defence	54%
Energy resources	34%	Availability of labour ('hands')	28%	Availability of labour ('hands')	32%
Availability of labour ('hands')	28%	Investment incentives (e.g., business support policies)	28%	Stability of the political environment	32%
Tax system	25%	Education and requalification	26%	Tax system	29%

A deeper reflection on key identified challenges by the foreign investors across the Baltic states is provided below.

When speaking about **defence**, the foreign investors across the three Baltic states point to the urgency of action, as, in their view, the national and European leaders should have been making decisions faster and communicating more openly and boldly about the defence strategies. This would boost investor confidence and give reassurance that policymakers have an appropriate response to the situation. Below are some quotes from the three Baltic states, although the topic of defence and geopolitics will be explored in more detail in Chapter 3.

***Quotes of respondents/interviewees from Estonia***

***Manufacturing*** – Neighbouring countries in the East present a real challenge to Estonia's development. At the moment, we have moved our production lines to Finland, mainly due to the high costs in Estonia. That said, Estonia still offers some advantages — for example, the income tax is 0%.

***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam, and air conditioning supply*** – Defence is a key topic – we are moving too slowly. We have to take the initiative instead of waiting for somebody to come and fix our problems. There is also a lack of information on what is happening in the defence sector and what preparations are being made.

***Quotes of respondents/interviewees from Lithuania***

***Arts, entertainment and recreation*** – Defence overall is very important, and we have been very slow in giving attention to this area. There is too much uncertainty and a lot of words from politicians, but not a lot of action. Lithuania is not ready for an offence; we are lacking speed with investments in the defence area.

During the interviews, the largest number of comments were made about **human capital availability, education and migration policies**. While it is recognised that declining demographic indicators are not only a problem of the Baltics but rather a phenomenon of the developed world, the foreign investors are deeply concerned about the population dynamics in the region, as it prevents the creation of long-term investment plans and limits current business ambitions. In response to this challenge, respondents reflected on the current migration policies in Estonia, Latvia and Lithuania, pointing to their restrictive nature and integration challenges due to socio-political factors and the quality of education. In the view of the foreign investors, the current education system is too rigid to adjust to the needs of the labour market.

### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – Since the war in Ukraine, we have had an influx of Ukrainian refugees that increased our labour force, but now the refugees are gradually leaving. As a result, wages are rising.

***Professional, scientific and technical activities*** – Please address human capital challenges – the education and training system should be improved. We need more people in the country – change the migration policy.

***Manufacturing*** – Human capital is a key challenge that halts the economy. In Estonia, there has been a lack of workforce, especially engineers and other specialists from vocational schools. When we get graduates, we have to train them a lot.

***Manufacturing*** – Estonia has been too strict on migration policy – there is a limited quota on the number of people admitted. And there are minimum salary restrictions. As a result, companies struggle to find experts and salaries are growing due to the high labour demand, which increases labour market mismatches, as people choose jobs where they get paid more rather than where they have talents and skills.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Two areas need great attention: Fighting inflation by all means; The education system must be structured in a way to ensure that there are skilled people in the labour market to cover all the different business areas and job categories.

### ***Quotes of respondents/interviewees from Latvia***

***Manufacturing*** – Demographics remain a major challenge in Latvia – but to be fair, it is a key problem throughout Europe; therefore, talent is the gold that everyone is looking for.

***Administrative and support service activities*** – Our primary focus is on people and talent development. For us, human capital is at the core of everything we do. From our perspective, Latvia's current education system is not aligned with the needs of modern businesses, especially those operating in an international context. Integration within society should be included in this discussion, as politicians in Latvia should stop polarising society.

***Manufacturing*** – Workforce availability is a key factor for us. While we are generally able to attract employees, we do face challenges with the educational level and qualifications of the local workforce. In our view, there is insufficient support from the education system, particularly in aligning vocational and technical education with the real needs of employers. Improving the quality and relevance of education could significantly boost Latvia's competitiveness in this regard.

***Real estate activities*** – The demographic question is becoming more and more important, and it is hard to convince the board of our company to develop a long-term investment strategy. The negative impact of migration is quite exaggerated. Of course, some migrants cause problems, but generally, they are a great resource for any economy. What we should focus on instead is how Latvia should be an attractive destination for highly skilled migrants – we need smart emigration that contributes to society. I know it is a very sensitive topic, as it is politically complicated, but Latvia should sell itself as an attractive destination. The salaries in Latvia are becoming better, therefore, smart people could come here.

***Transportation and storage*** – Regarding the labour issues, we are solving this issue by recruiting a foreign workforce. The education sector in Latvia is facing challenges because you can't requalify a

*teacher to an engineer, and any systemic changes take a long time. IT education programmes should be available across all levels of education, given the digitalisation of the economy.*

#### ***Quotes of respondents/interviewees from Lithuania***

***Information and communication*** – There are some great specialists coming to the Baltics from other countries (especially Russia and Belarus), but due to political reasons, there is some kind of unreasonable “persecution”, which creates a negative reputation for the entire Baltic region and reduces the pool of qualified labour force.

***Arts, entertainment and recreation*** – Successful collaboration between universities and businesses requires long-term relationships. Universities and schools in Lithuania still develop professions that we needed 10 years ago – the curriculum is outdated and the educational approach is not suitable for the needs of the labour market in Lithuania. We should use more AI in education – it is definitely affecting productivity and the future of work.

While reflecting on the key challenges of the Baltics, the respondents from the three countries pointed to the critical success/failure factor – a **long-term development strategy**. In view of the foreign investors, a long-term strategy is absolutely critical for the development of any country, as, in essence, it is a national business plan and a vision of the future. Without a clear direction for development, sectoral policies cannot be well-aligned and the country cannot formulate an internationally recognised image and attract foreign investment, as current and future business opportunities are not defined. The foreign investors across the three Baltic states identified a lack of a long-term development strategy as a pressing challenge, although respondents from Estonia were, generally, pleased with the digitalisation agenda that the Estonian government has chosen, while respondents from Latvia and Lithuania expressed strong discontent about a lack of a clear strategy.

#### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – The Estonian government is constantly changing the direction of economic development. One year it is one set of priorities for development, the next year it is something else. It only creates bureaucracy and confusion in the private sector.

***Administrative and support service activities*** – It sometimes feels like government bodies aren’t fully recognising the importance of long-term economic development. The pace of policy changes makes it difficult for industries to adapt.

#### ***Quotes of respondents/interviewees from Latvia***

***Transportation and storage*** – Key problem – we don’t have a long-term strategy. We have not created a clear and simple story on who we are as a country in economic terms – what are we good at? This is a pity as Latvia loses opportunities. Plus, there is a lack of high-level management for large complex projects. As a result, Latvia falls behind.

***Transportation and storage*** – There are a lot of industries that could use a boost in financing and improvements, but it’s a question of priorities – what comes after defence spending allocation? It is not clear from the government’s statements what the actual priorities are.

#### ***Quotes of respondents/interviewees from Lithuania***

***Information and communication*** – One of the things that hinders economic development in Lithuania is the lack of a clear long-term strategy. Policies are changing too often, creating

*unpredictability for business. In addition, there is a gap between the promises of politicians and their actions. This is very frustrating.*

**Arts, entertainment and recreation** – Governments in Lithuania do not have long-term strategies or such is not communicated clearly. We are more in a situation where governments come for 4 years and have short-term goals. There are some longer-term strategies in defence and sustainability, but overall, I am not sure where our focus is in terms of industries and sectors.

The availability of **energy resources and infrastructure** has been identified as an important challenge in the Baltics. The respondents from Estonia and Lithuania have been more vocal about this. They pointed to the importance of energy independence and a lack of infrastructure outside cities that prevents regional development.

#### ***Quotes of respondents/interviewees from Estonia***

**Agriculture, forestry and fishing** – We have a lack of labour and infrastructure that is not up to date, especially in the area of green energy. Our political environment is changing, and we have a weak government at the moment. There are 2% more taxes that companies need to pay. This does not make anyone happy.

**Administrative and support service activities** – When it comes to barriers, one of the key issues is the cost of energy. While energy prices in Estonia are generally in line with the European average, the picture changes when we compare them to neighbouring countries like Finland and Sweden — then Estonia starts to look less competitive.

**Agriculture, forestry and fishing** – Estonia could become energy independent. However, the green transition is on hold because of environmental and animal concerns – local communities need to grant permission and they are not well-informed enough to make good decisions. Generally, there is a lot of confusion about the green transition. People understand and want to protect the environment, but new green regulations are making life really difficult.

#### ***Quotes of respondents/interviewees from Lithuania***

**Arts, entertainment and recreation** – We don't have a proper infrastructure in some areas, especially in the regions. This is where investment is needed, as more investors would come to the regions if there were good infrastructure. Energy independence is important, but we are lagging behind. Recently, a few companies came to Lithuania planning to make big investments, but the government could not provide energy capacity in areas where they wanted to locate their business. It is sad to know that opportunities are being lost.

The concerns about the **stability of the political environment and the quality of the tax, legal and regulatory systems** have been expressed more strongly by respondents from Estonia and Lithuania. However, the bureaucratic challenges have been a recurring theme across most interviews with the foreign investors that operate in the Baltics. A deeper analysis of the government spending efficiency and bureaucratic challenges is presented in Chapter 2.

#### ***Quotes of respondents/interviewees from Estonia***

**Agriculture, forestry and fishing** – The legal system plays a big role. Investors in Estonia look for clarity, predictability and fairness, and any weakness in the judicial environment can be a serious deterrent. We do not like the current political instability and uncertainty.

**Professional, scientific and technical activities** – Please lower taxes to increase the competitiveness of the Estonian economy and reduce the administrative burden.

**Administrative and support service activities** – Employer's costs are too high – something should be done to address this matter.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Electricity prices are too high (3 times more than in Finland). Food VAT is too high and eats away at customers' buying power.

**Manufacturing** – Taxation. Estonia has been a success story and a lot of companies have invested in the country. One succession enabler has been the taxation that helps companies to invest money back into the system. Now, there are a lot of questions about what the future of taxation will be, and if it is not clear, companies are less keen to invest.

**Professional, scientific and technical activities** – Simplify/don't overcomplicate the regulatory environment. Stop changing the tax environment. Cut the governmental cost.

An important topic for the foreign investors is the development of **state-owned companies**. **Public procurement** and **fair market competition** have been recognised as a challenge in Latvia. Several respondents pointed to the need for innovation of the state-owned companies to capitalise on their potential while preserving fair market competition. The complexity of innovation in such companies is associated with the acceptance of risk and experimentation that is contrary to the existing orientation towards risk-aversion, as regards public resource utilisation. In addition, concerns were raised about the favouritism of the state-owned companies, fairness and transparency of the public procurement processes and the development of government strategies that might be designed in support of the development of specific state-owned companies.

#### ***Quotes of respondents/interviewees from Estonia***

**Agriculture, forestry and fishing** – Regarding competition with the state-owned enterprises, Latvia has issues – particularly with entities such as Latvijas Valsts Meži dominating the forestry sector. In Estonia, similar organisations are more relaxed in their operations, and the market seems more open and transparent. The Estonian approach in the forest industry appears more successful because it is clearer, multilingual and more accessible to outsiders.

#### ***Quotes of respondents/interviewees from Latvia***

**Information and communication** – We had a discussion with the state-owned companies about innovation – they have funds to invest in R&D, but they cannot invest in failure as it cannot be justified. The state-owned companies must also innovate and be allowed to fail in some respects, as it is a norm in the business world.

**Real estate activities** – The state still holds shares in the state-owned companies, but they would be managed better if their shares could be sold on the market, and it would lead to higher revenues and develop the capital market.



### 1.3. Suggestions of the foreign investors to address challenges

Following the survey question on key areas where the urgent attention of the policymakers is needed, the respondents were asked to provide suggestions on what should be done to improve each selected area.

The key recommendations in five areas, identified as those in need of attention, are presented below:

- Defence
- Human capital availability, education and migration
- Energy and infrastructure
- Regulatory and tax systems
- State-owned companies and fair market competition

Suggestions related to government spending efficiency and the reduction of bureaucracy will be discussed in chapter 2.

#### Defence

The key message of the foreign investors is clear – increase defence spending and boost defence capabilities. Additional resources for these purposes could be accumulated from increased government spending efficiency, which should include the reduction of government apparatus and red tape, as well as, from international financial support or additional tax measures. The development of the defence industry is considered critical, and it should involve an active dialogue between policymakers and industry representatives. In addition, some investors call for universal (including female) conscription.

#### *Quotes of respondents/interviewees from Estonia*

*Manufacturing – More money and companies involved in defence business.*

#### *Quotes of respondents/interviewees from Latvia*

*Manufacturing – Latvia needs to continue its aggressive path to increase its defence capabilities. Macro – governmental budget costs vs taxes need to be kept in balance.*

*Professional, scientific and technical activities – Defence – make sure that every EUR allocated to defence is spent wisely on developing a strong defence industry, which can help the economy to grow. We need to scale up civil defence infrastructure across the country. The Baltic states should receive more defence funding than any other country that is not in the proximity. This is the job of Baltic and EU parliamentarians.*

*Real estate activities – Defence as a way of building resilience in Latvia and ensuring international support and cooperation. Attract defence investments into Latvia (in cooperation with Latvian companies). Use the opportunity now, when Europe is set to mobilise large investments!*

*Transportation and storage – In the defence sector, I think we should evaluate the possibility of introducing a new defence tax.*

### ***Quotes of respondents/interviewees from Lithuania***

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Clear and fast decisions on financing sources for the country's defence; an economic growth-oriented tax system; productivity of the public sector.

***Information and communication*** – Increase defence spending, purchase sufficient armaments including air defence, introduce universal (including female) conscription and develop the local defence industry.

***Arts, entertainment and recreation*** – Defence – too low financing, currently attempted to be addressed via tax system changes, but could also be addressed by borrowing. Innovation and investment support would go together in the sense that there is a lack of support and incentive to allow for big investments. As with the recent issue regarding Teltonika.

### **Human capital availability, education and migration**

Across the three Baltic states, the foreign investors had five common recommendations for policymakers related to human capital availability, education and migration policies:

- Dual education system, which combines classroom instruction with hands-on experience in a workplace setting. This recommendation was most frequently mentioned by the foreign investors.
- Attraction of students to vocational schools and STEM fields of study.
- Stronger focus on digital, critical, analytical and entrepreneurship skills at educational institutions.
- More open migration policies to attract highly skilled migrants and design migrant retention programmes. To achieve this, the following is suggested – reduction of red tape for migrants and their employers, greater provision of education in the English language, relaxation of language requirements at workplaces and the introduction of English as a second national language, as well as tax incentives for highly-skilled migrants.
- Improvement of the quality of education through the better remuneration of teachers.

Besides the above, the foreign investors that operate in Latvia suggest greater support for adult and lifelong learning and changing the set of government-subsidised training programmes – away from low-skilled level training. Several respondents provided very detailed recommendations, such as:

- Introduction of career guidance programmes for pupils in 8<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> grades;
- Training support in the adoption of AI and other digital technologies at workplaces;
- Remote work & digital nomad attraction – positioning Latvia as a remote work-friendly country with favourable tax policies;
- Better integration of vulnerable groups (e.g., long-term unemployed, people with disabilities) in the labour market;
- Better utilisation of EU funds for education and labour market needs;
- Provide tax deductions or subsidies for companies investing in employee training.

The foreign investors that operate in Lithuania suggested designing programmes to boost the birth rate in the country and to reform the education system by introducing a clearer specialisation profile at education institutions.

### ***Quotes of respondents/interviewees from Estonia***

**Manufacturing** – Dual education system is a good idea – it helps build bridges between entrepreneurs and schools. This is the key direction for the future – businesses should participate in the formal education process.

**Agriculture, forestry and fishing** – More focus on practical education and paid internship during education.

**Other service activities** – The government should provide training programmes for introducing new technologies in companies.

**Manufacturing** – Availability of labour (management level) – Incentivise continuous learning and provide tax deductions or subsidies for companies investing in employee training, especially at the management level. Foster mentorship networks. Invest in executive education and leadership development programmes.

**Manufacturing** – Open the borders, 100 000 more people are needed. Now there are no people and salaries are growing more than on average in Europe, which is not a sustainable situation.

**Information and communication** – Workforce – soften the rules for bringing in workforce from Ukraine and Belarus, incl. language requirements.

**Manufacturing** – Availability of Labour – Lack of specialists. Vocational schools don't attract enough technical students. Not enough skilled students entering the market on the specialist level. Immigration policies are also not supporting specialists entering the Estonian labour market.

**Manufacturing** – 1. Available workforce. It should be made easier for foreign workers to work in Estonia. 2. By increasing the minimum wage, the government is making the country less attractive. Wages usually increase via productivity.

### ***Quotes of respondents/interviewees from Latvia***

**Information and communication** – In order to improve the availability of the workforce, the government should stimulate lifelong learning. The actual learning starts after university – technologies are developing, therefore, education is far behind what is needed in the labour market. The world is very different now. Currently, the adult training or lifelong learning courses provided by the government are not fit for the needs of the market – training is only provided at the basic skills level, as well as, courses on nail polishing, haircutting etc., are not really what the market needs.

**Administrative and support service activities** – We must improve our ability to attract and retain talent from abroad. We need to invest in improving living standards and creating an environment where international professionals feel welcome and supported. For example, access to affordable, English-speaking education remains limited. At present, such schools are often seen as a luxury available to higher-income families only.

**Manufacturing** – Availability of labour ('hands') – Improve workforce availability by increasing training programmes, attracting foreign workers through simplified work permit processes, and offering incentives for employment in key industries.

**Manufacturing** – Steps for Education and requalification improvement: 1) Career Guidance Programmes – Helping 8<sup>th</sup>, 9<sup>th</sup>, 12<sup>th</sup>-grade pupils and students choose professions aligned with future labour market trends. 2) Implement a Modernised Curriculum in practice – Aligning school

programmes with future job market needs, emphasising STEM, digital skills and critical thinking, and implement such in practice with appropriate study materials (currently missing new books) 3) Incentives for STEM and IT Fields – Scholarships and grants for students in high-demand sectors. 4) Up-to-date dual education system – Combining studies with hands-on experience in companies. 5) Teacher Training in Digital Tools – Helping educators effectively use technology in classrooms. 6) Increased salaries to Teachers who are using digital tools – Competitive wages and better working conditions to attract and retain qualified teachers.

**Information and communication** – Education: Modernise curricula to emphasise digital skills, entrepreneurship and STEM education. Increase funding for research programmes and incentivise industry participation in academic projects. Strengthen vocational training and dual-education programmes to align them with the needs of the labour market.

**Administrative and support service activities** – Easier regulations to hire non-EU residents, implement short- and long-term strategies on how to make Latvia a prosperous country – which motivate its residents to stay in Latvia and attract residents from abroad. Hire English-speaking employees in state & governmental institutions (those where communication with residents of Latvia is required).

**Manufacturing** – Availability of labour: 1) Integrating Inactive Workforce – Helping seniors, people with disabilities and long-term unemployed individuals re-enter the labour market through flexible work arrangements and targeted training. 2) Skilled Immigration Programmes – Developing streamlined visa and residency programmes for skilled workers, especially in high-demand sectors like IT, engineering and healthcare. 3) Foreign Student Retention – Encouraging international students in Latvian universities to stay and work post-graduation. 4) Remote Work & Digital Nomad Attraction – Positioning Latvia as a remote work-friendly country with favourable tax policies. 5) Reducing Bureaucracy for Businesses – Making it easier for companies to hire, retain and train employees. 6) Flexible Pension and Retirement Policies – Allowing older workers to stay employed for longer if they wish to. 7) Encouraging Part-Time and Gig Work – Supporting alternative employment models to increase workforce participation. Proximity between productivity and labour costs.

**Information and communication** – Improving immigration policies to attract highly skilled foreign IT specialists. Education & requalification – Strengthening cooperation between universities and businesses to align curricula with industry needs. An innovation ecosystem.

**Information and communication** – Education – work on changes at the kindergarten level, providing options to try a lot of different activities as interest is formed during the first 7 years of age. Investment in Automation & AI – Supporting businesses to adopt automation, robotics and digitalisation to compensate for labour shortages.

### **Quotes of respondents/interviewees from Lithuania**

**Manufacturing** – Demographics – Lithuania is the fastest shrinking population in Europe. There are no programmes for increasing birth rates.

**Financial and insurance activities** – Invest more in human capital. Production costs are increasing due to increasing labour costs; therefore, good education/training and migration policies are needed.

**Professional, scientific and technical activities** – Reducing the tax burden of highly skilled employees, ensuring the easy integration of expats, and providing incentives for skilled labour to move to Lithuania.

**Information and communication** – Education – reform the educational system to decrease the number of subjects taught, introduce more IT/technology-oriented topics, focus on critical/analytical thinking and not fact-learning and remunerate teachers sufficiently to boost the quality of teaching staff.

**Information and communication** – Attract a more qualified labour force from abroad. Human capital remains a challenge – we need smarter migration policy.

**Information and communication** – Migration policy is unstable; a lot of news and laws pursue Belarusian and Russian citizens who have lived here for a long time. This causes people to leave the country and creates a 'bad reputation' for Lithuania on the global map. Proximity between productivity and labour costs – Talent costs are growing faster than the quality of talent and we are starting to lose competition to other countries. We need more qualified talent coming from university into the industry, and probably some incentives for businesses to bring new talent here, as it becomes more and more expensive. Other – it is hard but worth considering introducing English as a 2<sup>nd</sup> national language. Many students come to study here in Lithuania and leave for other countries where the language is easier and more widespread – such as Germany and England. This is a tough barrier for people with a Life Sciences and Healthcare background regarding staying in Lithuania, but in the end, this change may cause Lithuania to grow and stay competitive.

## Energy and infrastructure

The foreign investors across the three Baltic states had one common recommendation for policymakers, namely, **more long-term, predictable and transparent energy policy** that would support larger investment projects.

The suggestions of the foreign investors that operate in Estonia centred around the key challenge – curbing energy prices. In view of this, they suggested the following solutions:

- Provide greater support to domestic energy producers and better utilise local energy resources;
- Increase competition between energy providers;
- Diversify energy sources – nuclear, coal and green/renewable;
- Regulate energy prices.

In contrast, the foreign investors that operate in Latvia and Lithuania provided comments on stimulating renewable/green energy production, improving infrastructure for energy distribution, and providing policy instruments to encourage the wider adoption of energy-efficient solutions by companies.

### *Quotes of respondents/interviewees from Estonia*

**Manufacturing** – Energy costs/production costs – find ways to support domestic production. If all other countries are supporting their production, then so should Estonia; otherwise, we lose our competitiveness. Subsidise if necessary. Tender regulations should favour Estonian suppliers. Now, we are in a situation where it is more expensive to produce in Estonia than in Sweden, energy prices are the highest in the region, and the cost of living goes up all the time.

**Agriculture, forestry and fishing** – Political stability, we need to know what is coming from the government side. Energy cost level, we need to have nuclear power, energy from coal and green energy. Faster decisions need to be made about them.



**Information and communication** – It is critical to create a competitive environment in the Estonian fixed internet market and to ensure competitive electricity prices.

**Manufacturing** – Energy Resources – Not competitive energy prices. Also, very volatile energy prices. Lack of a clear strategy regarding long-term energy production.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Energy resources: use local resources to provide enough cheap energy.

**Manufacturing** – Energy price level should be regulated by authorities in a way that it will not differ much from the neighbouring countries. Otherwise, the production costs will not be competitive.

#### ***Quotes of respondents/interviewees from Latvia***

**Manufacturing** – Energy resources – Invest in renewable energy sources, improve infrastructure for energy distribution, and provide subsidies or incentives for businesses to adopt energy-efficient solutions.

#### ***Quotes of respondents/interviewees from Lithuania***

**Information and communication** – The renewables sector is not sufficiently supported. There are even disincentives in place – taxes, tariffs, poor laws, and regulations that create long processes and a great deal of unpredictability. There is even institutional resistance to wind energy.

### **Regulatory and tax systems**

The common theme in the comments of the foreign investors across the three Baltic states concerns the simplification of the tax system and reflections on how to use it to foster innovation and attract investment. Several foreign investors that operate in Estonia and Lithuania have criticised the local tax systems, strongly emphasising the importance of their stability. Given the recent changes to the tax system in Lithuania, the respondents also advised designing compensatory mechanisms – business-friendly policies.

In addition, the foreign investors in Estonia have pointed to the need to strengthen efforts in combatting the shadow economy by introducing more rigid control mechanisms. The suggestions of the foreign investors in Latvia predominantly focused on the importance of digitalisation for improving the effectiveness, efficiency and transparency of the legal, regulatory and policymaking systems. Furthermore, several respondents from Latvia encouraged the government to introduce a more flexible labour regulation to allow more overtime or seasonal work and to lower the burden of sick leave pay from employers.

#### ***Quotes of respondents/interviewees from Estonia***

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Tax system – deeper control over grey economy and non-taxpayers.

**Professional, scientific and technical activities** – Please lower taxes to increase the competitiveness of the Estonian economy, reduce the administrative burden – very difficult to open a bank account.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Tax system: recall tax increases and focus on attracting both local and foreign investors.

#### ***Quotes of respondents/interviewees from Latvia***

**Information and communication** – Speed up legal proceedings, and reform the court system with a focus on transparency and efficiency. Investment incentives – tax reduction for the first periods after significant investment.

**Manufacturing** – Simplify the tax regulations, reduce the administrative burden for businesses and introduce more competitive corporate tax rates to encourage investment.

**Manufacturing** – Less paid sick days. Productivity – more flexible registration of working hours. The possibility, for example, to organise the work in the peak season with overtime to get free paid days off in the off-peak season with a reference period of at least a year – to accumulate own working hours to use them later. Now, every overtime hour has to be paid immediately in double amount.

#### ***Quotes of respondents/interviewees from Lithuania***

**Arts, entertainment and recreation** – Now, we have a review of the taxation system. There is big pressure on payroll taxes, real estate, income tax, and the increase of VAT in some areas. This puts pressure on the profitability of businesses. The government should think about how to not stop further investments in the country, especially for companies that are innovating. For example, the profit could be reinvested into innovation, thereby being exempt from some taxes.

**Financial and insurance activities** – Stability of the political environment – stability of the taxation system, no harmful decisions with regards to drastic proposals in legislation.

**Financial and insurance activities** – Make the tax system stable, business-friendly and predictable.

**Manufacturing** – Focus on business-friendly policies, and ensure the stability of the political environment.

### **State-owned companies and fair market competition**

The suggestions of foreign investors related to the management of state-owned companies and fair market competition were very few. However, they are best captured by the quote below.

#### ***Quotes of respondents/interviewees from Latvia***

**Financial and insurance activities** – Need for the partial privatisation/listing of state-owned companies to ensure investment opportunities, transparency and better governance.

## **1.4. Key advantages of investing in the Baltics**

It is common knowledge that investing in the Baltics – Estonia, Latvia, and Lithuania – provides many advantages, such as access to the EU single market and a stable eurozone currency, as well as a pro-business environment with competitive tax systems. In addition, the region boasts strong economic growth, low public debt, and highly educated and multilingual workforces.

Based on the views of the foreign investors in 2019–2023, presented in Table 4, the main factors that attracted them to the Baltics include labour costs and the overall costs of doing business, the talent pool, and the standard of living. Besides these, the main reason why the foreign

investors set up operations in Estonia is access to the Estonian market. For those who have invested in Latvia, the key advantages include a positive attitude towards foreign investors, as well as the tax and legal systems. For respondents who do business in Lithuania, the key advantages are infrastructure and logistics, technology and know-how.

**Table 4: Top Three Perceived Advantages of the Investment Climate per Country (2019–2023).**

Year	Estonia <sup>7</sup>	Latvia <sup>8</sup>	Lithuania <sup>9</sup>
2019	Access to Estonian market/strategic group decision Cost of labour Skills/competence of labour	Standard of living Attitude towards foreign investors Efficiency of Labour	Labour cost Talent pool Infrastructure & logistics
2020	No data	Standard of living Attitude towards foreign investors Efficiency of Labour	Labour cost Talent pool Infrastructure & logistics
2021	Access to Estonian market/strategic group decision Cost of doing business Other	Attitude towards foreign investors Standard of living Tax system/Legal system	Talent pool Quality of life Technology and know-how
2022	Access to Estonian market/strategic group decision Cost of doing business Skills/competence of labour	Standard of living Attitude towards foreign investors Tax system/Legal system	Infrastructure & logistics Talent pool Quality of life
2023	No data	Availability of labour Standard of living Legal system	No data

Within the framework of the current research, when the foreign investors were asked about the key strengths of the investment climate, **digital infrastructure** was selected most frequently across the three Baltic states. In addition, investors-respondents highlighted that there is a high quality of life in the Baltics. Besides the above, the foreign investors appreciate Estonia's business regulations, technology and know-how, while investors from Latvia pointed to competitive labour costs, together with a significant talent pool, and the availability of infrastructure that facilitates connectivity to other markets. Investors that operate in Lithuania indicated that they are pleased with the quality of physical infrastructure and the growth of the domestic market.

**Table 5: Current Strengths of the Investment Climate per Country.**

Estonia		Latvia		Lithuania	
Digital Infrastructure	69%	Digital Infrastructure	43%	Digital Infrastructure	50%
Business Regulations	50%	Labour Costs	43%	Quality of Life	46%
Technology and Know-how	44%	Physical Infrastructure, Logistics & Connectivity	31%	Physical Infrastructure, Logistics & Connectivity	43%
Taxation	38%	Proximity to Markets	31%	Domestic Market Growth	39%
Quality of Life	25%	Quality of Life	26%	Talent Pool	39%
Proximity to Markets	22%	Talent Pool	24%	Technology and Know-how	39%

These results reveal that, while the costs of doing business in Estonia and Lithuania have been gradually disappearing from the list of strengths, the countries' business regulations, technology and know-how, infrastructure, and domestic market growth became the new investment attraction factors. Latvia, in contrast, has managed to retain its original strength – competitive labour costs, while accumulating and providing other benefits for doing business,

<sup>7</sup> FICE. What are the main reasons your company has chosen to set up operations in Estonia?

<sup>8</sup> FICIL. Top three strengths of the Latvian investment climate

<sup>9</sup> Investors' Forum. What Determines Lithuania's Advantage toward Investment in Comparison with Other Economies?

such as both digital and physical infrastructure, logistics & connectivity, and the talent pool. A high quality of life is the most enduring factor that characterises the Baltics throughout the years.

It is interesting to note that although the foreign investors have pointed to challenges in the areas of human capital availability and development, infrastructure, regulatory and tax systems, described in section 1.2, the same areas appear in the list of strengths of the Baltics. This signals that, although there are certainly areas for improvement, many foreign investors are generally satisfied with the developments/progress in those areas.

When the foreign investors were asked to elaborate on the advantages of doing business in a specific Baltic state, their comments focused on four topics:

- Talent pool, labour availability and costs
- Infrastructure and logistics
- Regulatory and tax system
- Collaboration with the government

Quotes are provided below, divided into these four topics, followed by a few other remarks.

### **Talent pool, labour availability and costs**

#### ***Quotes of respondents/interviewees from Latvia***

***Transportation and storage*** – Latvia has tech talent, good digital infrastructure, and could join Estonia, building a Baltic digital tech hub together in Europe.

***Information and communication*** – Labour costs in Latvia – it was not the main driver to start a company in Latvia, but the cost pressure here is much lower than in other Baltic or European countries. Latvia is still relatively competitive in this way. Finding new colleagues in Latvia is ok, it is actually more difficult to find talent in other European or Baltic countries. The more senior the position, the more difficult it is to find people.

***Manufacturing*** – Riga is a fantastic place to attract talent — and importantly, the talent is already here. From our business perspective, we see a strong pipeline of skilled professionals, particularly from institutions like Riga Technical University (RTU), which we consider a key indicator of the local talent pool's strength. The city clearly has the human capital needed to support and grow a business.

***Manufacturing*** – Latvia offers a highly educated and readily available workforce, which is one of its key strengths. Labour costs remain competitive compared to many other EU countries, making it an attractive location for companies looking to optimise costs without compromising on quality.

***Transportation and storage*** – Our labour costs are relatively low (especially compared to the Netherlands, for example) – we do not use this advantage to the full extent. We have some good infrastructure and there are new business opportunities for us if we further develop infrastructure. For example, CO<sub>2</sub> infrastructure could provide new business opportunities.

***Real estate activities*** – Latvia still has a cost advantage, but we need to improve productivity to be more competitive.

### ***Quotes of respondents/interviewees from Lithuania***

**Information and communication** – Regarding human capital and education – both Latvia and Lithuania have solid foundations in IT education, with good traditions and academic programmes. Of course, there's room for improvement, particularly in aligning curricula with evolving industry needs. One of the key cornerstones for investment decisions is the cost-to-quality ratio – and in this regard, the Baltics remain attractive.

**Arts, entertainment and recreation** – The quality of the workforce in Lithuania is quite good. We are not a Western country, but investors value capabilities, interest and energy from people. Everybody values the quality of management teams in Lithuania.

## **Infrastructure and logistics**

### ***Quotes of respondents/interviewees from Estonia***

**Manufacturing** – Quality of life in the Baltics is good – beautiful nature, good infrastructure, everything is nearby (schools, work, shops, entertainment). Median salaries are not as high as in other EU countries, but the cost of living is quite low. Estonia and the Baltics, generally, are a good place to live.

### ***Quotes of respondents/interviewees from Latvia***

**Administrative and support service activities** – One of the key reasons our company was established in Latvia was due to logistical advantages – particularly the presence of airBaltic and strong regional connectivity. With efficient logistics available in Latvia, we immediately addressed many potential challenges related to mobility and operations. Another decisive factor in choosing Latvia was the availability and quality of office infrastructure. From both a cost and quality perspective, Latvia outperformed the other Baltic states, offering the best value for setting up a business centre of this scale. Finally, the proximity to key markets, combined with the comfort and efficiency of operating from Riga, made Latvia a highly attractive choice. In our view, Riga continues to provide an excellent environment for international service delivery, and it is a great place to live.

**Electricity, gas, steam, and air conditioning supply** – Latvia has a good infrastructure for utilities, which is much more developed, even than in Western European countries. It is easier to introduce new products here and to get agreement with the municipalities. The domestic market is growing, which is also a good sign for business.

## **Regulatory and tax system**

### ***Quotes of respondents/interviewees from Estonia***

**Agriculture, forestry and fishing** – Estonia has clearer regulations, transparency and open market conditions. Doing business in Estonia gives the advantage of a qualified labour force and the presence of necessary technologies to support business development in specific sectors. When it comes to digital solutions, the concept of digital citizenship in Estonia is a nice feature that offers flexibility and some freedom in doing business.

### ***Quotes of respondents/interviewees from Latvia***

**Manufacturing** – When it comes to the taxation system, our first impression of Latvia's corporate tax regime was quite positive – especially in terms of the reinvested profit tax model.



**Manufacturing** – When it comes to the regulatory environment, the legal framework in Latvia is solid. You can go to court and defend your interests – the rule of law is respected. Labour legislation is well-balanced and enables fair recruitment and workforce management. Compared to countries like Germany, where the system is more complex and rigid, Latvia offers a much more straightforward and business-friendly environment. This is why we choose not to recruit in Germany. Additionally, the open business register is a valuable feature. It provides transparency, allowing you to easily check company ownership. Overall, it's a functioning and positive system that supports fair business practices.

**Information and communication** – Our colleagues were amazed by how easy it is to set up a business in Latvia. Regulations are straightforward, and the public institutions are really willing to help. It was very smooth and easy. The only challenge was opening a bank account. It took almost 5 years. We still don't have a bank account. For us, it seems outrageous.

## Collaboration with the government

### *Quotes of respondents/interviewees from Latvia*

**Transportation and storage** – Latvia is a developed country that is capable of competing with Western countries. It has an important advantage – it is close to major markets. The country is small, therefore, everything is close and it is relatively easy to solve any problems. The government is quite collaborative and, despite the fact that we complain about the people, the workforce is relatively educated, so with a bit of training you can enjoy doing business here.

### *Quotes of respondents/interviewees from Lithuania*

**Information and communication** – In Lithuania, the approach toward investors tends to be structured and supportive. The institutional framework and communication are generally proactive, which creates a more predictable and business-friendly environment.

## Other remarks of the foreign investors

### *Quotes of respondents/interviewees from Estonia*

**Administrative and support service activities** – The business culture here is strong, which is already close to Nordic standards in terms of efficiency and professionalism.

**Agriculture, forestry and fishing** – The Russian-speaking community is well-integrated in Estonia as we have a low unemployment rate. Russian-speaking people are good at metal production; they have earned respect in Estonia. There are many Russian-speaking CEOs. It takes time to heal wounds from the past, but we need to move on and work together, as this is a country for everyone, who works for its development.

## 1.5. Further investment plans of the foreign investors in the Baltic states

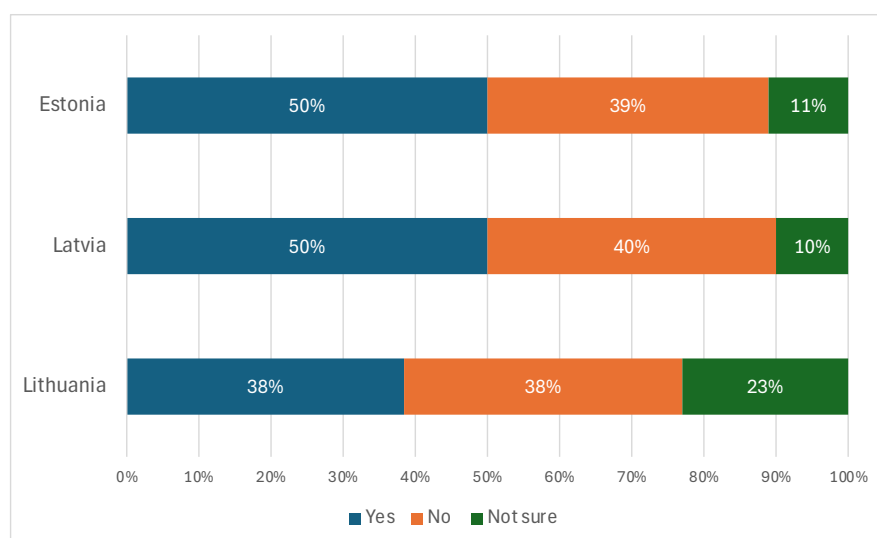
When the respondents were asked whether they plan to increase investment in a Baltic state, where they currently operate, the investors from Latvia and Estonia were more assertive and optimistic compared to investors from Lithuania. Namely, 50% of respondents who have business activities in Estonia and Latvia plan to increase investment, in contrast to only 38% of respondents in Lithuania.

While a positive response from half of the respondents might be interpreted as a high level of investors' ambition, for Latvia, it is the lowest indicator since 2016 (Table 6). The data on the

foreign investors' plans in Estonia and Lithuania are not available across the years, so it is impossible to draw a conclusion about a trend across the Baltics, although comments on reasons behind their investment decisions might suggest a similar tendency.

Why don't the foreign investors plan to increase investments in the Baltics? Based on the current research data, **geopolitics and the associated unpredictability** appear as unwanted investment barriers, which should be considered when making further investment plans. It does not seem to undermine their willingness to continue doing business in the Baltics, yet it puts some of their ambitions on hold until greater clarity is achieved. In Estonia, the rising labour, energy and other costs seem to be a serious deterring factor for new investments. In addition, respondents from Estonia point to a shortage of labour and uncertain taxation as other negatively contributing factors. Besides geopolitics, the foreign investors in Latvia argue that demographic decline and digital technology-driven efficiency gains discourage further investments. The foreign investors in Lithuania refer to heavy regulation and an investor-unfriendly policy climate, choosing to keep investment at basic maintenance levels only.

**Figure 2: Does your company plan to increase investment in Latvia/Lithuania/Estonia (please answer for the country where your company is registered)?**



**Table 6: Statistics on the number of foreign investors that plan to increase investment in Latvia between 2019 and 2024.**

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yes, plan to increase investment	50%	57%	55%	64%	68%	57%	79%	67%	50%

Several responses of the foreign investors to the question are provided below: *does your company plan to increase investment in Latvia/Lithuania/Estonia (please answer for the country where your company is registered)? If yes, under what circumstances and in what period/amount? If no, why?* The responses are presented by country, divided into three groups:

- Yes, we plan to increase investment
- No, we do not plan to increase investment
- Not sure

## Yes, we plan to increase investment

### *Quotes of respondents/interviewees from Estonia*

**Manufacturing** – We continue to invest – new technology, improving existing ones; digitalisation, etc. However, significant investments are now being discussed in a much more cautious way.

**Information and communication** – We will increase our investments in line with turnover growth.

**Manufacturing** – Investment in the digitalisation of the sales process, logistics and production management between 2025 and 2027.

**Agriculture, forestry and fishing** – Yes. We would like to invest more in real estate.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Currently, we plan to just re-invest earned profits. It seems to be sufficient for our organic growth.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Yes, but we are waiting for the retail market to start growing. No signs of that yet.

### *Quotes of respondents/interviewees from Latvia*

**Electricity, gas, steam and air conditioning supply** – We have several ongoing projects with investments planned for the next couple of years up to EUR 250 mil. because of particular opportunities in some markets. We are open to other investments, especially in the industrial energy supply sector; however, this also requires the manufacturing sector to have strong growth so that there is enough demand for such services. We would also be open to investing in different municipalities, but this would require strong incentives from the municipalities to open up to PPP projects.

**Transportation and storage** – Yes, if there will be opportunities in green energy (for example, biogas, CO<sub>2</sub> capture, etc.).

**Administrative and support service activities** – Yes, but the amount and area of investment is confidential.

**Manufacturing** – Both yes and no – we will invest in increased productivity.

**Real estate activities** – Yes, we do plan to invest further.

**Information and communication** – Yes, growing the sizing and services provided from Latvia over the next 3 years.

**Manufacturing** – Yes. Approx EUR 6 mil. in the next 3 years. This is the remaining part of a EUR 10.3 mil. large investment grant programme administered by Altum in total.

### *Quotes of respondents/interviewees from Lithuania*

**Information and communication** – We plan our investment according to our network development strategy and spectrum licence requirements.

**Manufacturing** – Investments will remain stable.

## No, we do not plan to increase investment

### *Quotes of respondents/interviewees from Estonia*

**Administrative and support service activities** – No, because of the too-fast rise in labour, energy costs and taxes.

**Professional, scientific and technical activities** – No, because we are a low-investment company and the investment could primarily be in a workforce servicing the network of the firms (like SSC), but due to the low availability of workforce and the high cost of it, it would not be feasible.

**Manufacturing** – Currently, no. Customers decide in the end, but the challenges are 1) Increasing cost of labour, and 2) Uncertainty about the future of taxation.

**Manufacturing** – Probably not & not because of the geopolitical situation, but rather the high salary growth and unpredictable energy prices.

**Agriculture, forestry and fishing** – No, we had plans, but have decided not to start them yet as we're waiting for a better economic climate.

### *Quotes of respondents/interviewees from Latvia*

**Manufacturing** – No, as the current situation is too unpredictable.

**Other service activities** – No, as we utilise AI, which has brought efficiencies, and in the near future it is not planned to increase investment.

**Accommodation and food service activities** – No, only to upgrade the existing structure.

### *Quotes of respondents/interviewees from Lithuania*

**Financial and insurance activities** – No, due to overregulation and an unfriendly view towards investors.

**Arts, entertainment and recreation** – No plans to increase the level of investment, but at the same time, no consideration to decrease it either.

## Not sure

### *Quotes of respondents/interviewees from Estonia*

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Probably, depending on the general economic situation and the development of the construction market. Period: during the next 2–3 years.

### *Quotes of respondents/interviewees from Latvia*

**Transportation and storage** – Not clear yet, but major investments will not be made in the near future.

***Quotes of respondents/interviewees from Lithuania***

***Electricity, gas, steam, and air conditioning supply*** – Yes, but not sure, it depends on many factors  
– policies, geopolitics, political and economic stability.

***Information and communication*** – We would love to, but the political environment is nasty. If  
there were more consistency, accountability, and genuine public-private dialogue, we would  
absolutely be willing to go further.



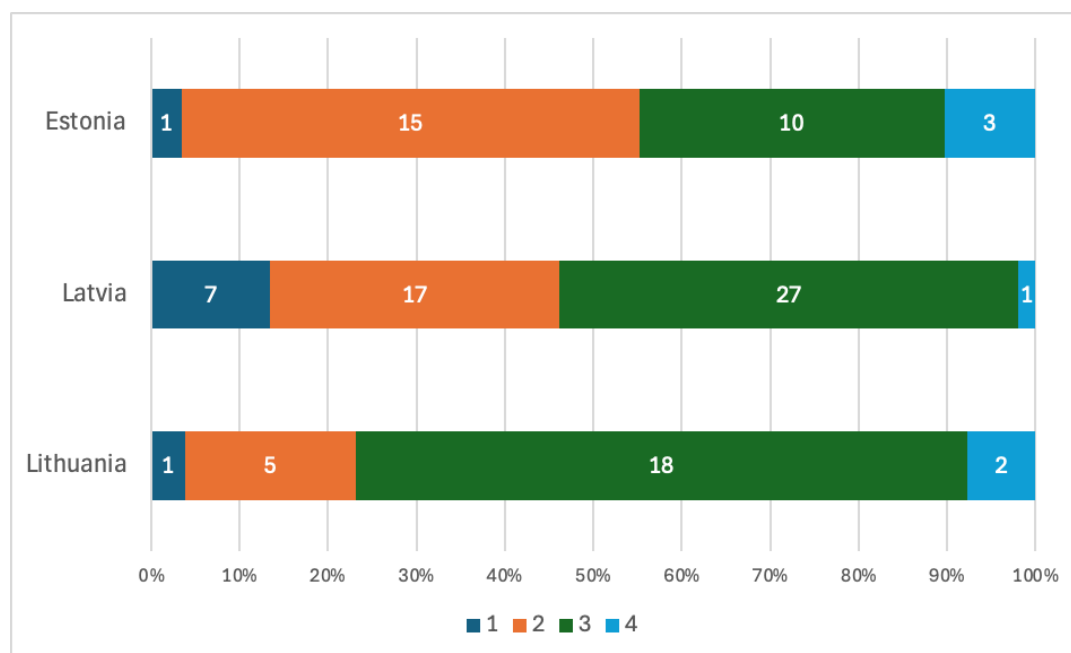
## Chapter 2: Government spending efficiency

The current chapter discusses the views of the foreign investors that operate in the Baltic states regarding government spending efficiency. Section 2.1 presents the assessment of government spending efficiency, based on the experiences and perceptions of the foreign investors. Section 2.2 lists suggestions on how to stimulate greater government spending efficiency, while section 2.3 highlights areas, which, in the view of the foreign investors, require a redirection of government resources to stimulate greater economic development and investment attraction in the Baltics.

### 2.1. Assessment of government spending efficiency

The respondents were asked to rate government spending efficiency on a 5-point scale, where '1' means very low, '2' – low, '3' – moderate, '4' – high, and '5' is considered very high government spending efficiency. The foreign investors from Estonia seemed to be more dissatisfied, while investors from Lithuania were more pleased with government spending efficiency.

**Figure 3: Using a 5-point scale, please rate government spending efficiency in Latvia/Lithuania/Estonia.**



	Estonia	Latvia	Lithuania
Median	2.0	3.0	3.0
Mean	2.5	2.4	2.8

How to interpret the following results? There are certainly good examples that illustrate the efficiency of the government and public sector institutions in the Baltic states. However, the foreign investors are also aware of the cases where high efficiency has not been demonstrated and reforms are required. Below, quotes are presented that express satisfaction with the **public-private collaboration and some good examples of institutional reforms in the Baltic states**. Among those listed are Latvia's centralised bookkeeping services, institutional transformations

at LIAA (Investment and Development Agency of Latvia) and the State Revenue Service. In Lithuania, the regulators have moved from an “inspect and punish” approach to productive dialogue and joint problem-solving. In addition, the foreign investors in Lithuania expect positive changes in the public sector, due to the integration of experienced business leaders into state agencies, thereby bringing the private-sector pace and expertise in public decisions. The foreign investors that operate in Estonia highlighted a fast, cooperative permitting regime in the country. These examples should act as inspiration for other government and public sector organisations to become standard practice across the region.

#### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – In Estonia, cooperation with the government – particularly when it comes to obtaining permits and managing administrative processes – is efficient. In this respect, the other Baltic states still have significant bureaucracy and red tape, which slows down business operations and creates unnecessary obstacles.

#### ***Quotes of respondents/interviewees from Latvia***

***Administrative and support service activities*** – There are positive examples when it comes to public-private cooperation, particularly in the centralisation of government functions, such as centralised bookkeeping services. These initiatives demonstrate how efficiency can be improved through streamlined processes.

***Electricity, gas, steam, and air conditioning supply*** – The State Revenue Service and LIAA are great examples of a positive institutional transformation in Latvia. Digitalisation requires resources, but citizens would be ready to invest in it. If the government were to justify investment for a good purpose, I am sure people would support it. With our small number of entrepreneurs, digitalisation would bring massive benefits and reduce business costs.

#### ***Quotes of respondents/interviewees from Lithuania***

***Arts, entertainment and recreation*** – The government institutions in Lithuania are having more discussions with people and businesses now, instead of simply punishing them for wrongdoing. The approach of cooperation is increasing – this is very important and a good development. There is a change in the way government institutions work – they look for a solution rather than punishment.

***Arts, entertainment and recreation*** – The government is now bringing business people onto the management boards of the government institutions – this is very positive news. If such people join the government, it will definitely change how the public sector works. I wish they would do it earlier. Learning from each other and having a business perspective is always very useful.

***Arts, entertainment and recreation*** – We know that some investments are going into the IT infrastructure – there is ongoing digitalisation – this increases efficiency and convenience for users. But there is no communication from the government stating that they have managed to save resources and how it has impacted effectiveness and efficiency. Some journalists always find out information on ineffectiveness and inefficiency, and report to the public. However, government inefficiency does not seem to be a big problem in Lithuania.

The negative assessments of government spending efficiency and the scale of bureaucracy are also present. The discussions with the foreign investors about government spending efficiency reveal a certain level of distrust in public sector institutions and perceived resistance to implement necessary reforms, which is of great importance for the foreign investors – many argue it is one of the critical factors in selecting a country of operation. However, progress in

terms of the transparency, efficiency and effectiveness of government institutions is also recognised by the foreign investors across the three Baltic states.

### *Quotes of respondents/interviewees from Estonia*

**Agriculture, forestry and fishing** – Generally, Estonia has been successful with reducing bureaucracy, but in the last 5 years, there was more bureaucracy than before, as current political parties like to regulate things. Control grows and it results in much red tape.

### *Quotes of respondents/interviewees from Latvia*

**Transportation and storage** – Each year, each ministry tries to spend as much as possible to get more funding next year. All spending must be justified, and the public should know that it is justified. Otherwise, there is no trust.

### *Quotes of respondents/interviewees from Lithuania*

**Information and communication** – The politicians are sort of doing their work, but at the same time, progress is slow. I am afraid there are large inefficiencies.

**Information and communication** – I personally wouldn't mind paying higher taxes – if I could see the return on that investment. But right now, there's a lack of visible results of how the Lithuanian government spends money.

## 2.2. Suggestions to increase government spending efficiency

When the foreign investors were asked to suggest how to increase government spending efficiency, a larger number of investors across the three Baltic states suggested **restructuring or eliminating redundant government agencies/departments, boosting digitalisation, and ensuring the greater accountability and productivity of public sector employees**. When respondents were asked to put the list of recommendations in order of priority, investors from Latvia selected digitalisation and restructuring of the government agencies as a priority; investors in Estonia equally value both transparent, performance-based budgeting and the restructuring and elimination of agencies. The foreign investors from Lithuania gave priority to restructuring government agencies while also pointing out the importance of performance-based budgeting.

**Table 7: Suggestions on how to improve government spending efficiency.**

Estonia		Latvia		Lithuania	
Restructuring or elimination of redundant government agencies/departments	58%	Restructuring or elimination of redundant government agencies/departments	52%	Restructuring or elimination of redundant government agencies/departments	64%
Transparent, performance-based budgeting and stronger auditing mechanisms	48%	Digitalisation and integration of AI and big data analytics technologies in the public administration	41%	Digitalisation and integration of AI and big data analytics technologies in the public administration	46%
Greater accountability and productivity of public sector employees	35%	Greater accountability and productivity of public sector employees	33%	Transparent, performance-based budgeting and stronger auditing mechanisms	43%

Digitalisation and integration of AI and big data analytics technologies in public administration	32%	Public-private partnerships and government service outsourcing	33%	Greater accountability and productivity of public sector employees	36%
Public-private partnerships and government service outsourcing	26%	Transparent, performance-based budgeting and stronger auditing mechanisms	31%	Public-private partnerships and government service outsourcing	29%
Improvement of public procurement procedures	26%	Centralisation of public administration functions and processes	30%	Improvement of public procurement procedures	25%
Improve social spending efficiency (e.g., social protection, healthcare), using data-driven approaches, to target only the most vulnerable individuals	26%				

Restructuring or the elimination of government agencies/departments is the most radical suggestion among the answer options provided in the survey, therefore, it was important to understand why a larger number of the foreign investors across the three Baltic states preferred this option. The interviews revealed that, in the view of the foreign investors, the public sector has a tendency to expand, creating/duplicating institutions that either overregulate or complicate processes and lack incentives to be highly efficient, as its existence is not determined by market principles of demand and supply, at least in the short term. Most interviewees across the Baltic states indicated that they are aware of some government/public sector agencies whose relevance is highly questionable, while the resources allocated for the prolongation of their existence are significant. In this context, the foreign investors argued that, given defence funding needs and other socio-economic challenges, the elimination of irrelevant and ineffective agencies is desirable. In addition, several foreign investors noted that implementing even small changes in government institutions may be highly problematic due to a strong association between political influences, laws, regulations, allocated budgets across institutions, institutional procedures, digital infrastructure at government agencies, and human factors, such as the knowledge and competencies of public sector employees. Thus, a more radical solution is perceived as more effective.

Most comments about the restructuring of government/public sector institutions focused on the centralisation of public administration functions and processes. The foreign investors realise that the public sector is still built around ministries, not shared services, which creates inefficiencies. The centralisation of IT, human resources, procurement, and other functions across ministries and other government institutions could not only decrease inefficiencies but also improve the quality of services provided. A few quotes are provided below, related to the restructuring and elimination of government agencies, and the centralisation of functions.

#### ***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam, and air conditioning supply*** – Restructuring of government institutions is needed, as it helps to review spending and improve the quality of services, due to economies of scale. Centralised public procurement would bring massive benefits – it is difficult to implement in practice, but it would reduce bureaucracy and help to improve efficiency.

***Information and communication*** – Services like procurement, payroll and invoices can be centralised. There are units for this in every single ministry at the moment. These services should be centralised. These are not easy solutions, but it must be done.

**Electricity, gas, steam, and air conditioning supply** – The public sector in Latvia is overly risk-averse and tries to follow every letter of the law. On the one hand, it is good that everything is standardised and there are procedures. But on the other hand, at times, it feels like there is too much bureaucracy. Hence, there is a need to reevaluate how we do things from time to time to get rid of unnecessary things and to focus on truly important checks. The State Chancellery should become a leader in the process of function centralisation across public sector institutions – they have the mandate and opportunity.

The interviews and comments on challenges, provided by the foreign investors through the survey, reveal a strong call for the reduction of bureaucracy, especially in the areas of construction and green economy. In addition, several respondents from Estonia and Latvia pointed to the difficulty in opening a bank account.

#### **Quotes of respondents/interviewees from Estonia**

**Professional, scientific and technical activities** – Please lower taxes to increase the competitiveness of the Estonian economy, reduce the administrative burden – very difficult to open a bank account.

**Administrative and support service activities** – Employer's costs are too high – something should be done regarding this matter. Opening a bank account has been extremely difficult lately.

#### **Quotes of respondents/interviewees from Latvia**

**Transportation and storage** – Regarding finance, the current regulation is too tight for new business owners to open a bank account. It is a serious block for opening bank accounts, and it turns away potential investors.

**Electricity, gas, steam, and air conditioning supply** – The environmental permit and especially building permit process is arduous, time-consuming and very expensive. Streamlining of processes, as well as the reduction of paperwork and other legal obstacles should be priorities.

To reduce bureaucracy, most respondents argued in favour of **digitalisation** of the public sector – it is considered a uniform solution that could address a significant number of challenges, although it should be accompanied by regulatory changes to foster more effective transformation. The investors listed many benefits associated with digitalisation, such as higher efficiency and the facilitation of data-sharing processes, the reduction of costs for employers and residents, and fewer routine tasks for public sector employees.

#### **Quotes of respondents/interviewees from Estonia**

**Manufacturing** – Bureaucracy is still high in Estonia. Investing in Estonia requires so many reports. They try to monitor if we use public money well. I understand it, but it is suffocating and why can't they use annual reports or other public data that we have already provided? Why should we submit endless paperwork over and over again? We waste our time and money instead of focusing on something creative and money-generating. Companies often question – does it make sense to apply for this funding? Several times we decided to opt-out, as it is so much of a headache. It's really not worth it in the end.



### *Quotes of respondents/interviewees from Latvia*

**Electricity, gas, steam, and air conditioning supply** – Digitalisation – if we submit information to one institution it should also be transferred to other institutions. As a company, we spend a lot of time sending documents from one institution to another.

**Transportation and storage** – Government spending efficiency is critical for the investment climate – this is the correct direction for the government. We need to reduce bureaucracy, increase efficiency, and go for more digitalisation. Our EDOC (electronic signature) document cannot be opened in other countries, therefore, we need to think about digital solutions that could work for other countries as well.

**Manufacturing** – In Denmark, most administrative processes are fully digital, transparent and completed in a matter of hours or days. The necessary tools and technologies already exist – what is needed is stronger implementation, integration and the political will to modernise the public sector and align it with best practices seen elsewhere in the EU.

The productivity, accountability and pay growth of government officials and public sector employees is another hot topic among the foreign investors in the Baltic states. The foreign investors across the three countries strongly suggest setting **clear KPIs** (key performance indicators) for both government institutions and every public sector employee to foster greater productivity, motivation to deliver good work and accountability. Public sector pay growth is another flashpoint: the foreign investors from Estonia and Latvia note that civil-service salaries have risen faster than private sector wages, pushing up costs without the matching gains in productivity. Lastly, the foreign investors invite the governments in the Baltic states to **reduce the governmental apparatus**, although they realise that it is a highly unpopular, yet needed, decision.

### *Quotes of respondents/interviewees from Estonia*

**Administrative and support service activities** – The average salaries in the public sector have increased rapidly over the past 10 years, creating additional pressure on businesses. Bringing in foreign labour is also quite challenging – there are many bureaucratic and legal obstacles that make the process harder than it should be.

**Administrative and support service activities** – During the time of the survey, there were some changes in the Estonian government, although nothing too drastic. One notable development was the significant increase in public sector salaries. While this is understandable – as the government aims to attract top talent – it also raises questions about overall budget priorities.

**Manufacturing** – Salary levels for admin/public sector workers will soon be at Swedish/Finnish levels. This is okay, but what happens when people expect to have even higher salaries than the Swedes/Finns? Then we can no longer compete with other countries. Estonia is pricing itself out of the manufacturing field.

### *Quotes of respondents/interviewees from Latvia*

**Real estate activities** – The political decisions should be the creation of KPIs for public sector employees and for government documents – this is normal practice at companies. We really need to put pressure on the government to highlight that Latvia is losing competitiveness due to increasing costs.

**Real estate activities** – Productivity: Foster innovation, reduce red tape, create more competition, reduce every ‘unnecessary’ public service and free up labour for private investments.

**Financial and insurance activities** – Obligatory rotation of high-ranked officials in the public sector to force the development of skills and a fresher look at sectors.

**Transportation and storage** – There is a lack of responsibility among public sector employees in the Baltics. This should be changed – there should be clear KPIs and consequences for not reaching the targets. Why should the public sector be so different from the private one in terms of work processes and efficiency? The good practices are well-known, therefore, crucial reforms depend on only one thing – the willingness to implement them.

**Professional, scientific and technical activities** – EU funds need to be invested, not spent – there should be one responsible person who manages the process for the whole country and not the ministries, which do not have the time and skills to ensure that no euros are lost.

#### **Quotes of respondents/interviewees from Lithuania**

**Information and communication** – When I think about the kind of country I want to live and invest in, there is one essential element – a critical mass of people who genuinely want to make things better. Unfortunately, I think there are many people, especially in the public sector, who do not really care about their country and go to work just to get money.

**Information and communication** – Productivity – significantly reduce red tape and the size of the government apparatus.

### **2.3. Areas in need of government spending**

When respondents were asked to indicate areas where government spending should be increased to stimulate greater economic development and investment attraction in a Baltic state where they operate, the respondents across the Baltics selected the same areas, but in a slightly different order. Overall, they selected **education and human capital development, defence and national security, economic development & industry support, research and development.**

These results confirm the two central priorities of the foreign investors in the Baltics – availability of labour/demography and defence/security.

**Table 8: Opinions of the foreign investors on areas where government spending should be increased.**

<b>Estonia</b>		<b>Latvia</b>		<b>Lithuania</b>	
Education and human capital development	77%	Education and human capital development	65%	Defence and national security	82%
Research & development	74%	Defence and national security	59%	Education and human capital development	68%
Economic development & industry support	61%	Economic development & industry support	56%	Economic development & industry support	57%
Defence and national security	48%	Research & development	43%	Research & development	43%

## Chapter 3: Geopolitics, EU support and collaboration between the Baltic states

The current chapter discusses how the investment climate in the Baltics has been shaped by the new geopolitical reality (section 3.1), provides suggestions to reduce geopolitical and security concerns in the Baltics (section 3.2), and discusses the views of the foreign investors on collaboration between the Baltic states (section 3.3).

### 3.1. Impact of geopolitics on the investment climate in the Baltics

During the interviews, the foreign investors were asked “How has the investment climate in Latvia/Lithuania/Estonia been affected by the Russian war against Ukraine? In your view, to what extent do the geopolitical risks deter potential investors?”. The discussions with the current foreign investors revealed that the investment climate in the three Baltic states has been negatively affected, due to the uncertainty and unpredictability of the situation, sanctions on Russia and the redirection of trade routes, and the associated inflationary pressures. However, generally, the foreign investors are not overly concerned about the geopolitical situation and have got used to the threats from Russia. They emphasise that a threat from Russia is not recent, and for many years, the Baltic states have been warning about the risks, although the international community was either sceptical or unwilling to acknowledge them. Overall, the views of the foreign investors across the Baltics are very similar in terms of both the assessment of the situation and recommendations.

Despite this, the foreign investors stress the importance of **clear communication on the defence strategy** to instil or foster a feeling of security. Several foreign investors highlighted that the perception of either security or insecurity is a conviction, therefore, the government should ensure that the population and investors believe that they are safe. In the case that the opposite occurs, the foreign investors warn that it may evoke panic and trigger the unstoppable emigration and exodus of the foreign investors, like a domino effect.

Although it is recognised that until now the governments of the Baltic states have not been communicating at an optimal level on defence measures and have been too slow in terms of preparatory defence mechanisms, there is a general trust among the foreign investors that the governments are doing everything necessary to boost defence capabilities. Such trust is rooted in the cautiousness of the governments in the Baltic states towards Russia since independence and their recognition of the risks, increasing national investments in defence, NATO and EU alliances, support to Ukraine, as well as, in the capabilities of the governments to ensure the resilience of the Baltic states, regardless of any impending crises – economic, political, social or geopolitical. Such resilience has been proven throughout the years and demonstrates an exceptional ability to remain balanced in “stormy waters”.

While the foreign investors strongly advocate in favour of greater defence spending, they emphasise that **it must not come at the expense of other crucial goals**, such as nurturing human capital, achieving energy independence, reaching green-economy targets, advancing digital transformation, and developing infrastructure, etc. In their view, security is an important factor, but not the only determinant of the investment climate. Thus, the current geopolitical challenges should not become an excuse for stalling critical reforms that are needed to ensure the competitiveness of the Baltic economies.

### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – While having a difficult neighbour is a concern, it's not the only factor to consider. Other elements – such as reliable policies, good infrastructure, education, and the general attitude towards the work of the local population are essential. People with talent are a key asset that all investors are looking for. If they are smart, hard-working and innovative, everyone will want to move to that country and do business with them. Investors look for a good environment for doing business and this is not limited to one factor, like geopolitics.

***Agriculture, forestry and fishing*** – Defence is a clear priority, especially now with the Russian threat. The Estonian government needs to send a strong signal that it is serious about strengthening its defence capabilities. This also ties into investor confidence – political and territorial stability is a key factor in attracting and retaining foreign investment.

***Manufacturing*** – The threat from Russia has not changed in the last 3 years, but public awareness and public concern is growing. As a result, the value of companies and their shares will decline if they are located in the Baltics. This will affect apartment costs – people will start selling apartments and investing abroad or they will try to save money if they are planning to escape. Foreign investors may lose money and new investments might not come if the Baltics and the EU don't come together and convince foreign investors to stay.

***Agriculture, forestry and fishing*** – We do not see a big risk of war in the next 3–5 years. We could do more in the area of defence, but generally, we are not worried. Russia has been our neighbour for so many years, and we are aware of the threat. The Baltics, generally, have been very resilient.

***Agriculture, forestry and fishing*** – We have been a gateway to Russia, and we are hoping that the door will open again one day. Companies in Estonia are still waiting and hoping that the Russian market will be open again.

***Administrative and support service activities*** – Security concerns have certainly had an impact on investments. I would consider them a barrier, but not the central one. It's one of several factors, and it doesn't mean Estonia has suddenly lost its attractiveness to investors. Regional investors tend to understand the geopolitical context better and are more accustomed to managing such risks. However, investors coming from farther afield might approach the region with more caution. That said, Estonia has done a solid job of demonstrating that it takes these threats seriously. The country is actively preparing and communicating its commitment to resilience, and investors are taking note of this. From a strategic perspective, there's no realistic or rational incentive for Russia to attempt to occupy Estonia – it would not be profitable or beneficial. So, while the risk is present, the perception is being effectively managed, which helps maintain investor confidence.

### ***Quotes of respondents/interviewees from Latvia***

***Real estate activities*** – The geopolitical situation has been a concern for many years, but it does not hold back investments. The government is increasing defence spending – this is very helpful to reduce the worries of investors. However, there should be a clear defence strategy and a well-communicated business opportunity plan.

***Information and communication*** – When the war in Ukraine started, it raised questions about the security of the Baltics. Each month, we had to report to the executive board about the situation. The first half a year was tough, but now we have got used to the situation. Everyone feels settled with the idea. It is three years, and the tension is no longer there.

**Manufacturing** – *We place our trust in NATO and the Latvian military to provide the necessary security, and we believe that Latvia is taking the right steps in this regard. The Baltics have been so resilient throughout the years.*

**Electricity, gas, steam, and air conditioning supply** – *The geopolitical situation prevents potential investors, but they do not consider it as a critical factor – investors care about other important issues, such as availability of labour, quality of policies, taxes, other business-related aspects. The current investors are not really worried about geopolitics. Defence is considered very rationally. NATO is still active, Latvian government does what it can. We see these risks as being similar across the EU.*

**Transportation and storage** – *We have got used to the situation and adjusted to everything. There is some speculation about some companies leaving the market because they are concerned. This is worrying, of course, as it always raises questions in the heads of companies that remain in the Baltics. But personally, I trust that the situation at the moment is manageable, and I hope the government is doing everything to protect us. But the domino effect is really worrying – even if it happens in one Baltic state it will definitely spread to the others. We should be optimistic, but cannot afford to be naïve. Greater clarity on the defence strategy would be appreciated, but I understand why some information is confidential, perhaps it should be this way.*

**Manufacturing** – *The current geopolitical climate is highly unpredictable. Just as an example – in March 2022, Helsinki lost € 100 million in potential investment, due to increased regional tensions. One of the first questions that comes to mind for investors is: Why doesn't Latvia have mandatory military service? That said, from a personal investment perspective, I don't feel directly threatened. In fact, I believe that times of heightened risk can also bring opportunities — especially for those willing to take on more adventurous ventures. But overall, investor confidence is closely tied to how well a country communicates its preparedness and stability.*

#### **Quotes of respondents/interviewees from Lithuania**

**Information and communication** – *People living near the Russian or Belarussian border aren't necessarily worried about the physical proximity to these countries — they are more concerned with how the government is addressing the situation. It's not fear of geography, it's fear of uncertainty, lack of communication, and perceived unpreparedness. Of course, the geopolitical situation negatively affects potential investments. But the impact of it on Lithuania depends on the response of politicians and the clarity of the defence strategy.*

**Arts, entertainment and recreation** – *There was some impact of the war in Ukraine on companies in Lithuania. There was a bigger worry in the first year, but now we have got used to the situation. Companies are not scared to proceed with business. There were spikes in worry, depending on the news. Of course, it affects market sensitivity and opportunities to attract new investment. Lithuania does not have an evacuation plan for people who live near the Belarussian border. The plan should have been ready in 2022 – we have been so slow. There is no requirement to build shelters for new buildings, which shows that we are not even thinking about it. The communication on defence and security from the government is slightly better now – at the beginning of the war, a bit of a panic mode set in, which is very toxic for society.*

The positive outlook on the safety of the Baltics is less frequently shared by the potential investors. Most respondents argued that potential investors do not understand the situation in the Baltics, therefore, many are sceptical about starting a business in one of the Baltic states.



### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – It might be scary to look at the world map to see Estonia and realise that we are so close to Russia. For potential investors, this seems scary and an important factor that reduces their interest, but for current investors it is not a factor. The feeling of security depends on human perception of the reality.

### ***Quotes of respondents/interviewees from Latvia***

***Administrative and support service activities*** – I am often invited to speak about the benefits of establishing business centres in Latvia, and while there is strong interest, many international companies remain cautious. To counter this hesitation, Latvia must continue to strengthen its foreign policy positioning and clearly communicate who our strategic allies are, as well as what our preparedness and response plans would be in the event of potential security challenges. A clear and confident foreign policy narrative is essential to boost investor confidence in the Baltic region.

***Transportation and storage*** – The geopolitical situation affects potential investors, as they do not understand the general environment.

### ***Quotes of respondents/interviewees from Lithuania***

***Arts, entertainment and recreation*** – Potential investors are more worried and have questions. There is a sense of cautiousness.

Despite the challenging geopolitical circumstances in the Baltics, some foreign investors expressed surprising optimism and demonstrated opportunism. Namely, several investors stressed that recent developments have been favourable for specific industries that could, to some extent, replace imports from Russia, such as wood/timber. In addition, the investment volumes in specific industries, such as defence and food, have grown, given their reemerged significance for national security. Lastly, given the lower demand for some goods and services, due to perceived risks, some companies have acquired them at a lower price.

### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – Recent developments have been favourable for specific industries. For example, timber prices in Estonia have improved, which is a positive sign, given that previously Russia supplied wood materials and now the trade is frozen due to sanctions. I think there are always winners and losers, depending on the sector. Replacing Russia as a supplier in some sense is an advantage in the current situation.

***Agriculture, forestry and fishing*** – The current geopolitical situation also brings opportunities. Given the fact that food security is national security, companies that work in this sector attract more investment now. It's the same for defence and other sectors. It is a time of opportunities, we just need to be smart and use them.

### ***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam, and air conditioning supply*** – The Baltics are affected by geopolitical and other global developments, but their impact is also sector-dependent. Therefore, there are many opportunities for specific sectors. Some sectors actually thrive from the Russian sanctions, as they get more demand now, seeking to replace Russia.

**Administrative and support service activities** – *The ongoing geopolitical situation, including the war against Ukraine, has not altered our investment plans in Latvia. We continue to invest and grow our operations here, and in some ways, the current environment has even presented new opportunities – for example, the ability to acquire properties at more favourable prices.*

The discussions of the geopolitical situation with the foreign investors revealed three important findings:

- The Baltics are experiencing a new geopolitical reality not only due to Russia's war on Ukraine but also due to the (perceived) shift in the foreign policy of the Baltics' strategic political and military partner – the United States of America.
- The escalations in different parts of the world, (perceived) transformation of the world order and tariff wars contribute to the general feeling of uncertainty.
- In view of the previous observations, the foreign investors urge for the formation of new strategic regional partnerships – with other Baltic states and more broadly, incorporating Poland and Finland, or all the Scandinavian/Nordic countries.

#### ***Quotes of respondents/interviewees from Latvia***

**Electricity, gas, steam, and air conditioning supply** – *Trump has certainly changed the geopolitical reality, bringing more uncertainty and vulnerability to the Baltic states, so when we speak about geopolitics, we should not only focus on the war in Ukraine. Our strategic partnerships, especially in the defence area, are critical for the security of Latvia and the Baltics generally.*

**Administrative and support service activities** – *The American president certainly makes the geopolitical landscape more challenging, therefore, it is no longer only the war in Ukraine that is bringing concerns to the investors, but the new geopolitical reality and new alliances that should be built. Plus, there are other "hot zones" in the world in Africa and Asia. There are escalations on every continent.*

**Real estate activities** – *The American president is adding fuel to the new geopolitical reality of the Baltics – now we should speak more broadly about geopolitical challenges than just the war in Ukraine. And we should look for new regional partnerships to ensure that we can defend ourselves.*

**Manufacturing** – *The issue of security concerns all the Baltic states, Poland and Finland, and they should carefully reassess partners that they have relied on. It seems like we are entering a new geopolitical reality, and it is strongly driven by the new President of America, therefore, we should not only think about the war in Ukraine as a key issue of concern.*

**Transportation and storage** – *For a long time we relied on US protection. Now it is time to learn an important lesson – learn to rely on yourself only. We should think about our own defence and security, and about our economy and the people. It is time to grow up!*

#### ***Quotes of respondents/interviewees from Lithuania***

**Arts, entertainment and recreation** – *In terms of defence policy – we have been looking at the US, instead of focusing on partnerships with the Baltics and Scandinavian countries. Now we see that we have devoted our attention to the wrong partnerships. Plus, tariff wars are starting, and it is not peaceful anywhere now – wars, conflicts, fights everywhere. I don't know where it will lead us.*

### 3.2. Suggestions to reduce geopolitical and security concerns in the Baltics

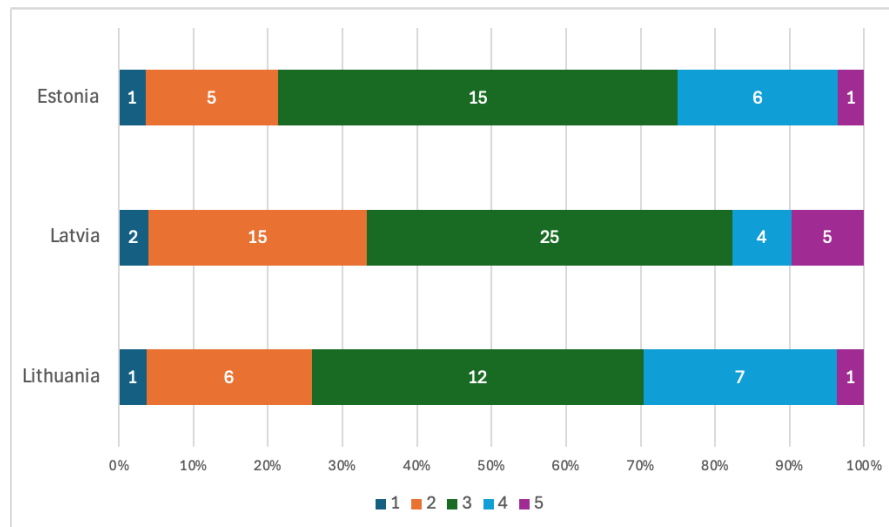
The survey respondents have been asked to select the most effective solutions to reduce geopolitical and security concerns in the country, where they operate. The list of top-4 suggestions of the foreign investors across the three Baltic states are the same, but in a slightly different order. For a larger number of foreign investors in Estonia and Lithuania, the priority would be to develop **stronger economic and military collaboration at the EU level to develop strategic defence (tech) programmes**. For Latvia, this answer is the second most popular option, following large investment in the national defence industry and the modernisation of the armed forces. This raises a question – where does the EU find itself in a new geopolitical reality, and how should it respond to the challenges of the Baltics?

**Table 9: Top-4 suggestions of the foreign investors to reduce geopolitical and security concerns in their country.**

<b>Estonia</b>		<b>Latvia</b>		<b>Lithuania</b>	
Stronger economic and military collaboration at the EU level to develop strategic defence (tech) programmes	86%	Larger investments in the national defence industry and modernisation of the armed forces	74%	Stronger economic and military collaboration at the EU level to develop strategic defence (tech) programmes	79%
Stronger NATO presence in the country	76%	Stronger economic and military collaboration at the EU level to develop strategic defence (tech) programmes	67%	Larger investments in the national defence industry and modernisation of the armed forces	71%
Larger investments in the national defence industry and modernisation of the armed forces	62%	Stronger NATO presence in the country	54%	Stronger NATO presence in the country	68%
Stronger economic and military collaboration between the Baltic states to position the region as a defence tech hub of Europe	59%	Stronger economic and military collaboration between the Baltic states to position the region as a defence tech hub of Europe	48%	Stronger economic and military collaboration between the Baltic states to position the region as a defence tech hub of Europe	50%

When respondents from Estonia, Latvia and Lithuania were asked to assess the **EU support to the Baltic states**, given the security and economic challenges they have faced since the beginning of the Russian war with Ukraine, the general sentiment is **3 (moderate)** across the three Baltic states. During the interview discussions, the foreign investors elaborated on their assessment of the EU support, reflecting the following sentiment – EU support is highly appreciated by the Baltics and by foreign investors that operate in them, although in view of the geopolitical challenges of the Baltics, it is not considered sufficient.

**Figure 4: On a scale from 1 (not at all) to 5 (excellent), to what extent does the EU provide sufficient support to the Baltic states, given the security and economic challenges they have faced since the beginning of the Russian war with Ukraine?**



	Estonia	Latvia	Lithuania
Median	3.0	3.0	3.0
Mean	3.0	2.9	3.0

When asked about the most helpful EU support instrument to address security and economic challenges in the Baltic states, the majority of foreign investors suggested **funding and expertise for meeting key defence priorities**. A large number of investors from Latvia and Estonia also pointed out the need to support renewable energy projects and energy independence.

**Table 10: EU support instruments that would be most helpful to address the security and economic challenges it faces in a new geopolitical reality.**

Estonia		Latvia		Lithuania	
Provide funding and expertise for meeting key defence priorities (e.g., border security, development of military capabilities)	69%	Provide funding and expertise for meeting key defence priorities (e.g., border security, development of military capabilities)	64%	Provide funding and expertise for meeting key defence priorities (e.g., border security, development of military capabilities)	82%
Support renewable energy projects and energy independence	52%	Support renewable energy projects and energy independence	43%	Boost the development of a (high) tech ecosystem	36%
Foster infrastructure development	34%	Foster infrastructure development	42%	Support renewable energy projects and energy independence	36%
Provide funding for research and innovation	31%	Stimulate targeted (foreign) investment attraction towards economic priority areas	40%	Stimulate targeted (foreign) investment attraction towards economic priority areas	36%
Stimulate targeted (foreign) investment attraction towards economic priority areas	31%	Promote economic and military cooperation between the Baltic states	32%	Promote economic and military cooperation between the Baltic states	32%

Promote economic and military cooperation between the Baltic states	31%			Foster infrastructure development	29%
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The interview data highlights the following assertions that have been shared by most foreign investors across the Baltics:

- The Baltic states represent the defence zone of the entire EU, therefore, their security and defence are of critical importance for the Union.
- If the Baltics were to fall from a Russian threat or attack, the entire EU would follow.
- The Baltics have made a significant contribution to their own security and to the security of Europe, shifting resources from important areas towards defence. Thus, additional EU support to the Baltics is needed and justifiable.
- For many years, the EU has not recognised the threat that Russia poses and until now the understanding of the severity of the current situation has not been fully realised.
- Currently, the EU is going through a crisis, being faced with an unprecedented challenge. However, the foreign investors believe that it can emerge as a strong, uniting power, demonstrating solidarity, unity and the ability to make strategic decisions in an agile manner.

In the view of most foreign investors across the Baltics, EU policymakers have not been responding adequately and quickly enough to the emerging challenges since the beginning of the war in Ukraine. Although exhibiting solidarity towards Ukraine and signalling European unity, the rhetoric has not been accompanied by sufficient action to boost the EU's defence capabilities and display readiness for internal transformation. Thus, several foreign investors used the following phrases to describe their call for action – the EU must “wake up”, it must “grow up”. Similar invitations have also been directed to the national governments in the Baltics, pointing to the need for a radical and urgent response to the security threats, away from excessive overreliance on external support.

In the view of the foreign investors, the change in US foreign policy has also impacted the EU. However, while commenting on it, the foreign investors yet again demonstrated a very pragmatic and opportunistic perspective. They argued that the new geopolitical reality provides an opportunity for the EU to position itself as the most stable, democratic and predictable zone in the world for doing business.

While reflecting on EU support, the respondents suggested different areas where EU resources would be useful, such as energy, infrastructure, R&D and innovation, and highlighted a challenge that the Baltic states have been facing – a bureaucratic burden that prevents the utilisation of available support. In view of this, they called on both the EU and national policymakers to relax the red tape and to ensure the availability of expertise and capacity for managing EU-funded projects.

The majority of interviewees have argued that the Baltics as a regional power, instead of as individual EU member states, should request EU support, given the joint challenges and needs. They emphasised that it would increase the lobbying power of the Baltics, facilitate the acquisition of funding and implementation of strategic projects, as well as enhance efficiency through synergies and shared resources. A more in-depth discussion about the collaboration between the Baltics is presented in the next section.



### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – An attack on the Baltic states would be an attack on the EU.

The entire EU would not be considered a safe place – to be honest, I am not sure whether EU policymakers understand this. Sometimes, I feel like the EU is also closing its eyes and pretending that Russia does not exist or that Russia is only Ukraine's problem. Of course, the EU politicians are speaking about defence, but again – speaking, without really doing anything concrete. Where are the actions? Politicians are supposed to be leaders who make decisions and act, not just talk in diplomatic and vague terms.

***Agriculture, forestry and fishing*** – Recently, we made an investment in the U.S., but due to Trump and the changing circumstances, we decided to shift our focus to Estonia as part of a strategy to diversify our assets. Many companies appreciate predictability and the EU gives it – there is a price to pay for it, namely bureaucracy, but the EU ecosystem is stable and predictable. In contrast, the political situation in the US is a major concern for investors, as there is too much unpredictability. The EU should definitely sell itself as a cornerstone of business predictability and stability in the world.

***Manufacturing*** – Since the 1990s, all the Baltic states have been saying that Russia is dangerous. We have been repeating it and nobody believed us. It is good that people in the EU are worried now and understand the risk. Finally! In Estonia, we have got used to this risk. We have been working against the propaganda that it is risky to invest in the Baltics. We have to reassure people that the Baltics are safe – otherwise, there will be a cascade of fear and many companies will leave Estonia. If they leave Estonia, they will also leave other Baltic states. And then it will affect the rest of the EU. The EU must wake up and understand what is happening! The cascade effect is a real danger – at the end of the day, business is all about confidence. If people stop believing that it is safe here, they will leave. So, governments in the Baltics and at the EU level should design a good defence plan – one that is actually working and sounds convincing! The Baltics is the key zone, where the security of the EU should be demonstrated.

***Administrative and support service activities*** – Effective and targeted use of the EU Defence Fund and similar instruments could help align security needs with economic and industrial development goals, creating added value for both the public and private sectors.

***Manufacturing*** – The politicians at the EU level focus on the needs of large EU countries. Some countries, like in the South of Europe, do not care what happens in the Baltics and use the opportunity of the current situation, attracting resources to Spain, Portugal and Italy, as if it is safe there. If the Baltics fall, the EU will fall. It will never be safe in Europe again. Countries such as Hungary and Slovakia seem to be on a different side – now they welcome Russia. How can we expect collaboration with them if they put a veto on everything relevant for the EU?

***Agriculture, forestry and fishing*** – Food, infrastructure and energy are key sectors where EU support is needed. If there were a war, we would need good roads or railroads to move military equipment. The Baltics need food to have supplies and energy for everything.

***Administrative and support service activities*** – One key opportunity lies in the better use of EU defence funding. Estonia – together with other Baltic and EU partners – should actively seek to access and strategically allocate these resources, not only to strengthen national security but also to foster innovation, cross-border collaboration and long-term resilience.

***Agriculture, forestry and fishing*** – We see that the EU is helping in many projects. It would be unfair not to recognise the EU funding. However, of course, the bargaining power of the Baltics, access to resources, and the ability to utilise EU resources is very limited. Research and innovation funding is definitely needed for key economic sectors to boost competitiveness. The Baltics need to boost our competitiveness if we don't want to be dependent on EU funding and support. Research

*and innovation are key instruments for development and growth, therefore, EU support would be critical here.*

**Agriculture, forestry and fishing** – *We should stop focusing on the EU agenda only and think by ourselves – what is really best for our economy, for our country, and how we can best use resources that are available from taxpayers' money. I feel that the Baltic states have generally been following the EU too much; we did not want to grow up and think for ourselves. As if we did not want to take responsibility for our own development and growth. It does not mean that we don't need EU support or that we are not part of the EU, but we need to have our own voice, and we need to think more about who we are and what we want to achieve, especially as the EU does not seem to be too concerned about the Baltic states.*

**Agriculture, forestry and fishing** – *To get more attention from the EU, the Baltic states should take a more proactive approach – come together, develop ambitious regional projects, and jointly apply for EU funding. There's clear potential for initiatives that benefit all three countries and align with EU priorities. In sectors like energy, for example, national strategies are still being developed individually by each Baltic state. It would be much more efficient if these strategies were coordinated on a regional/Baltic level, as the challenges and goals are often shared.*

**Manufacturing** – *As far as I know, the EU is providing some support for R&D and environment/green transition. But no real support for defence. If there were a joint defence fund to protect the border with Russia, this would help, and it would make sense to indicate that the EU stands together. It would boost the defence and the economy.*

#### **Quotes of respondents/interviewees from Latvia**

**Transportation and storage** – *The EU has a priority – Ukraine. As a result, the defence of the Baltic states is not in focus. Although support to Ukraine is important, the EU should not forget about the Baltic states, and the EU should certainly do more to help the Baltics. Although we do not have a war economy, more attention and resources are needed for the defence industry here and we are more economically vulnerable than Germany or France.*

**Transportation and storage** – *Greater EU support to the Baltic states is justified and needed if the EU wants to show that it is a union, not just in title, but in reality. So far, the EU has been moving very, very slowly with adjusting to the new reality, sort of denying it, ignoring the threat of Russia. The war in Ukraine is not just a war in Ukraine – it is a war in Europe, it is a war that could escalate very quickly and captivate the entire of Europe, if not the entire world. I do not want to terrify people, but again – I think Europe needs to grow up and become stronger. The bureaucrats in Brussels cannot hide behind long speeches about European solidarity, values and unity – they need to prove with actions that they can rise to the challenge and solve real issues.*

**Administrative and support service activities** – *Currently, the European Union is allocating significant financial resources to the EU member states to support economic development, innovation and resilience. However, in our view, Latvia is not making full use of these opportunities, especially when compared to Lithuania and Estonia. Our ability to absorb and leverage EU funding is lagging behind, and this puts us at a competitive disadvantage. To change this, Latvia should strengthen its lobbying efforts in Brussels and ensure that our national interests are better represented at the EU-level decision-making institutions.*

**Manufacturing** – *Strengthening the Eastern border should be a strategic priority for the EU, not only from a defence standpoint but also in terms of economic and regional development. Targeted support for border areas would signal resilience and a proactive stance, which in turn helps to boost investor confidence in the region.*

**Manufacturing** – We believe that EU funding could be more strategically directed towards addressing demographic issues, such as creating incentives for Latvians who have emigrated to return, and making Latvia more attractive for young people to live, work and start families. Demographic revitalisation should be treated as a strategic priority, not only nationally but also at the EU level, as it is directly linked to economic sustainability, workforce availability and long-term investment potential.

**Real estate activities** – The EU should rearm itself – the key question is how can Europe cooperate to set up production for the military industry? How can they cooperate better? Given Latvia's location, on the border of Russia, the country should have a big say in the EU, especially given credible experience. We should have a much stronger say in these matters – what the rearming of Europe means and how the military industry should be developed. This is our political opportunity as well. Some people in the West now feel a bit embarrassed that they did not take the situation with Russia seriously. It is a political opportunity for Latvia – Latvians have been warning the EU and other countries, but have been laughed at for so many years. Who is laughing now? It is not funny anymore, it is time to be smart, bold and cooperative, realising the real threat from Russia.

**Information and communication** – The EU should invest in defence and support the Baltics and other countries that border Russia. The Eastern border is Europe's fortress. If they fall, the entire EU will fall. I do not even wish to imagine such a scenario. Greater investments in defence tech, and stronger cooperation, especially with the Baltic states, would create a feeling of security – this is very important. I feel that the EU also needs to grow up in terms of responsibility for its own defence and security. We cannot rely on US support anymore. It is a time of crisis for the EU and for the entire Western world. Maybe it is good that Trump is shaking up the world so much; maybe it is a good wake-up call. I just wish that EU policymakers would hear the alarm and become leaders, instead of talkers.

**Transportation and storage** – We see that in Europe there are some indications of new alliances – the Coalition of the Willing. However, what will come out of this and whether it will be active and effective raises many questions and doubts. But the EU has no time to waste and it should focus on the protection of the countries that border Russia, especially the Baltics. It is not just a Baltic security issue; it is an EU security issue. The United States of Europe is far from a reality, but we should aim towards this. The EU together is a serious power. We are a European border, and we should communicate this to the EU.

**Electricity, gas, steam, and air conditioning supply** – We [Baltics] need funding for economic priority areas. It might be a bit more risky, given the geopolitical risks, but economic investments will support the defence of the entire of Europe. Connectivity between the Baltic states is also essential, as it would be strategic. This refers to RB Rail, but also to other projects.

### **Quotes of respondents/interviewees from Lithuania**

**Arts, entertainment and recreation** – For the Baltics, the EU is providing good support. We managed to convince Europe that defence spending is needed. The EU understanding of the threat was very weak before the war in Ukraine. The EU must take care of its own defence – this understanding is gradually coming, which is a positive development. EU support for defence in the Baltics is not really coming yet. Many countries in the EU do not see the real threat and do not really understand that the EU is a group of countries, where an impact on one country would affect the rest of the Union. The EU is moving too slowly in terms of defence. The Baltics need support for high tech and defence – this would ensure both security and stimulate the economic development of the region.

### 3.3. Collaboration between the Baltic states

The current research has explored the views of the foreign investors about collaboration between the Baltic states. The survey included the following question: “Given the new geopolitical reality, what are the top-3 areas where the three Baltic states should collaborate more intensively?”. In addition, during the interviews, the foreign investors were asked whether they saw opportunities that the Baltic states might explore together and reflected on the feasibility of more intensive collaboration.

In the view of the foreign investors, regardless of the country in which they operate, the three Baltic states should certainly collaborate more intensively, especially in the areas of **defence**. In addition, investors from Estonia and Latvia suggest strengthening collaboration in the areas of energy and environment, while investors from Lithuania and Estonia would also appreciate more collaboration in the areas of science, technology and innovation.

**Table 11: Top-5 areas, where the three Baltic states should collaborate more intensively, in view of the foreign investors.**

Estonia		Latvia		Lithuania	
Defence	83%	Defence	77%	Defence	93%
Energy and environment	83%	Energy and environment	57%	Infrastructure	54%
Science, technology and innovation	48%	Economy and industrial development	47%	Science, technology and innovation	50%
Economy and industrial development	45%	Science, technology and innovation	45%	Economy and industrial development	39%
Infrastructure	28%	Infrastructure	43%	Energy and environment	36%

When discussing stronger **defence** cooperation between the Baltics, interviewees repeatedly stressed that small countries, such as Estonia, Latvia, and Lithuania, should not try to do everything alone, especially regarding defence efforts, duplicating efforts or not capitalising on the potential economies of scale. Respondents pointed to the need for coordinated defence procurement, shared investments and joint R&D projects, especially in areas such as military infrastructure, logistics and advanced technologies. There was a suggestion for a common Baltic military academy, implying that cooperation should extend beyond procurement to include shared training systems and a deeper alignment of long-term defence planning.

Although respondents noted some positive steps in recent collaboration between the Baltics, they acknowledged that diplomatic relations between the Baltics have been strong, but economic collaboration is rather limited, due to different national priorities, a strong orientation towards larger economies and political powers, regulations and tax regimes. Thus, the foreign investors expressed a concern that political leaders remain hesitant to commit to deeper cooperation or joint initiatives. The main obstacles, in their view, are a **lack of strategic vision and a competitive mindset** that seems to dominate across the Baltic states. In light of this, several respondents invited both the Baltic populations and their governments to “grow up” and to stop perceiving the neighbouring countries as key competitors, constantly comparing themselves to each other. According to the foreign investors, competition is natural, it is present in the private sector, and it may be stimulating, yet it should not become a barrier to a pragmatic approach towards collaboration.

Moreover, several foreign investors suggested that stronger collaboration between the Baltics could foster a better alignment of government strategies and, as a result, more clearly reveal the focus/specialisation of each Baltic state, which, as pointed out earlier, has been problematic



particularly in Latvia and Lithuania, due to the lack of a long-term development strategy. As a result, such collaboration could strengthen the creation of country images and national identities, rather than diluting them.

#### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – There should be cooperation in the area of defence, as if countries are alone, they will not be able to stop the Russian Army. We do not have to duplicate efforts – some coordination is needed. Here, again, we wait on politicians and hope they are wise enough to design a good plan.

***Administrative and support service activities*** – While it's not yet clear what such cooperation would look like in practice, it's certainly a direction worth exploring – not just in defence, but also in areas like higher education, innovation and scientific research. For example, Finland and Sweden already have strong partnerships between their universities and research institutions. The Baltics could aim to create something similar. There are already some examples we can build on. In Latvia, for instance, we have the Patria military vehicle project. This kind of initiative could be a stepping stone for more joint Baltic projects, particularly in R&D and advanced technologies. Estonia, in particular, has made impressive progress in drone technology, and this is an area where regional collaboration could bring real added value.

***Agriculture, forestry and fishing*** – The Baltics do not really cooperate; only the big companies drive collaboration. The Baltic supply chains are quite integrated. The recognition of education certificates should be facilitated so that people can move easily between the three Baltic countries. Perhaps, more education/training programmes should be available in English to support the travel and migration of labour.

***Manufacturing*** – There should be greater cooperation across more areas, rather than constant competition. For example, tax policies should be more harmonised between countries.

#### ***Quotes of respondents/interviewees from Latvia***

***Information and communication*** – Defence should become a key collaboration area and there is a lot of money in it. There are tenders that require big collaboration projects, and this is where collaboration opportunities have been lost so far. Also, there is money in the space area. The Baltic states should definitely collaborate, but they should grow up from a childish competitive mode and look for joint opportunities that bring benefits to all of them. I think the world in general needs wise leaders who are not afraid to do the things that are necessary.

***Electricity, gas, steam, and air conditioning supply*** – Defence, infrastructure, public procurement – there are economies of scale, and these are areas where the Baltics should explore collaboration. It would facilitate the transportation of military equipment. There should be collaboration in investment attraction, as each country has specific advantages. We should look for synergies, instead of competing with each other. Klaipeda is likely to become a logistic hub soon. Together with Riga, the Baltic states could position themselves as a logistic hub of Europe, at least Northern Europe, and thereby become more competitive.

***Manufacturing*** – Rail Baltica is a crucial infrastructure project, and its development should absolutely consider military mobility needs alongside civilian use. In today's geopolitical context, dual-purpose infrastructure is not just strategic – it's essential. In addition, the Baltic states should move forward together on creating a unified power grid and aligning their wind energy strategies. These are critical areas where regional cooperation can create stability, scale and attractiveness for long-term investment. If this region truly wants to attract large-scale investment, the focus



*should be on pan-Baltic initiatives. A coordinated approach would not only reduce fragmentation but also present a more compelling case to global investors.*

**Transportation and storage** – *In diplomatic terms, the Baltic states are united, but in economic terms we are independent, and we compete. Each country has its own regulations and priorities, therefore, collaboration becomes more difficult. If we unite our tax regimes or align other regulations it would help to stimulate collaboration. However, I do not believe that it will happen soon. I think we are still living in the “old world” concept and probably do not think that we should radically change our approach. Therefore, there is a question – are we living in the same reality? Should something really bad happen, do we start adjusting? Technology and innovation, defence, and infrastructure are areas where we could collaborate more. EU support could foster more joint pan-Baltic projects – this would be really helpful.*

**Administrative and support service activities** – *When it comes to technological potential, we believe there is a lot of room for growth and collaboration if Latvia and Estonia join forces. In fact, we should be actively cooperating across the Baltic region, especially in areas like pharmaceuticals, where Latvia has a strong industrial base and untapped potential for joint initiatives.*

**Transportation and storage** – *The Baltics should cooperate, but it seems that so far there have only been talks about cooperation. There should be a common Baltic military academy to improve the regional skills of the military. Together, we could address so many challenges and help each other. But I am afraid that the politicians are short-sighted, therefore, they do not want to commit to important reforms.*

**Administrative and support service activities** – *Defence is another strategic area where deeper Baltic cooperation would bring mutual benefits. Shared investments, coordinated procurement and joint R&D efforts could strengthen regional resilience. A good case in point is the aviation sector – airBaltic’s success has largely depended on state support, which allowed Latvia to maintain and grow a national airline, unlike Estonia and Lithuania. This, again, is an example of a sector where closer regional coordination could lead to stronger outcomes.*

**Manufacturing** – *From our perspective, it’s quite simple – small countries with limited resources shouldn’t try to do everything alone. There is significant potential for greater cooperation among the Baltic states, especially in strategic areas like defence and healthcare. For instance, large-scale procurement on a pan-Baltic level would be far more efficient. The question isn’t why we should cooperate, but why not? The same logic applies to closer collaboration with Finland.*

Another frequently raised theme among the foreign investors was the call for a shared **Baltic strategy**, which would present a long-term grand vision for the development of the entire region. Investors observe that Estonia, Latvia and Lithuania are already viewed abroad as one market, yet the three countries predominantly work in silos and forego opportunities that could not be utilised individually. Besides providing an opportunity to speak with one voice in Brussels and other international platforms, the joint Baltic strategy could foster the implementation of Rail Baltica and other critical transport and security corridors, and support the creation of new energy, education, innovation, and technology initiatives, making the Baltics a more resilient, prosperous, safe and, hence, attractive destination for the foreign investors.

As some investors suggested, such strategy could follow the example of the Nordic countries, where long-term objectives are set beyond election cycles, anchored in clear political commitments, and developed in close cooperation with the private sector. Without such

strategic direction, ministries will continue to operate in parallel rather than in unison, with investment decisions delayed, and the region risking losing momentum as debates persist.

#### ***Quotes of respondents/interviewees from Estonia***

***Agriculture, forestry and fishing*** – The collaboration between the Baltic states should start on a political level. The private sector will definitely see the benefits of cooperation, as it will increase the size of business projects and demand, boosting the economy, and creating more jobs. If governments were to clearly indicate what this collaboration plan looks like and support it, the businesses would jump onboard. This would help companies to create a 5–10-year business plan and boost demand. But now the government is not willing to support entrepreneurs, there is a lack of clarity on the key priorities and where the opportunities to invest are. Hence, companies sit and wait, or redirect their resources abroad. I guess what governments do not understand is that time is money. While governments are thinking, businesses also think about where to invest. As a result, the Baltics are losing money.

***Administrative and support service activities*** – Of course, the Baltic states should take inspiration from the Nordics when it comes to cooperation. Just like the Nordic countries, a more integrated Baltic approach would strengthen the region's position and make it a more serious and influential player on the European stage.

***Manufacturing*** – The Baltic states should work together more, especially given the joint challenges. We should stick together now and try to be heard. I have not seen much happening. Rail Baltica is a bad example – how not to do things. But what is happening with collaboration in other areas? Are we friends or enemies? I understand that we are competing with each other. All neighbours do it – it is normal and it might actually stimulate each other, but it does not mean we should not collaborate when it makes sense. There is always a way to do it smartly. Companies compete all the time, but they also strengthen each other through collaboration. This should be more so for governments. The Baltics are a small region with a similar history and culture; if we don't see opportunities for collaboration, then we just don't look for them and are not thinking strategically.

***Manufacturing*** – There are many benefits of collaboration between the Baltic states – it would boost security, it would clearly indicate priority sectors where each country specialises in and this would help to direct investments. Governments should explore if they can come up with an aligned development strategy that is beneficial for all. None of the Baltic states has money to buy everything – to invest in all sectors, in large projects, and it does not make sense for such small countries.

***Agriculture, forestry and fishing*** – I think another big area for collaboration is related to forestry. Around 40% of Estonian territory is still forest. Other Baltic states also have a lot of forests. There is huge potential for business development and collaboration across the Baltics. If there were a coherent plan on how to use these resources across the Baltic states it would create a competitive advantage and put the Baltics on the world map.

***Agriculture, forestry and fishing*** – Nuclear power plant for the Baltics could provide energy for the entire region.

#### ***Quotes of respondents/interviewees from Latvia***

***Real estate activities*** – I suggest that more collaboration is always better for the three Baltic states. The governments in the Baltics should think strategically and long term: we are neighbours, we are not going anywhere, we have been growing together side by side, we have differences, but we are closer to each other in every single way than with any other country in the world. We will compete

*and it is healthy, as it stimulates change and progress, but it should not prevent us from collaborating. The Baltics would be a beautiful trio if they could agree on a grand strategy for the region – where we want to be, and then we could agree on how to get there together.*

**Manufacturing** – *Many international partners and global companies perceive the Baltics as a unified region, rather than as three separate countries. From this perspective, greater regional cooperation would bring clear advantages. Given the relatively small size of each country, working together can enhance efficiency, scale and visibility on the global stage. To use a business analogy – if these were companies, their strategic direction would likely involve a merger to consolidate strengths and resources.*

**Electricity, gas, steam, and air conditioning supply** – *The Baltics could store CO<sub>2</sub> for the entire EU. We need to indicate the scale for the entire EU and the world to get big opportunities and claim leadership in some area; then, we will become larger and more important players in attracting investment. As individual players, the Baltic states do not have manufacturing capabilities. Only together can we do it.*

**Electricity, gas, steam, and air conditioning supply** – *How to create a collaboration mechanism to avoid competition? I know that in many ministries this collaboration already takes place. The Baltic states need to find a common language. We need to look at how the market is connected and create value chains. Our current energy strategies are totally disconnected. The Baltic states will always compete in terms of taxes, but in the areas of energy, sanctions, infrastructure and others we can always find a common language. At the level of universities, such collaboration also works – this happens on a human level. It will only happen once people are motivated for change and there are people who are personally responsible for driving it.*

**Manufacturing** – *Many international partners and global companies perceive the Baltics as a unified region, rather than as three separate countries. From this perspective, greater regional cooperation would bring clear advantages. Given the relatively small size of each country, working together can enhance efficiency, scale and visibility on the global stage. To use a business analogy – if these were companies, their strategic direction would likely involve a merger to consolidate strengths and resources.*

### ***Quotes of respondents/interviewees from Lithuania***

**Arts, entertainment and recreation** – *There are cultural differences between the three Baltic states, but we are still very close to each other. What could help is to have a joint strategy for the Baltics – what the three Baltic states want to achieve. Firstly, we should define 3 key goals for the Baltics and think together how to achieve them and how to make the collaboration work. Governments and businesses should be involved in the implementation of this strategy, as this cannot be achieved without private sector engagement. In addition, governments typically only work during their term in power, so there is no continuity and long-term agenda without the strong involvement of business.*

**Arts, entertainment and recreation** – *If the Baltics spoke with one voice to the EU it would boost all three countries. From the investor's perspective, they look at the Baltics as one piece. If we look purely at the defence agenda, we should not only look at the Baltics but also take Poland onboard as Poland is an important partner, which borders Russia/Belarus and Ukraine. This is the area where the EU needs to invest to be safe. The countries are small, therefore, it makes sense to build synergies and enhance the energy independence of the Baltics. It would be good if we managed to finish Rail Baltica – we hope it will not be stuck for a prolonged length of time.*

**Information and communication** – *There hasn't really been a strong, defining reason that has pushed our countries to deepen cooperation significantly. While the idea of closer collaboration always sounds good in theory, in practice, we've often operated in parallel rather than in sync.*

*That said, competition isn't inherently negative – in fact, it can drive innovation and push everyone to improve. So, the issue isn't entirely one-sided. However, with the right incentives or a shared strategic goal – especially in areas such as energy, digitalisation, or regional security – I believe that more meaningful cooperation could emerge. It just hasn't been fully activated yet.*

***Arts, entertainment and recreation*** – *We should look for support for high-tech sector investments and develop a joint trade/export strategy. A three-country partnership would be so much more efficient. We would strengthen supply chains, stimulate internal markets, create jobs, and boost our autonomy and independence.*

***Transportation and storage*** – *Politicians should focus on cooperation for the benefit of the country – not on being re-elected.*

## Chapter 4: Success factors of the Baltics and messages to national, EU and Baltic policymakers

The current chapter presents the success factors and business opportunities in the Baltics (section 4.1), as perceived by the foreign investors, and summarises the key messages of the foreign investors to the policymakers, specifically to the Prime Ministers and EU and Baltic policymakers (section 4.2–4.4). These messages have been recorded during the completion of the survey, therefore, original quotes are provided in each section.

### 4.1. Success factors and business opportunities in the Baltics

During the in-depth interviews, the respondents reflected on the success factors and business opportunities of the Baltics. Their suggestions do not show strong differences between the countries and can be summarised as follows:

- The **defence sector** should become a driver of economic growth and investment attraction in the Baltics. Although some foreign investors express caution regarding militarising the Baltics and thereby creating an excuse for Russia to behave more aggressively, the majority of the foreign investors unanimously support the development of the sector, but highlight the importance of a dual application approach to ensure acquired/developed technologies, and goods can be utilised for civil purposes and different industries. To capitalise on investments in the defence sector, the governments in the Baltics should have a smart strategy.
- In the view of the foreign investors, the competitiveness and growth of the Baltics depends on two factors – **human capital, and research and innovation**. While the former has been discussed in detail, the importance of research and innovation cannot be overemphasised. The foreign investors across the three countries urge the governments to support the development of innovation ecosystems, which, in turn, could stimulate the development of the defence and other industries. The investors appreciate positive developments in the technology sectors across the Baltics, yet consider that the Baltics have much larger potential that must be utilised as soon as possible.
- Given the EU green agenda, the **Baltics' natural resources and orientation towards sustainability**, several investors view significant business opportunities in the area of the green economy.
- Stronger collaboration between the government and the private sector, as well as **public-private partnerships**, could be an effective approach to addressing challenges in the Baltic states.

Besides the above, several foreign investors in Latvia suggested that the country has good prospects in the **tourism sector** and would benefit from the development of venues for events, while investors from Lithuania emphasised the importance of stronger integration of the English language in the Baltics. The latter is expected to foster international collaboration, attract talent and, possibly, position the Baltics as a gateway for foreign investors to Europe.

#### *Quotes of respondents/interviewees from Estonia*

*Agriculture, forestry and fishing – We are sceptical about making the Baltics a defence hub of Europe. It could bring more security threats. Russia might have more incentives to attack us, but being strong might also deter Russia. This is a difficult debate. However, even if the Baltics decide to invest in defence, they should think about multiple ways/applications for these investments.*



*Hopefully, one day this mess will end and common sense will return, but if we just invest in tanks and other equipment, what are we going to do with it afterwards? It will be a total waste, which will be destroyed after a few years. So, let's be smart about where we invest in defence.*

**Agriculture, forestry and fishing** – *The IT ecosystem is growing, and it offers a lot of potential. But the risk is that once IT start-ups have grown, they will leave the market for a larger one. As a result, the government should be careful about where it allocates money and how it stimulates business development, but ensure that companies stay in Estonia.*

**Agriculture, forestry and fishing** – *Considering the future shift towards zero carbon emissions, wood resources and biomass, Estonia presents a favourable environment for this kind of business.*

**Manufacturing** – *Digitalisation and AI – we are proud of success in this area. We have to find synergies between manufacturing and digitalisation to boost efficiency. Digitalisation is increasing productivity everywhere; therefore, it is an enabler for all sectors. I am happy that Estonia has chosen digitalisation as a key driver of the economy.*

#### **Quotes of respondents/interviewees from Latvia**

**Real estate activities** – *The defence sector could drive other technology sectors – this will benefit the entire economy. In Norway, we use defence technologies in many other industries. This is something that could provide business opportunities in the next 10 years.*

**Information and communication** – *Increase R&D funding and simplify access to grants for tech companies, establish clear frameworks for technology transfer and the commercialisation of academic research.*

**Professional, scientific and technical activities** – *Innovation ecosystem – State procurement in this field with clear goals and measurable KPIs, review legislation about commercialisation and IP rights, and provide tax reliefs for companies engaged in R&D as a corporate tax rebate.*

**Information and communication** – *Innovation Ecosystem: Establish stronger collaboration between startups, universities and corporations through innovation hubs and accelerators. Provide tax incentives for R&D and streamline patenting processes. Expand public-private partnerships to drive high-tech industries such as AI and biotech. Investment Incentives: Introduce targeted tax breaks for foreign and domestic investors in high-growth sectors. Simplify bureaucratic procedures for startups and venture capital funds. Create government-backed co-investment schemes to attract private capital into innovation-driven enterprises.*

**Real estate activities** – *The government should work more with AI and other technologies – Latvia could become a leader in this respect. This would improve the overall investment climate and reduce bureaucracy, as well as improve productivity and efficiency. There are some initiatives taking place already, but I think we should have the ambition to become leaders in integrating technologies into public sector operations. We also need to market these ideas; we feel that Estonians have the confidence to sell themselves and present themselves as digital leaders, but Latvians are too shy and overly critical about themselves. We should not be afraid of copying what other countries are doing.*

**Electricity, gas, steam, and air conditioning supply** – *Latvia underutilises public-private partnerships. We would be ready to do business in any municipality.*

**Real estate activities** – *Tourism is a very strong trend that will continue. The Baltics have a lot to offer, and there are many beautiful places to see and spend time. Latvia is still reasonably affordable, especially if you compare hotel prices. Tourism also helps many service industries.*

**Real estate activities** – *The Baltics should capitalise on rearming Europe – this is a great business opportunity for Latvia. We need a clear action plan – in what way can Latvia attract investors. There are local companies that could contribute to the military sector, but foreign investors also have an interest.*

**Transportation and storage** – *We could use the geopolitical situation to turn the defence industry into something economically impressive. We just need smart ideas on how to commercialise everything. Latvia has good potential to prosper. We are a small country, and our government is close to the business sector – we could do a lot together. The potential of public-private partnerships is underutilised.*

**Real estate activities** – *Facilities to organise large events are quite limited in Latvia – this is something that the industry should discuss with the government. But Latvia could become a great location for high-level events and generally for tourism. Due to the logistical and transport route, people could come to Latvia easily – Riga has the potential to become a regional transportation and logistics hub.*

**Administrative and support service activities** – *Given our small population, we believe that Latvia should focus on developing high-impact solutions and technologies that are not labour-intensive, but require highly skilled individuals. Strategic investment in people is needed – in their education, skills and human capital retention – this is key for Latvia. If we cannot compete with scale, we must compete by being smart and efficient!*

#### **Quotes of respondents/interviewees from Lithuania**

**Information and communication** – *When it comes to innovation, there is clear potential across the Baltics. There are many innovative thinkers and a good innovation spirit. However, investors are typically more risk-averse in this region, due to the smaller market size and infrastructure gaps. That said, the entrepreneurial spirit here is strong – and with the right policy and support mechanisms, the region can absolutely move up and demonstrate huge innovation potential.*

**Transportation and storage** – *Science & Innovation: Without natural resources, we need to use our brains.*

**Information and communication** – *Lithuania is not truly multinational, and this is also true for the other Baltic states. Many people speak English, but I think English should be more widely used and accepted, especially in business circles. This would attract more qualified labour and drive more foreign investment.*

**Manufacturing** – *Increasing financing, and regulating the statutory framework is needed. Involving business associations and stronger dialogue with the government is critical to addressing challenges.*

## **4.2. Messages to the Prime Ministers**

Across the Baltics, the foreign investors share a strong consensus: governments must reduce bureaucracy, engage the business community, and provide clear, stable strategies to foster investment and growth. There is unanimous support for prioritising innovation, investing in human capital, and enhancing institutional efficiency, especially in areas such as defence, energy and public administration.

**Estonia** stands out for its emphasis on protecting its existing digital and low-tax business environment while pushing for visionary leadership and competitive innovation. **Latvia's** investors focus more on drastically cutting bureaucratic overhead, restoring trust between businesses and the state, and improving governance through measurable accountability and efficiency. **Lithuania** emphasises national security, political integrity, and urgent defence investment, combined with strategic infrastructure development and long-term human capital growth.

Despite differing national contexts, all three countries are urged to lead decisively, collaborate with the private sector, and act swiftly to ensure resilience and competitiveness.

Below is a concise summary of the key messages from the foreign investors to the Estonian Prime Minister:

- **Lead with Vision:** Show bold, proactive leadership with clear goals and a motivating direction for the country.
- **Protect Competitiveness:** Avoid tax increases, reduce regulation, and maintain a business-friendly environment.
- **Engage the Business Community:** Involve businesses in policy development to ensure practical and supportive regulations.
- **Support Key Industries:** Prioritise manufacturing and defence sectors as drivers of growth and employment.
- **Invest in Innovation:** Focus on R&D and technology to create new competitive advantages.
- **Ensure Policy Stability:** Provide clear short-, mid-, and long-term development plans to reduce uncertainty.
- **Strengthen Energy and Food Security:** Keep energy affordable, support local food production, and base decisions on sound economics.
- **Simplify Bureaucracy:** Radically reduce red tape to ease doing business.
- **Address Inflation and Labour Needs:** Tackle inflation and enable easier access to foreign labour without interfering in wage setting.
- **Maintain EU Alignment with National Interests:** Review and adapt EU regulations to fit Estonia's specific context.

***Quotes of respondents/interviewees from Estonia***

***Administrative and support service activities*** – More out-of-the-box thinking than increasing taxes.

***Other service activities*** – Transparency, clear goals, and a clear motivating message to the Estonian people.

***Agriculture, forestry and fishing*** – Please make sure that you coordinate with the business community before implementing new laws/regulations.

***Manufacturing*** – More people means more welfare & security to all.

***Manufacturing*** – Prioritise domestic manufacturing capabilities; decisions should support the sector. Regarding defence products – we have know-how, infrastructure, and can reorganise to other products, including defence products, e.g., drones, drone detection, ammunition, and others.

**Information and communication** – Estonia has had three key competitive advantages over the past 30 years – (1) Favourable geopolitical position, (2) Favourable energy prices and labour cost, and (3) Favourable business environment (e-government, simple and low taxes, low bureaucracy). Of these, the first and second advantages have almost completely disappeared, and the third advantage is reduced to ease of doing business in an e-government environment. To find new competitive advantages, it is necessary to first build confidence that Estonia is a country that will last. Then it is critical to restore favourable energy prices, invest aggressively in innovation including R&D, and radically reduce bureaucracy.

**Information and communication** – More focus on growing small and mid-size companies, and what they need to grow more.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – The country needs clear short-term, mid-term and long-term plans of development, considering the current reality. Constant uncertainty is bad for business.

**Manufacturing** – We need domestic political stability and clear development plans for the defence industry and energy.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – When making decisions about transport fuels and other energy carriers, we must refrain from making investments without fiscal economic justifications in order to avoid isolated, business-based and competition-distorting results; we must continue with the renewable energy-based choice as before; rapid and thoroughly considered objective decisions are necessary to prevent European Union infringement procedures; auditing and transparency in economic decision-making; real, not apparent, involvement. 2030 is already today, so the state cannot delay making sustainable decisions.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Place the priority on fighting inflation.

**Agriculture, forestry and fishing** – Reduce regulations and cut the admin. burden.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Food VAT should decrease to increase customers' buying power.

**Manufacturing** – Remember that you work for people.

**Manufacturing** – Do not increase taxation and support the competitiveness of the area by allowing labour to come to Estonia more easily and let the markets handle the minimum wage.

**Manufacturing** – Acknowledge the importance of the manufacturing industry as the driver of GDP and employers to a very large part of the Estonian population.

**Agriculture, forestry and fishing** – Ensure that food security is a priority for the Government by supporting locally produced food.

**Manufacturing** – Please review the regulations coming from Europe and which ones are not relevant/adequate to the current situation in Estonia and perhaps in Europe in general, and provide input to repeal them (and/or use your teams for this).

**Manufacturing** – I invite you for a visit, to get some real hands-on experience from the manufacturing side of Estonia. We have been in Estonia since 1992, but the way things are developing now, we will not be here after the coming 10 years.

***Professional, scientific and technical activities*** – 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.

Here is a summary of the key messages from foreign investors to the Latvian Prime Minister:

- **Streamline Bureaucracy and Public Administration:** Drastically reduce bureaucracy and the administrative burden; consolidate institutions, cut excessive staffing, and tie public sector salaries to performance-based KPIs.
- **Build a Trust-Based Business Environment:** Shift from a culture of mistrust towards businesses to one rooted in partnership and trust; listen to existing investors – they've proven their commitment.
- **Develop a Clear, Long-Term National Strategy:** Create a professional, depoliticised national strategy focusing on key issues such as defence, demography and economic resilience.
- **Invest in Workforce and Vocational Education:** Improve workforce skills, especially in vocational training and management-level expertise, to attract investment and increase productivity.
- **Improve Institutional Efficiency and Budget Use:** Optimise government expenditures, eliminate low-value processes, use AI where possible, and ensure better returns on public spending.
- **Enhance Support for SMEs and Startups:** Encourage small business growth through simpler regulations, tax relief in early years and easier startup procedures.
- **Attract and Compete for Industrial Investment:** Focus investment attraction agencies on bringing in large-scale industrial investors, streamline the permit process and offer meaningful incentives.
- **Foster Social Unity and National Defence Readiness:** Invest in people and societal integration to ensure internal strength and readiness in times of crisis.

***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam, and air conditioning supply*** – Listen to those who have already invested in your country, they did it once, they will do it again.

***Manufacturing*** – Reduce bureaucracy by merging a number of state administrative institutions, and reduce the number of employees in state institutions by 15%. Turn the remaining civil servants into multi-taskers and pay salaries based on measurable KPIs.

***Manufacturing*** – Please limit the bureaucracy – we have no time to work with all the paper (digital) work to complete. We don't want to get a 6-page answer full of legal quotes to a simple question. Eliminate the huge state apparatus.

***Transportation and storage*** – Think in the long term for 2 key issues for Latvia – demography and defence.

***Administrative and support service activities*** – Solid strategy for how to make Latvia an attractive place to live & work is a must.

***Manufacturing*** – Institutional efficiency & productivity is the key to creating more funds to be used in the defence sector.



**Professional, scientific and technical activities** – Without an integrated society, we will not be able to win the war. Invest in people, so that all parts of society are ready to defend the country.

**Real estate activities** – Use the opportunity NOW to include Latvia in the EU's defence investment plan, both to grow the economy and strengthen defence!

**Other service activities** – Stimulate the growth of small companies, make the requirements easier to start the business, and give some tax discounts during the first years of operation.

**Transportation and storage** – My suggestion would be to Optimise Governmental Expenditures, as well as increase governmental efficiency by developing public-private cooperation. I'm sure there are plenty of unnecessary administrative processes, which doesn't bring any added value in today's reality, as well as the Governmental sector should "lead by example" by showing how we could work with higher efficiency, with less costs and with the introduction of AI.

**Manufacturing** – 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. Additionally, addressing energy costs and ensuring a stable economic environment will enhance Latvia's global competitiveness.

**Transportation and storage** – Hard times require brave and decisive actions. Reduce public administration costs; you don't need to create yet another working group.

**Electricity, gas, steam, and air conditioning supply** – Sell Latvia to industry investors above all. LIAA should be focusing exclusively on investment attraction. Streamline permitting and fight for every new factory.

**Accommodation and food service activities** – Learn to live without US presence.

**Real estate activities** – To start thinking about how to improve the investment climate/attract investments.

**Manufacturing** – The government should enhance access to finance, implement competitive investment incentives, invest in management-level skills development, accelerate digital transformation, and strengthen regional and EU collaboration.

**Manufacturing** – Improve the efficiency of state and municipality budget spending.

Below are the key messages from foreign investors to the Lithuanian Prime Minister:

- **Ensure Political Integrity:** Distance from pro-Russian elements and focus on forming a coalition aligned with Lithuania's national security goals.
- **Invest in Defence Now:** Make timely, sufficient and sustained investments in national defence – stop delays and move to execution.
- **Develop Human Capital:** Invest in talent, education and demographic strategies beyond short-term financial incentives.
- **Build a Predictable Environment:** Ensure stable tax policy, regulatory clarity, and economic predictability to encourage investment.
- **Foster Business-Government Collaboration:** Create a transparent, collaborative governance model that engages the business community.

- **Accelerate Infrastructure Growth:** Prioritise the strategic development of energy, rail and ports to support economic growth.
- **Enhance Public Sector Efficiency:** Make the government more agile, accountable and focused on enabling business growth.
- **Support Innovation and Sustainability:** Stimulate renewables, invest in world-class education and reduce bureaucracy.
- **Present Clear Strategies:** Deliver coherent, actionable strategies for economic development, defence and human capital.

***Quotes of respondents/interviewees from Lithuania***

***Transportation and storage*** – Let's put our country before ourselves.

***Financial and insurance activities*** – Love the current position, keep at it.

***Manufacturing*** – Start thinking out-of-the-box on how to increase birth rates – one-off payments to families do not count.

***Financial and insurance activities*** – Stable 2<sup>nd</sup> and 3<sup>rd</sup> pillars of the pension system, including state incentives.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Please ensure sufficient and sustainable investments into Lithuania's defence as soon as possible, and ensure that taxation and regulation focus on economic growth; focus on public sector efficiency.

***Electricity, gas, steam, and air conditioning supply*** – Should have world-class universities.

***Information and communication*** – Pro-Russian forces currently active in the government coalition distract from and harm the key objective of this Government, which is to protect the Lithuanian state from the enemy on the other side of the border. You have the responsibility to distance yourself from those forces and to create a coalition that will serve Lithuania's interests at speed and scale.

***Real estate activities*** – Please stop collaborating with Nemuno Ausra and start to focus on Lithuanian needs.

***Electricity, gas, steam, and air conditioning supply*** – We need to focus on solving key challenges (human capital, unpredictable regulations etc.), and the renewables sector should be stimulated.

***Financial and insurance activities*** – State tax system, competitive cost level, predictable decisions.

***Transportation and storage*** – 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. The government must act as an enabler for business growth and international partnerships. Try to ensure the safety of residents. There must be specific requirements and required reports for municipalities. Clear and precise instructions must be provided to residents.

***Information and communication*** – There is an opportunity for Lithuania to implement a new version of Government – transparent and collaborative with business to advance the country

*for everyone who has decided to live there. This is the key direction to make people invest their lives in the country and be first in the EU.*

***Arts, entertainment and recreation** – Investment in defence is currently on the list of priorities. When do we come to execution? 3 years down the road and not much change. So, what is the trigger to act?*

***Manufacturing** – Invest in human capital, reduce bureaucracy, and think strategically*

***Wholesale and retail trade; repair of motor vehicles and motorcycles** – Be careful with introducing changes in the tax system, and address human capital challenges.*

***Financial and insurance activities** – Focus on human capital development to attract business and reduce production costs.*

***Manufacturing** – Present a clear strategy for economic development.*

***Wholesale and retail trade; repair of motor vehicles and motorcycles** – Present a clear defence strategy.*

### 4.3. Messages to EU policymakers

The foreign investors across the Baltic states share a clear, unified message to the EU policymakers: the time for action is now. They collectively call for reduced bureaucracy, faster and more decisive EU processes, stronger defence capabilities, and smarter investment in energy independence, innovation and infrastructure. Across all three countries, there is strong agreement on the need for a streamlined regulatory environment, better support for SMEs, and a shift from over-idealistic goals towards practical geopolitical and economic resilience.

**Estonia** emphasises speed, freedom to innovate, and the need to move beyond political talk with a pragmatic focus on strategic sectors such as defence and manufacturing. **Latvia** calls for EU-wide defence leadership, tailored support to the Baltics, and the protection of industry from overly ambitious green regulations. **Lithuania** is the strongest voice for transforming the Baltics into a European defence hub, advocating flexible procurement rules and greater regional and EU military coordination.

The key messages of the foreign investors in Estonia to the EU policymakers are presented below:

- **Streamline Regulation:** Cut excessive bureaucracy, administrative burdens and EU directives that hinder innovation and growth.
- **Prioritise Defence and Security:** Invest in European defence, build alternatives to U.S. monopolies, and ensure regional military security to attract investment.
- **Ensure Affordable Energy and Capital:** Secure cheap energy and reasonable capital costs to support market growth.
- **Focus on Strategic Sectors:** Don't neglect agriculture while boosting defence; prioritise sectors such as energy, defence and manufacturing.
- **Support SME Development and Education:** Invest outside major cities in education and small- and mid-sized enterprises (SMEs) to build local economic resilience.

- **Enable Innovation:** Allow greater freedom for innovation by reducing restrictions and fostering a more experimental, risk-tolerant environment.
- **Make Fast, Focused Decisions:** Prioritise key actions and avoid getting bogged down in endless consensus-building on every issue.
- **Advance EU Market Integration:** Strengthen the single market by minimising regulation and promoting internal consumption and production.
- **Reassess Geopolitical Priorities:** Shift the focus from idealistic policies like social inclusion to pragmatic solutions aligned with the current geopolitical landscape, including managing migration more assertively.

***Quotes of respondents/interviewees from Estonia***

***Other service activities*** – Cooperate in defence and develop alternatives for American monopolies.

***Agriculture, forestry and fishing*** – Outside the larger cities, there is still a need for investment in education and suitable SMEs.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Fewer restrictions, more innovative freedom.

***Manufacturing*** – Focus needed, prioritise action plans and don't try to find a consensus on all topics.

***Manufacturing*** – Faster decisions and make your organisations more efficient. Focus on defence.

***Information and communication*** – Open new funding.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Cheap energy and reasonable cost of capital are essential for our markets to grow, but it may only properly work if our region is considered a safe place for doing business from a military threat perspective.

***Manufacturing*** – Less regulations and bureaucracy.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Forget social inclusion and put your efforts into topics more relevant in the new geopolitical landscape.

***Agriculture, forestry and fishing*** – Reduce regulations and cut the admin. burden.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Investments in electricity production.

***Manufacturing*** – Fewer directives.

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

***Agriculture, forestry and fishing*** – Don't forget agriculture when boosting defence spending.

***Manufacturing*** – Europe should sign a cooperation agreement with its southern neighbours so that European border guard forces patrol the waters of its southern neighbours to prevent refugees from reaching their borders at all.

***Manufacturing – Invest in European defence.***

***Professional, scientific and technical activities*** – The EU should clearly define what we are good at compared to the rest of the world. We need to be pragmatic, competitive, flexible, and agile. We need to boost internal consumption and market development, instead of dependency on other countries/regions.

These are the key messages of the foreign investors in Latvia to EU policymakers:

- **Strengthen EU Defence and Security:** Latvia and the Baltics need a clear, committed EU defence strategy to protect the region and ensure investor confidence. The EU must evolve into a military power to defend its borders and values.
- **Tailored Support for the Baltics:** Due to unique geopolitical risks, Latvia and other Baltic states require dedicated industrial measures and funding streams within EU programmes.
- **Protect European Industry from Overregulation:** Green policies must not undermine European manufacturers' competitiveness – balance ambition with economic realities to avoid losing business to non-EU countries.
- **Reduce Bureaucracy Across the EU:** Cut red tape, simplify funding access and streamline regulation to improve efficiency and innovation, especially for SMEs and strategic industries.
- **Boost Innovation and Technological Leadership:** Focus on emerging sectors such as hydrogen aviation by aligning funding, infrastructure and regulatory standards to support breakthrough technologies.
- **Ensure Fair Access to EU Funding:** Improve SME access to funding for green and digital transitions, and ensure that structural funds target energy independence, transport and regional equality.
- **Prioritise Strategic Infrastructure:** Projects, such as Rail Baltica, are crucial for regional integration and economic development – support must continue despite resistance or misinformation.
- **Empower Regional Cooperation:** Strengthen partnerships within the EU, particularly with Latvia and neighbouring states, to build a resilient, united and forward-looking Europe.
- **Be Decisive and Unified:** The EU must shift from planning to action, demonstrating strong internal unity to support Ukraine, defend democracy and counter external threats.
- **Support Latvia's Development and Security Strategy:** Recognise Latvia's economic potential and political risks – ensure that the EU budget targets regional challenges and promotes long-term stability in the Baltics.

***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam and air conditioning supply*** – Latvia has the will to provide, give us a push.

***Manufacturing*** – Don't destroy the competitiveness of European manufacturers with all your Green Policy. The aims are great, but it doesn't help if the customers are buying from China because they can produce for cheaper.

***Transportation and storage*** – To act as soon as possible, so that Europe can protect itself.



***Administrative and support service activities*** – Only a united EU can achieve safety and prosperity.

***Manufacturing*** – Latvia & other Baltic states require a separate industrial measure due to geopolitics.

***Professional, scientific and technical activities*** – Your work is to get more EU funding to the Baltic states.

***Real estate activities*** – Focus on innovation and productivity and reduce red tape.

***Other service activities*** – Become more united and move from plans to actions to make European countries united and strong to support their own territories and support Ukraine in the fight for democracy.

***Manufacturing*** – The EU should provide more tailored support for small and medium-sized enterprises (SMEs) in Latvia, ensuring equitable access to funding for digitalisation and green initiatives. Structural funding should focus on reducing energy dependence, improving transport links, and ensuring that regional disparities are minimised. Simplified EU grant application processes will also encourage greater business participation.

***Transportation and storage*** – Less bureaucracy.

***Transportation and storage*** – Hard times require, brave and decisive actions. Reduce public administration costs; you don't need to create yet another working group.

***Financial and insurance activities*** – Support us in every way; we are the border of the EU.

***Electricity, gas, steam, and air conditioning supply*** – Be more decisive, a united EU is needed more than ever. The EU must transition from being only an economic union to a military power to defend its interests. Security brings investments.

***Accommodation and food service activities*** – Get serious about the defence of Europe.

***Real estate activities*** – Reduce the amount of bureaucracy, more independence for countries.

***Financial and insurance activities*** – Get your act together and prioritise the defence question.

***Manufacturing*** – Policymakers should focus on defence, support better access to financing, encourage strategic investments, promote skills development, drive digital transformation, and strengthen regional cooperation and integration.

***Manufacturing*** – Militarily strengthen the external border of the EU.

The key messages of the foreign investors in Lithuania to EU policymakers are presented below:

- **Cut Bureaucracy, Focus on Value:** Eliminate regulations and processes that don't add financial value; streamline decision-making to support business efficiency.
- **Adopt a Risk-Based Approach:** Encourage measured risk-taking, especially in the financial sector, to foster innovation and improve the business climate.
- **Act Faster:** Shift from prolonged discussions to concrete actions – agility is critical in both economic and security matters.

- **Prioritise Defence Spending:** Increase and fast-track defence investments, ensuring that funds are accessible quickly and rules for procurement are more flexible.
- **Strengthen EU Unity and Purpose:** Defend the EU as a project of peace and stability; ensure that it remains a platform for growth, democracy and joint action.
- **Empower the Baltics in Defence:** Support transforming the Baltics into a European defence hub; reinforce EU borders, especially near Russia, Belarus and Ukraine.
- **Promote Regional Defence Cooperation:** Enable closer Nordic-Baltic military collaboration and broader EU coordination beyond NATO structures.
- **Support Ukraine and Enhance EU Defence:** Fully back Ukraine and develop comprehensive EU defence strategies, policies and industrial capacity.
- **Invest in Strategic Infrastructure:** Target EU investments toward cross-border infrastructure, digital connectivity and energy independence.
- **Increase EU Flexibility:** Ensure that EU policies allow room for local solutions, particularly in energy and security, to better reflect regional needs.

***Quotes of respondents/interviewees from Lithuania***

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

***Financial and insurance activities*** – Start using a risk-based approach – take some measured risk for developing a better business environment. Do not just focus on minimising risk (this is mostly about the financial sector).

***Manufacturing*** – More action and less discussion.

***Financial and insurance activities*** – Increase spending on the defence sector; stay independent in this field.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Defend the EU, as a project to promote peace, democracy, political stability, and unity, prevent wars and boost the growth of the economy.

***Electricity, gas, steam, and air conditioning supply*** – Should have less regulation.

***Information and communication*** – Please fast-track the liberalisation of public procurement rules when it comes to defence spending and please ensure that the funds for defence spending are available at scale within the shortest feasible timeframes. Please ensure a coordinated pan-European approach to defending the Union's borders within or outside the NATO framework.

***Real estate activities*** – If Southern Europe does not care about the Russian invasion, let Nordic Europe cooperate more closely in this field.

***Electricity, gas, steam, and air conditioning supply*** – The EU needs to pay more attention to the Baltics, and develop a common strategy on renewables.

***Financial and insurance activities*** – Investment in security.

***Transportation and storage*** – 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.

**Arts, entertainment and recreation** – Fully focus on the Ukraine support topic and enhancing defence in the entire scope (production, policies, strategies, etc.) to ensure EU integrity and security.

**Manufacturing** – Focus on competitiveness, and reduce bureaucracy.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Help the Baltics with defence and security, otherwise, it will undermine the entire of Europe.

**Financial and insurance activities** – Give defence support to the Baltics to ensure the security of Europe – transform the Baltics into a defence hub of Europe.

**Manufacturing** – Increase military cooperation across the EU, support countries that border Russia, Belarus and Ukraine, be pragmatic and competitive.

**Wholesale and retail trade; repair of motor vehicles and motorcycles** – Wake up! A threat to the Baltics is a threat to the EU. Move faster from words to actions!

#### 4.4. Messages to the neighbouring Baltic states

Across Estonia, Latvia and Lithuania, the foreign investors consistently call for stronger regional cooperation, especially in defence, infrastructure, and energy. They emphasise the importance of cutting bureaucracy, harmonising regulations and speaking with one voice in international forums to increase the Baltic region's global relevance and resilience. There's also a shared urgency to act decisively, move from strategy to execution, and to present the Baltics as a unified market.

However, each country has a different emphasis: **Estonia's** messages highlight practical integration and strategic partnerships, encouraging collaboration even beyond the Baltics (notably with Poland). **Latvia's** feedback centres on efficiency and economic alignment, including calls to avoid the duplication of efforts and to focus on building a joint innovation ecosystem. **Lithuania's** investors stress urgency and action, especially in defence and infrastructure, with a strong push to stop competing regionally and start executing unified plans.

The key messages of the foreign investors in Estonia to the neighbouring Baltic States are presented below:

- **Enhance Baltic Cooperation:** Develop a joint Baltic strategy and strengthen collaboration across sectors – defence, infrastructure, energy, and food security.
- **Be a Strong Voice in the EU and NATO:** Actively represent Baltic interests through a unified stance in European and transatlantic institutions.
- **Promote Practical, Strategic Partnerships:** Politicians should adopt a business-minded approach – focus on mutual benefits and shared goals.
- **Pursue Synergy Across the Region:** Work together in ways that create added value for all – especially in defence, energy and infrastructure.
- **Invest in Joint Energy Projects:** Drive unified energy development and increase regional electricity production capacity.
- **Cut Bureaucracy Through Integration:** Collaborate to streamline regulation and shape a more efficient common economic space.

- **Include Neighbours Like Poland:** Expand cooperation beyond the Baltics where it's strategic, such as with Poland on cross-border security.
- **Think Regionally, Act Collectively:** Recognise each country's unique strengths and coordinate efforts for greater impact.
- **Use This Moment to Unite:** In critical times, unity is essential – conflicts can wait, now is the time to work together.
- **Avoid Fragmentation and Financial Missteps:** Learn from each other's mistakes – cooperation is the smarter, more sustainable path forward.

***Quotes of respondents/interviewees from Estonia***

*Administrative and support service activities – More co-operation, best practice sharing.*

*Other service activities – Cooperate in the Baltics and be a strong voice in the EU and Nato.*

*Agriculture, forestry and fishing – Learn from each other and form a Baltic strategy.*

*Wholesale and retail trade; repair of motor vehicles and motorcycles – More unified energy projects.*

*Manufacturing – Together, we are stronger!*

*Manufacturing – Let's work together now, during the critical times (we can continue fighting afterwards) – we are in the same boat!*

*Wholesale and retail trade; repair of motor vehicles and motorcycles – Cooperation at all levels, using the specifics and advantages of each country.*

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

*Wholesale and retail trade; repair of motor vehicles and motorcycles – Strengthen the cooperation between the 3 countries in all areas, starting from infrastructure and defence.*

*Agriculture, forestry and fishing – Seek stronger integration towards the Baltics and Nordics and also the EU.*

*Wholesale and retail trade; repair of motor vehicles and motorcycles – Investments in electricity production.*

*Manufacturing – Stay together!*

*Manufacturing – Cooperate in ways that will result in synergy for the entire area. Defence, Infrastructure and Energy at the minimum.*

*Agriculture, forestry and fishing – Let's work together for food security for the Baltic states.*

*Manufacturing – The Baltic states could/should cooperate with Poland to jointly cover cross-border security.*

*Manufacturing – Do not go down the path that Estonia are on financially.*

*Professional, scientific and technical activities – Collaboration is key; we underutilise its potential. Politicians should think like businessmen – look at mutual interest, cooperate, be strategic, and sell the countries well.*

These are the key messages of the foreign investors in Latvia to the neighbouring Baltic states:

- **Cooperate, Don't Compete:** A unified Baltic approach is essential – small countries must act together to be globally relevant and resilient.
- **Strengthen Regional Defence:** Coordinate defence strategies, joint military training, and R&D in critical areas such as drone and cybersecurity technologies.
- **Complete and Expand Key Infrastructure:** Prioritise joint infrastructure projects like Rail Baltica and energy networks to boost connectivity and resilience.
- **Build a Unified Innovation Ecosystem:** Create a shared Baltic hub for innovation, especially in high-tech and emerging industries like hydrogen aviation.
- **Coordinate Economic and Labour Policies:** Harmonise regulations, streamline cross-border trade and coordinate labour market policies to enhance competitiveness.
- **Foster Educational Collaboration:** Strengthen academic institutions, share resources and align training and research to support regional development.
- **Promote Sustainable Energy and Climate Initiatives:** Jointly invest in green infrastructure – CO<sub>2</sub> reduction, hydrogen and renewable energy – for long-term sustainability.
- **Reduce Bureaucracy Through Shared Efforts:** Cut administrative costs and avoid duplicating efforts by working together efficiently rather than forming more working groups.
- **Amplify the Baltic Voice in the EU:** Present a united front to influence EU policy, secure funding and gain visibility in Europe and beyond.
- **Cultivate a Shared Strategic Vision:** Align long-term goals, maintain consensus in decision-making and foster mutual respect and trust among Baltic partners.

***Quotes of respondents/interviewees from Latvia***

***Electricity, gas, steam, and air conditioning supply – Strength in numbers.***

***Manufacturing – Let us cooperate and be stronger together.***

***Transportation and storage – Cooperate instead of competing.***

***Manufacturing – Every single Baltic country is too small to survive independently, co-operation is a must.***

***Professional, scientific and technical activities – Let's unite our efforts not only in defence but in many other economic areas as well.***

***Real estate activities – Strengthen regional cooperation e.g., in education (stronger institutions), defence (join forces) and infrastructure (Rail Baltica).***

***Other service activities – Cooperate more to develop the economies of the Baltic states to ensure that people want to live and work here, stimulate the creation of small companies, and support families with small children.***



**Manufacturing** – 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.

**Transportation and storage** – Hard times require brave and decisive actions. Reduce public administration costs, you don't need to create yet another working group.

**Financial and insurance activities** – Let's finish this Rail Baltica project soon.

**Accommodation and food service activities** – Become united in your priorities.

**Real estate activities** – Let's not be competitors, but Partners.

**Financial and insurance activities** – Together, we are stronger than ever!

**Manufacturing** – Policymakers should prioritise closer cooperation in the field of defence, promote strategic cross-border investments, encourage digital transformation, and foster deeper regional collaboration.

**Manufacturing** – Joint army training; R&D (e.g., in the development of the drone industry)

The key messages of the foreign investors in Lithuania to the neighbouring Baltic states are presented below:

- **Act as One Region:** Emphasise unity among the Baltic states – speak and act with one voice to amplify the impact.
- **Prioritise Collaboration Over Competition:** Stop competing regionally; focus on synergies and mutually beneficial plans.
- **Strengthen Regional Defence Together:** Jointly develop defence capabilities and societal resilience for long-term security.
- **Accelerate Infrastructure Projects:** Speed up critical initiatives like Rail Baltica and improve infrastructure efficiency.
- **Coordinate on Energy Security:** Build shared strategies for energy independence and critical resource management.
- **Invest in Research and Education:** Drive innovation and long-term value through education and scientific development.
- **Harmonise Regulations:** Align policies across the Baltic region to create a seamless business environment.
- **Promote the Baltics as One Market:** Present the region globally as a united hub for business and innovation.
- **Move from Plans to Execution:** Shift from talking to doing – especially in areas such as defence investment where progress is slow.
- **Reduce Dependence on External Powers:** Strengthen internal regional cooperation rather than relying heavily on the US.

***Quotes of respondents/interviewees from Lithuania***

***Transportation and storage*** – Let's work and speak as one.

***Manufacturing*** – Invest in research and education to drive value generation.

***Financial and insurance activities*** – Energy independence and collaboration on critical infrastructure and resources.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – More cooperation, especially in modernising infrastructure and defence.

***Electricity, gas, steam, and air conditioning supply*** – More efficient and faster development of Rail Baltica.

***Real estate activities*** – Only by standing together and developing defence forces, societal resilience and joint infrastructure, can we be strong enough to survive.

***Electricity, gas, steam, and air conditioning supply*** – cooperation is the key to success, we have certainly been underutilising it.

***Financial and insurance activities*** – More cooperation in the area of security.

***Transportation and storage*** – The Baltic states must work together more strategically – harmonising 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.

***Arts, entertainment and recreation*** – Investment in defence is currently on the list of priorities. When do we come to execution? 3 years down the road and not much change. So, what is the trigger to act?

***Manufacturing*** – let's work together, stop competing and make joint real plans on collaboration that are mutually beneficial.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Collaborate in the areas of defence and infrastructure development!

***Financial and insurance activities*** – Let's put aside competition and focus on synergies. We are small – let's stick together.

***Manufacturing*** – Work together to present an appealing Baltic project to the world.

***Wholesale and retail trade; repair of motor vehicles and motorcycles*** – Stop relying on the US, focus on regional cooperation.

## Chapter 5: Concluding remarks

### The Baltics: A Story of Resilience

Estonia, Latvia and Lithuania prove that small states can be remarkably resilient. As members of NATO and the EU, they remain among the most agile democracies on Europe's eastern edge. In a volatile geopolitical landscape, they stand out for reliability, stable governance and a firm commitment to democratic values.

The foreign investors have long recognised their key strengths: advanced digital infrastructure, low operating costs, a skilled workforce, and global connectivity, and tested their resilience. The Baltics endured the pandemic, energy price shocks, the sanctions fallout, and the ongoing security impact of Russia's war in Ukraine. Their institutional maturity enabled quick fiscal responses, strong EU coordination, and progress on energy independence and defence capabilities.

### Recalibrating for Growth

However, investor sentiment reveals a new shared question across the region: *How can these nations pivot from resilience to sustainable growth?* The current research highlights both investor confidence and the rising concern. While over half of the current investors in Latvia and Estonia plan to expand, new entrants are more cautious. Why? Besides security concerns, systemic challenges – talent shortages, demographic decline, inefficient public spending, and slow innovation uptake – are holding these countries back. In an age where regional security, talent and technology drive competitiveness, the Baltics need to move faster toward economies built on inclusion and innovation. This requires a different type of resilience, *growth resilience*, built on three pillars: inclusion, confidence and ecosystem logic.

#### 1. Inclusive Institutions Fuel Sustainable Growth

The Nobel Prize in Economic Sciences (*Acemoglu, Robinson, Johnson*) last year revisited a foundational truth: nations grow when institutions empower broad participation and innovation. For the Baltics, this means rethinking the role of government and the private sector. Businesses must be seen not just as economic actors, but as partners in national progress.

The shift is already underway: policymakers are introducing more inclusive policies, which means engaging more citizens and companies in shaping their countries' futures. People need to feel like stewards – not just subjects – of their state. Investor sentiment supports this. There's a clear call for less bureaucracy, more transparency and smarter spending. In Latvia, they call for performance-based budgeting, AI-powered administrative reform and public-private partnerships to grow innovation hubs. The key is to move away from state-driven policy to co-creation with the entrepreneurial community.

#### 2. Growth Requires a Shared Belief That it's Possible

Beyond numbers, investment is psychological. The collective belief that the country is moving forward is critical for talent retention and investment attraction. This "social mood" influences whether people choose to stay, return, or invest.

Too often, the Baltics undersell themselves. Latvia's leadership in digital public services, Lithuania's thriving fintech sector, and Estonia's e-governance success are recognised abroad but rarely celebrated at home. As one investor noted, "the Baltics are too modest for their own good". This mindset must shift. National narratives must promote opportunity, future readiness and pride in local capacity, especially among the youth and diaspora. The Sentiment Index shows that investors care about how countries *sell themselves to their own people*. Making growth visible – through digital transformation, defence sector opportunities, or science-based innovation hubs – is part of creating a self-sustaining development story.

### 3. Innovation-Driven Economies Emerge from Cross-Sector Ecosystems

Innovation depends on strong ecosystems – networks where government, academia and business work together with shared goals and aligned incentives. The Baltics must shift from scattered, project-based efforts to long-term ecosystem thinking, especially in strategic sectors such as defence tech, smart energy and AI.

Each country faces similar roadblocks: limited scale in high-value sectors, slow R&D integration, and insufficient institutional focus on knowledge exports. The way forward is to build local talent hubs, supported by national policies that link vocational education, digital skills and foreign investment.

Moreover, this transformation requires regional thinking. Investors across the Baltics are calling for stronger cooperation in science, education, defence, and infrastructure. Fragmentation is costly. By pooling assets across Estonia, Latvia and Lithuania – and forming strategic ties with Finland, Poland and the Nordic countries – the region can emerge as an innovation corridor on Europe's eastern edge.

#### A New Chapter: Making Growth a Shared Mission

The Sentiment Index 2024 serves not merely as a diagnostic instrument but as a strategic blueprint. The message is clear: what brought the Baltics this far won't take them further. The challenge now is to **implement a new, inclusive, resilient, and collaborative growth strategy**.

This will require:

- Governments that act boldly and listen carefully;
- Investors that contribute not just capital but strategic ideas;
- Universities that train talent *and* lead national conversations;
- Societies that believe that opportunity is not elsewhere – but here.

This is not abstract. The Baltics have what they need: talent, agility and networks. What's missing is alignment – of purpose, investment and action. The world is watching how these nations meet big challenges. The question is no longer if they can endure – but if they can lead.

Let's make the answer "yes." Together.

## Appendix 1. Foreign investors that took part in the study.

### **AFI Europe**

AFI Europe is part of AFI Properties, one of the leading real estate development, management and investment companies, operating in Central and Eastern Europe since 1997. The company owns, develops and manages properties and projects in Israel, Central and Eastern Europe, with on-the-ground teams comprising nearly 200 professionals.

### **ABB AS**

ABB AS is the Estonian subsidiary of ABB Ltd, a global leader in industrial automation and power technologies. Operating in Estonia since 1992, its activities include sales of electrical products and systems, manufacturing of large industrial motors, generators and frequency converters, and maintenance services. As of 2017, ABB employed approximately 500 people in Estonia. ABB's production plant in Jüri is a major competence centre for high-capacity motor and generator manufacturing, making ABB Estonia a key player in the regional power and automation industry.

### **Adven Group (Latvia)**

Adven Group (Nordic energy company) operates in Latvia through its local subsidiaries. Adven is a regional provider of district heating and energy services and entered Latvia in 2020 by acquiring heat networks in cities such as Cēsis and Valmiera. It focuses on modernising heating systems (e.g., converting to biomass boilers) and improving energy efficiency in municipal networks. As the leading provider of energy and water services in the Nordic and Baltic countries, Adven uses its expertise to advance sustainable heating solutions in Latvia.

### **AE Partner Liepāja SIA**

AE Partner Liepāja is a Liepāja-based automation and control systems manufacturer (part of the Danish AE Partner group). Located in the Liepāja Special Economic Zone, the company designs and builds custom electrical control panels, industrial cabinets, containers, and modular e-houses. It also provides outsourced consulting on machinery safety and automation. Serving industrial clients in the Baltic region, AE Partner Liepāja has a team of engineers and technicians at its Kaiju Street plant, reflecting Danish ownership with a local production footprint.

### **Akmenės cementas**

Akmenės cementas (AB Akmenės cementas) is the only cement manufacturing company in Lithuania and one of the largest industrial enterprises in the Baltic region. The company's cement plant – located in Naujoji Akmenė – has an annual production capacity of roughly 1.8 million tonnes, following extensive modernisations completed in 2014. In 2021, Germany's SCHWENK Group acquired a 97% stake in the company, integrating Akmenės cementas into one of Europe's major building materials groups while ensuring continued strategic importance for Baltic infrastructure projects.

### **All Media Group**

All Media Group, known as TV3 Group, is the leading private media company in the Baltics, operating TV channels, radio stations, and digital platforms in Latvia, Lithuania and Estonia. Formed in 2017 and rebranded in 2019, the group includes flagship channels such as TV3, TV6 and TV8, along with the Go3 streaming platform. In Latvia, SIA All Media Latvia manages TV3 Latvia and produces local entertainment, news and sports content, while All Media Eesti



AS oversees similar operations in Estonia. Headquartered in Vilnius, the group employs over 130 people in Estonia alone and reaches millions of viewers across the region. It is backed by Providence Equity Partners and stands as the largest pan-Baltic media group by revenue.

### **Atea Global Services SIA**

Atea Global Services Latvia is the Latvian division of Atea ASA, the leading IT infrastructure and services provider in the Nordics. It offers enterprise IT solutions – such as data centres, cloud services, cybersecurity, and managed services – to businesses and public organisations. With offices in Riga, Atea Latvia is an important hub for the group's Baltic operations, delivering Norwegian-backed IT expertise to the Latvian market.

### **Axon' Cable SIA**

Axon' Cable SIA (Daugavpils) is the Latvian unit of the French Axon' Cable Group, a specialist in high-performance interconnect solutions. The company designs and manufactures custom cables, harnesses and connectors for the aerospace, defence and automotive industries. With a factory in southeastern Latvia (Daugavpils) employing several hundred engineers, Axon' Cable leverages Latvia's skilled workforce to supply complex cable systems to global customers.

### **Baltic Agro AS**

Baltic Agro operates across all three Baltic countries: Estonia, Latvia and Lithuania. Each country hosts its own national subsidiary – AS Baltic Agro in Estonia, SIA Baltic Agro in Latvia, and UAB Baltic Agro in Lithuania – under the umbrella of the Danish Agro Group. Collectively, these subsidiaries employ approximately 550 people across the region. AS Baltic Agro is a major agribusiness company based in Harju County, supplying farming inputs and services. As of April 2025, the company employed 206 people. Its core business includes trading grain, seeds and crop protection chemicals, alongside supplying animal feed and farm equipment (such as grain dryers and handling machinery) to Estonian farmers. The company also offers agricultural services and equipment rental, supporting both crop and livestock producers across Estonia.

### **Baltic Container Terminal (BCT)**

Baltic Container Terminal in Riga is the region's largest dedicated container port, operated by Mariner Baltic. Acquired by Mariner (Malta-based) in 1999, BCT has grown into the busiest container-handling facility in the Baltic states. The terminal features multiple berths, modern cranes and 24/7 container services, handling about 30% of all Baltic container throughput. Strategically located on the River Daugava, BCT serves as a key gateway for containerised cargo to and from Eastern Europe and CIS countries, underscoring Mariner's long-term investment in Latvia's maritime infrastructure.

### **Baltic Sea Properties AS**

Baltic Sea Properties AS is a Norwegian publicly-listed real estate investment company focusing on commercial property in the Baltics, particularly Lithuania. Through its fully-owned local subsidiaries, the company owns, develops and manages a portfolio of logistics centres, industrial facilities and retail properties totalling around 100,000 m<sup>2</sup> of leasable space. Baltic Sea Properties (established in 2005 and listed on Euronext Oslo) has concentrated its investments in Lithuania's growing logistics and manufacturing real estate segment, making it one of the notable foreign investors in Lithuanian property.

### **BalticPly SIA**

BalticPly SIA (headquartered in Riga) is a wood processing company owned by Shengyang Wood Industry Group (China). While the parent's origins date to 1989 in China, BalticPly relocated its headquarters to Latvia, and today, the Riga plant specialises in the production of high-quality birch veneer sheets. The group also operates a plywood factory in Gabon (Africa) for Okoume plywood, but the Latvian facility focuses on value-added birch veneer for the furniture and construction markets. With over three decades of experience, BalticPly serves European manufacturers with custom-sized wood veneer.

### **BAS**

Baltic Amadeus – sometimes abbreviated as BAS – is a Lithuanian IT services company specialising in software development and digital solutions. Founded in 1988, Baltic Amadeus has grown into a trusted technology partner for clients in banking, telecommunications, transportation, and other industries. The company employs over 250 IT professionals and is known for delivering custom software, e-commerce platforms and fintech solutions using modern technologies. With its headquarters in Vilnius, Baltic Amadeus serves not only the Baltic region but also international markets in Europe and North America.

### **Betoonimeister AS**

Betoonimeister AS is one of Estonia's largest ready-mixed concrete producers. It operates a network of six concrete plants located in Tallinn (two in Männiku), Tartu (Vahi), Jõhvi (Linna), Tapa, and Pärnu (Sauga) and delivers a variety of concrete mixes to construction contractors and private builders. Founded in 2005, the firm provides concrete pumping and logistics services and has become a key local supplier of concrete for residential and infrastructure projects. As of Q1 2025, the company employed 102 people.

### **Bitė Lietuva**

Bitė Lietuva is a major mobile network operator in Lithuania and part of the Bitė Group, which also operates in Latvia. Launched in 1995, Bitė has grown into one of the top three telecom operators in the Baltics, providing mobile voice, data and broadband services to consumers and business customers. The company is known for its high-quality network and customer service focus, and has partnered with global players like Vodafone for roaming and technology collaborations. Since 2016, Bitė Lietuva (and its Latvian sister operation) have been owned by Providence Equity Partners, aligning the mobile operator with Providence's Baltic media investments (TV3 Group) and enabling cross-sector offerings. Bitė Lietuva's nationwide 4G/5G network and innovative services make it a key competitor, driving the advancement of telecommunications infrastructure in Lithuania and Latvia.

### **BIURO**

SIA Biuro is a Riga-based staffing and recruitment agency founded in 2004. It is one of the Baltic states' leading temporary employment firms, placing hundreds of workers each year in Latvian businesses. The company employs over 400 temporary employees on assignment and also conducts personnel recruitment for diverse sectors. SIA Biuro is owned by the Biuro Baltic group (registered in Lithuania) and has branch offices in Lithuania and Estonia, reflecting its regional presence.

### **Brabantia Latvia SIA**

Brabantia Latvia SIA is the Latvian subsidiary of Brabantia (the Dutch household goods maker founded in 1919). Located in Talsi (Pastende), it is classified under fabricated metal products. The Latvian company manufactures or assembles Brabantia's metal household items (such as

waste bins, laundry racks and kitchen accessories) for European markets. As part of an established international homeware brand, Brabantia Latvia contributes to the group's production capacity and supply chain in the region.

### **Brauns SIA**

Brauns SIA is a small, locally-registered company based in Mārupe (Riga region). Founded in 1992, its classified activity is listed under informational products (likely indicating a niche in IT or media). Public records show it as an active micro-enterprise, but it has no widely publicised operations. (It appears to be one of many privately owned Latvian companies serving specialised local markets.)

### **Brimer Liepaja LSEZ AS**

Brimer Liepaja is a Liepāja-based manufacturing and port services company, part of Norway's Entec Group (Brimer brand). It specialises in producing large composite structures for the oil & gas and aquaculture industries, including ships' components and floating fish farming cages. Operating its own terminal in Liepāja Port (Special Economic Zone), Brimer Liepaja handles cargo and storage in addition to its fabrication activities. Founded in 1992, the company combines high-tech composite production with logistics services, exporting advanced products from Latvia to international markets.

### **BTA Vienna Insurance Group**

BTA Baltic Insurance Company (AS BTA Baltic) is the Latvian branch of Vienna Insurance Group (Austria). It offers a broad range of non-life insurance products (property, auto MTPL/Casco, accident, travel, health, etc.) to Latvian individuals and businesses. As the Baltic market leader with a history of over 30 years in Latvia, BTA provides insurance through its extensive branch network. Vienna Insurance Group became the majority owner of BTA in 2016, underscoring BTA's integration into a major European insurance group.

### **Caljan SIA**

Caljan (Caljan Rite-Hite, part of US-based Tipco) has a branch in Latvia offering material handling and automation equipment. Caljan is known for telescopic conveyors and belt conveyors used by parcel carriers, warehouses and distribution centres. The Latvian unit provides sales, installations and technical support for Caljan's loading/unloading systems, serving Baltic logistics and e-commerce companies by improving cargo flow efficiency.

### **Caverion Lietuva**

Caverion Lietuva is a Lithuanian subsidiary of Finland's Caverion Corporation, specialising in building systems engineering and facility management services. The company has roots dating back to 1994, originally operating as YIT Technika before rebranding to Caverion Lietuva in 2013 following Caverion's spin-off from YIT Group. As part of the Caverion Group, which operates across Northern and Central Europe, Caverion Lietuva delivers a broad range of technical building solutions and industrial maintenance services. It employs around 400 professionals in Lithuania and had annual revenues of approximately € 44 million in 2023, maintaining a leading position in the local building services industry.

### **Cilmes šūnu banka**

Cilmes Šūnu Banka is a private stem cell bank in Riga, founded in 2004. It was one of the first cord blood stem cell banks in Latvia and remains the only long-running one (over 20 years of operation). The company collects and cryopreserves umbilical cord blood and tissue from newborns, offering Latvian families access to advanced regenerative medicine treatments.

(Cilmes šūnu banka is part of the Warsaw-based FamiCord Group, providing certification and international standards.)

### **Circle K Business Centre Riga**

Circle K (formerly Statoil Fuel & Retail) operates a Shared Services Centre in Riga, known as the Circle K Business Centre. This centre employs ~200 people and provides back-office support (finance, IT, HR, procurement, etc.) for Circle K's retail operations across Northern Europe (Scandinavia, Baltics and Poland). Circle K itself is a global fuel and convenience retailer (14,000+ sites worldwide). The Riga Business Centre is Circle K's second-largest Global Business Services hub in the Baltics, serving the company's convenience store and fuel retail brands with administrative and logistical functions.

### **Circle K Lietuva**

Circle K Lietuva is one of the largest fuel retail and convenience store chains in Lithuania. Formerly operating under the Statoil brand, the network was rebranded to Circle K in 2016 after Statoil's retail business was acquired by Alimentation Couche-Tard (a Canadian convenience retail group). Today, Circle K Lietuva operates a countrywide network of modern service stations offering quality fuels (including gasoline, diesel, and LPG) as well as a convenience store concept for food, beverages, and essentials. Circle K Lietuva is integrated into Circle K's Europe network (present in Scandinavia, the Baltics, Poland, and Ireland) and adheres to the group's high standards for customer service and safety. As a result, Circle K Lietuva has consistently ranked as a top player in Lithuania's retail fuel market, combining international best practices with local customer loyalty to fuel the daily journeys of Baltic consumers.

### **Citadele Bank**

AS Citadele banka is a Latvian-headquartered banking group with active operations in Lithuania and Estonia. Formed in 2010 from the restructuring of Parex Bank, Citadele has become a dynamic player in the Baltic financial market, offering a full range of retail and corporate banking services. In Lithuania, Citadele operates as a foreign bank branch, with offices in major cities including Vilnius, Kaunas, Klaipėda, Panevėžys, and Šiauliai. The bank provides services such as consumer and SME lending, payment cards, deposits, leasing, and modern online banking to customers.

### **Commerzbank AG (Baltic operations)**

Commerzbank AG is a major German bank, which has recently expanded its footprint in the Baltics to support corporate clients and trade finance in the region. In late 2018, Commerzbank opened a representative office in Vilnius to serve as a hub for all three Baltic states. This office focuses on corporate banking services – particularly trade finance, project finance, and the facilitation of German-Baltic business transactions. Commerzbank, founded in 1870, is one of Germany's oldest and largest financial institutions and a leading financier of German foreign trade. The Baltic representative office enables Commerzbank to deepen relationships with local companies and public sector entities, providing on-the-ground expertise and linking Baltic clients to Commerzbank's global network in around 40 countries. This move underscores the growing economic ties between Germany and the Baltics and marks the entry of a prominent international bank into the region's financial sector.

### **Compensa**

Compensa, part of Austria's Vienna Insurance Group (VIG), operates in the Baltics through two key entities: Compensa Life and Compensa Vienna Insurance Group ADB. Compensa

Life, based in Estonia, offers life, accident, illness, and pension insurance, often in tandem with its sister brand Seesam. Meanwhile, Compensa ADB, headquartered in Vilnius, Lithuania, provides a wide range of non-life insurance products such as motor, property and liability coverage across all three Baltic countries. Since merging with Seesam, the combined Compensa and BTA operations have positioned VIG as the insurance market leader in the Baltics, holding around a 26% market share. The group serves both private and corporate clients with comprehensive and regionally integrated insurance solutions.

### **ConnectPay**

ConnectPay is a Lithuanian financial technology company (Electronic Money Institution) launched in 2018. Headquartered in Vilnius, it provides an all-in-one online banking platform tailored for internet-based businesses, offering services such as multi-currency accounts, instant SEPA payments, merchant acquiring, and corporate cards. ConnectPay has quickly become one of Lithuania's fastest-growing EMIs, leveraging the country's fintech-friendly environment and operating under a licence from the Bank of Lithuania. Privately owned and backed by local investors, ConnectPay focuses on the Baltic and European markets, positioning itself as a trusted B2B payment partner in the region's digital economy.

### **Dalgas AS**

Dalgas AS is the Estonian branch of Dalgas/Hedeselskabet, a Danish-owned environmental services company. It provides forestry, landscaping and ecological services (afforestation, forest management, conservation, etc.) to private landowners and public projects. Drawing on over 150 years of experience in the green sector, Dalgas Estonia advises clients on sustainable land use and helps optimise forestry investments.

### **Deloitte Lithuania**

Deloitte Lithuania (UAB Deloitte verslo konsultacijos) is the Lithuanian practice of Deloitte, one of the Big Four global professional services firms. Operating in Lithuania since the mid-1990s, Deloitte provides a comprehensive range of services including audit & assurance, tax advisory, consulting, and financial advisory. The Lithuanian firm has an office in Vilnius with over 100 professionals and is integrated into Deloitte's Central European cluster (with about 13,000 employees in the region) and its worldwide network of 415,000+ professionals.

### **DHL Express Latvia**

DHL Express Latvia SIA is the Latvian subsidiary of DHL (Deutsche Post DHL Group), the world's largest express logistics company. It provides international courier and freight forwarding services from Latvia, including parcel and document delivery, warehousing and supply chain solutions. With multiple locations and a workforce in Riga, DHL Latvia integrates the country into DHL's global network, supporting Latvia's exports and e-commerce.

### **Diana Svecas SIA**

Diana Svecas (trading as Diana Candles) is a leading candle manufacturer based in Ventspils (Liepaja Special Economic Zone). Founded in 2004 and owned by Denmark's Diana Lys, it has become one of the largest candle producers in the Baltic region. The Ventspils factory employs around 180–200 staff and primarily exports its products (about 95%) to Scandinavian and other European markets. Specialising in high-quality scented and decorative candles, Diana Svecas leverages freeport incentives and skilled local labour, reinforcing Latvia's role in Northern Europe's consumer goods manufacturing.



### **Dicro Electronics**

Dicro Electronics OÜ is the Estonian manufacturing division of Finland's Dicro Oy, a contract electronics and cable assembly specialist. Established in 2001, the company's Estonian plant produces electronic assemblies, cable and electromechanical products for industrial, medical and telecommunications clients. As of Q1 2025, the company had 67 employees. Dicro offers PCB assembly and wiring harness production, leveraging Finnish parentage to serve the Northern European electronics market.

### **Dynatech LLC (Dyninno Technologies)**

Dynatech (part of Dyninno Group) is a Riga-based IT and software development subsidiary of Dyninno Technologies. Founded in 2016, it serves as Dyninno's European headquarters and supports the group's global travel, fintech and entertainment platforms. The Riga team (a few hundred staff) provides software solutions and IT services across over 50 countries where Dyninno operates. As part of the U.S.-established Dyninno holding, Dynatech contributes to the company's multi-product technology ecosystem with its pool of local IT professionals.

### **DPD Latvija SIA**

DPD Latvija is the Latvian branch of DPD group (GeoPost), a leading international parcel delivery network. It provides express courier, parcel pickup and logistics services within Latvia and across the Baltics, integrated into DPD's Europe-wide system (with 100,000+ pickup points across Europe). Operating hubs and depots in Latvia (and cooperating with Estonian and Lithuanian counterparts), DPD Latvija handles shipments for e-commerce and businesses, ensuring fast delivery and return services throughout the region.

### **DSV Lithuania**

DSV Lithuania is the local branch of DSV A/S, a Danish-founded global transport and logistics company. Established in 1993, DSV's Lithuanian operations provide a full suite of freight services, including road, air, and sea cargo forwarding, warehousing, and customs logistics. It is classified as a large enterprise in Lithuania, with about 100 employees and annual revenues of ~ € 66 million in 2023. DSV Lithuania is part of DSV's network spanning 80+ countries, and benefits from its parent company's extensive global infrastructure while serving as one of the leading freight forwarders in the Baltic region.

### **EY (Ernst & Young)**

EY Estonia is a member firm of Ernst & Young Global (one of the Big Four professional services networks). It provides audit, assurance, advisory, tax, and transaction services to Estonian clients. According to market data, EY's audit practice has around a 13% market share among Estonia's largest companies, reflecting its significant role (alongside PwC, Deloitte and KPMG) in providing financial and consulting services to major local businesses.

### **Elenger SIA**

SIA Elenger (Riga) is a customer-focused energy supplier active in the Latvian gas market. Part of the Estonian Elenger Group (owned by Infortar), it has been supplying natural gas to Latvian industrial and district-heating customers since 2018. With the liberalisation of Latvia's gas market in 2023, Elenger expanded its offerings to households as well. The company sources gas (including LNG and biomethane) and positions itself as an alternative, client-friendly energy provider in Latvia's liberalised gas sector.

### **Elisa Eesti AS**

Elisa Eesti AS is the Estonian subsidiary of Finland's Elisa Corporation, a leading telecommunications operator. It provides mobile, fixed broadband, TV, and data centre services to consumers and businesses. With over 1,000 local employees (including the acquisition of Santa Monica Networks), Elisa holds a strong position in Estonia's telecom market and invests in advanced networks and digital services.

### **ENEFIT GREEN SIA**

ENEFIT GREEN SIA is the Latvian subsidiary of Enefit Green (the renewable energy arm of Eesti Energia, Estonia's state-owned utility). Enefit Green is the largest wind power producer in the Baltic states (with 1,100+ MW operating capacity). In Latvia, Enefit Green SIA develops and operates wind and solar farms. By investing in new renewable projects, ENEFIT GREEN is expanding Estonia's green energy model into Latvia, helping diversify the country's energy mix.

### **EPAM Systems (Lithuania)**

EPAM Systems is a global provider of software engineering and IT consulting services, listed on the NYSE. In Lithuania, EPAM established a delivery centre in 2015 and has since expanded its presence as part of the country's growing tech hub. EPAM Lithuania (with offices in Vilnius) is integral to EPAM's European operations, contributing to software development, digital platform engineering, and product design projects for clients worldwide. The company is known for leveraging top local IT talent; plans announced in 2022 aimed to scale the Lithuanian team to around 600 engineers.

### **European Energy Latvia**

European Energy Latvia is the local office of Danish developer European Energy A/S. It is currently building one of Latvia's largest solar farms (148 MW near Targale, Ventspils County), scheduled for completion in 2025. The company has also partnered with institutional investors (selling 50% of a solar project to Sampension) to finance its renewable projects. European Energy focuses on wind and solar installations in the Baltics, advancing Latvia's renewable energy capacity and energy independence.

### **Evopipes SIA**

Evopipes SIA (Jelgava) is a Latvian-headquartered manufacturer of plastic pipeline systems. Specialising in high-performance polymer pipes for infrastructure, Evopipes produces conduits for electrical cables, stormwater sewers, drinking water, and gas lines. Founded in 2008, it employs over 200 people and exports its products globally. The company emphasises advanced pipe engineering and has R&D capabilities, making Latvia its operational base for serving both the local and international construction markets.

### **EWE Neue Energien SIA**

EWE Neue Energien SIA is a renewable energy company in Latvia formed through a collaboration of Denmark's Eurowind Energy and Germany's Neue Energien (an EWE subsidiary). Launched in 2025, it focuses on developing large-scale wind and solar projects in Latvia. Working with local municipalities and partners, EWE Neue Energien plans to build new wind farms (onshore and offshore) and contribute to Latvia's green transition. Its entry into Latvia was marked by joining the Foreign Investors' Council, underscoring its commitment to long-term investment in Latvian clean energy.

### **Festo UAB (Lithuania)**

Festo UAB, established in 1992 in Kaunas, is the Lithuanian branch of the German automation technology leader Festo, founded in 1925. The Kaunas centre functions as a business services and competence hub, providing IT, engineering, sales, and financial services to Festo's global operations. Employing over 600 professionals, Festo UAB has experienced significant growth, with a 23.3% increase in net sales revenue and a 1.37% rise in net profit margin in 2023.

### **Finesta Baltic OÜ**

Finesta Baltic OÜ is a staffing and recruitment services company founded in 2008, operating in Estonia and other European countries (Finland, Switzerland, Lithuania, and Latvia). It provides personnel search, rental and temporary staffing solutions as well as business contact services to companies. Its core markets include Estonia and the wider EU, where it helps firms with outsourced HR and recruitment needs. As of Q1 2025, the company employs 343 people in Estonia. Finesta is recognised for its rapid growth and flexible workforce solutions, serving clients across various industries.

### **Fokker Next Gen SIA**

Fokker Next Gen (Latvia) is the local arm of the Dutch aircraft manufacturer Fokker, established in 2023 to develop hydrogen-powered aeroplanes. The company has signed memoranda with the Latvian government, Riga Technical University and Liepāja SEZ to create an aircraft assembly line at Liepāja Airport. The plan is to build new sustainable aircraft (using liquid hydrogen) in Latvia, creating up to 100 jobs over several years. This initiative leverages Liepāja's infrastructure and Latvia's aviation expertise to position the country in the emerging green aviation industry.

### **FORPET Baltic SIA**

FORPET Baltic (trading as Green Form Packaging) is a Ventspils-based packaging manufacturer focused on sustainability. It produces thermoformed food packaging (trays, lids, films) from recycled PET, including ocean-recovered plastics. The company's technology turns recycled polymer into premium packaging for vegetables, fruit and prepared foods. By aligning with EU Green Deal goals, FORPET Baltic adds value to the Baltic plastics industry and reduces plastic waste through its Latvian operations.

### **FORS MW**

AS FORS MW is an Estonian manufacturer of forestry and agricultural machinery with Swedish ownership. Founded in 1992 and led by the Fors family, it produces products under the FARMA and BIGAB brands. The Saue-based company designs and manufactures trailers, cranes and equipment for forestry and agricultural contractors, selling worldwide through around 250 dealers.

### **Golden Fields Factory LV SIA**

Golden Fields Factory LV is a new agribusiness/food-processing plant in Liepāja Special Economic Zone. Opened in 2024 with about € 16 mil. of foreign investment (from UAE and U.S.), it uses locally-grown peas and field beans to produce plant-based protein concentrate, fibres, starch and cattle feed. The facility processes roughly 50,000 tonnes of pulses per year, serving Europe's growing demand for vegetable protein ingredients. This venture represents a significant high-tech agro-industrial project in Latvia, reviving large-scale vegetable processing in the Kurzeme region.

### **GPI Estonia AS**

GPI Estonia AS is a cardboard packaging manufacturer located near Tallinn. It produces folding cartons and other paperboard packaging products for consumer goods applications. Formerly known as AR Packaging Estonia (and earlier Akerlund & Rausing), GPI Estonia is part of the Graphic Packaging International group, which supplies packaging materials to food, beverage and industrial customers worldwide.

### **Green Gen (Green Genius)**

Green Genius (often informally Green Gen) is a Lithuanian renewable energy developer and part of the Modus Group. Founded in the 2010s, Green Genius focuses on solar energy projects and biogas installations across Europe. The company operates in eight European markets and has developed a significant pipeline of utility-scale solar parks, leveraging Lithuania as a base for international expansion. In 2024, Green Genius secured a € 100 million equity investment from the EBRD, which became a minority shareholder to support the company's growth. With this capital boost, Green Genius is scaling up solar plant construction (including large projects in Lithuania, Poland, Spain, and Italy) and contributing to the Baltic region's transition to green energy. As a part of Modus Group's renewable energy arm, Green Genius exemplifies the Baltic clean-tech entrepreneurship, exporting its expertise in solar development and battery storage internationally.

### **Greenstep OÜ**

Greenstep OÜ is a Nordic-based consulting firm with a Tallinn office that offers accounting, payroll and financial management services. It functions as a local financial partner, providing high-quality back-office solutions to Estonian clients and aiming for cost-efficient, hassle-free financial management. Leveraging a network of 700 professionals across Northern Europe, Greenstep delivers comprehensive support (including CFO services and analytics) to help companies streamline operations and grow. As of Q1 2025, the company employed 17 people in Estonia. Greenstep is recognised for its rapid growth and was among the top three companies in Estonia for revenue growth in 2021.

### **Gren Group**

Gren Group is a Nordic green energy company specialising in district heating, cooling and industrial energy solutions. Formed in 2021, when the private equity firm Partners Group acquired Fortum's Baltics heating and cooling assets, it operates across Northern Europe, including Estonia, Latvia, Lithuania, Finland, and Sweden. In Latvia, Gren Group owns and runs major district heating plants (notably in Jelgava and Daugavpils), producing sustainable heat from biomass and waste-to-energy for tens of thousands of homes and businesses. The company continues to expand its Baltic operations, aligning with regional decarbonisation goals while serving local communities with reliable energy infrastructure.

### **Hansa Candle AS**

AS Hansa Candle is an Estonian candle manufacturer founded in 1996. Based in Viljandi, it produces indoor and outdoor candles and ignition products, emphasising high-quality and environmentally friendly materials. Hansa Candle has become the largest candle maker in Scandinavia and the Baltics, with over 140 employees and an annual output of more than half a billion tealight candles, exporting to around 15 countries.

### **HANZA Mechanics Tartu AS**

HANZA Mechanics Tartu AS is a contract manufacturer located in Tartu and part of the global HANZA Group. It offers turnkey manufacturing services (sheet metal fabrication, CNC

machining, wiring harness assembly, and final assembly) for sectors such as medical devices and food-processing equipment. With approximately 500 employees across two Tartu facilities (25,000 m<sup>2</sup> total), HANZA Tartu provides end-to-end production solutions and is connected to HANZA's international network of specialised manufacturing companies.

### **Härjanurme Mõis OÜ**

Härjanurme Mõis OÜ is an agricultural enterprise based in Saduküla, Jõgeva County, specialising in dairy farming and crop cultivation. The company maintains a dairy herd for milk production and also grows cereals, reflecting its diversified farm operations. Established in 1997, Härjanurme Mõis has been recognised as one of Estonia's prominent private dairy farms, combining livestock and crop farming activities.

### **Henkel Baltics**

Henkel is a German multinational company, active in consumer and industrial products, and in the Baltics, it operates through its regional sales organisation, Henkel Baltics. From its office in Vilnius, Henkel Baltics oversees the marketing, sales and distribution of Henkel's well-known brands across Lithuania, Latvia and Estonia. Henkel's portfolio in the region includes Laundry & Home Care products (such as Persil, Silan, and Bref), Beauty Care products (Schwarzkopf, Syoss, etc.), and Adhesive Technologies for industrial and consumer use (Loctite, Pattex, Ceresit, etc.). As part of Henkel's global operations in 79 countries, the Baltic unit benefits from a robust international supply chain and expertise, and contributes to Henkel's position as a Fortune Global 500 company with a solid footprint in Northern Europe.

### **I dex (I dex Baltic)**

I dex Baltic is a renewable energy and district heating company that is the largest independent heat producer in Lithuania, established in 2019. The company is 90% owned by France's I dex group (and 10% by local partner GEKO Investicijos), integrating French expertise in sustainable energy infrastructure. I dex Baltic's operations – producing heat and electricity from biomass – contribute to reducing CO<sub>2</sub> emissions and natural gas dependence in the Baltic energy sector.

### **YIT Latvija SIA**

YIT Latvija is the Latvian branch of YIT Oy, Finland's largest construction company. Operating in Latvia for decades, YIT develops and builds residential and commercial properties according to YIT's standards. Its projects include apartment and office buildings for private clients and public contracts. YIT Latvia leverages Finnish technology and capital to deliver new housing developments and infrastructure projects in Riga and other cities.

### **IKI Lietuva (UAB Palink)**

IKI is one of Lithuania's largest grocery retail chains, operated by UAB Palink. Founded in 1991, IKI today runs over 230 supermarkets across the country and holds roughly a 16% share of Lithuania's food retail market, making it the second-biggest grocery retailer after Maxima. IKI stores are known for their neighbourhood supermarket format and are present in most cities and towns. The chain is majority-owned by Germany's REWE Group (which increased its stake in Palink to 93.8% in 2018), providing international support in procurement and operations.

### **Incap Electronics Estonia OÜ**

Incap Electronics Estonia OÜ is the Estonian manufacturing arm of Finland's Incap Corporation, specialising in contract electronics manufacturing. Its Kuressaare facility offers



PCB assembly, full product assembly and other turnkey electronics production services, primarily serving customers in Scandinavia and Central Europe. Established in 2000, Incap Estonia employs over 125 professionals and provides technologically advanced, cost-effective production capacity for global electronics companies.

#### **Yokohama TWS Latvia LSEZ SIA**

Yokohama TWS Latvia is a Liepāja-based wheel and tyre manufacturer (formerly Trelleborg Wheel Systems Latvia). Located in the Liepāja SEZ, it produces industrial wheels and related components for agricultural, construction and material-handling equipment. The company's product range includes wheels for tractors, trailers, forklifts, and municipal machines. As part of Sweden's (now Yokohama's) Wheel Systems group, this facility in Latvia contributes to the global supply of speciality tyres and wheels by combining local production with parent-company technology.

#### **JCDecaux Lietuva**

JCDecaux Lietuva is the Lithuanian division of JCDecaux, the world's largest outdoor advertising company. It is the market leader in Lithuania's out-of-home advertising sector, managing a portfolio of street furniture advertising (bus shelter displays, citylight panels), billboards, and transit ads in major cities such as Vilnius and Kaunas. Established in the early 2000s, JCDecaux Lietuva has introduced modern urban media solutions – including the implementation of Vilnius' public bike rental system alongside advertising-funded street furniture. As part of the family-owned JCDecaux Group (founded in France in 1964), the Lithuanian branch leverages global innovation while tailoring its services to local audiences and municipalities.

#### **Jets Vacuum SIA**

Jets Vacuum (Jets Eesti AS) is a Nordic supplier of vacuum sanitation and wastewater treatment systems, with a branch (Jets Vacuum SIA) operating in Latvia. The company provides eco-efficient vacuum toilet and sewage solutions for ships, buildings and infrastructure projects. Its Latvian office (part of the Finnish Jets Group) supplies and services specialised vacuum pump technology used to save water and treat waste in urban and marine settings.

#### **K.G. Knutsson AS**

AS K.G. Knutsson (KGK Estonia) is a leading automotive spare parts and accessories importer in Estonia. Founded in 1994, it offers more than 300 international brands (e.g., Webasto, Hella, Brembo) for vehicles and operates a network of nine Autoekspert retail stores and workshops nationwide. KGK Estonia, part of the KGK Group (Sweden) and ATR International, emphasises technical support and fast delivery to serve both wholesale and retail segments of the automotive aftermarket.

#### **Klippan Yllefabrik AB / SIA Klippan Saule**

Klippan Saule SIA is the Latvian subsidiary of Sweden's Klippan Yllefabrik AB. The Klippan group specialises in wool and textile products. Klippan Saule operates a manufacturing plant (near Rēzekne) that spins and weaves wool fabrics (often organic and certified) for bedding, clothing and home textiles. It supports Klippan's international brand by producing woollen blankets, quilts and yarns, leveraging Latvia's skilled textile workforce and regional wool supplies.

### **KPMG Baltics**

KPMG Baltics is a regional network of KPMG International member firms operating in Lithuania, Latvia and Estonia. Established in 1994, it offers audit, tax, legal, accounting, and advisory services to a wide range of private and public sector clients. With offices in Vilnius, Klaipėda, Riga, and Tallinn, KPMG Baltics employs several hundred professionals and supports cross-border projects through close regional collaboration. The firm is recognised for its commitment to integrity, international standards and value-driven business insights across the Baltics.

### **Lavazza Baltics SIA**

Lavazza Baltics SIA is the Riga-based distribution arm of Lavazza Group, the Italian coffee manufacturer. Established by the Turin-based Lavazza (founded 1895) to cover the Baltic market, it has around 18 employees across its Baltic offices. Lavazza Baltics imports, markets and sells Lavazza coffee and coffee machines to retailers and offices in Latvia, Lithuania and Estonia. As part of a family-owned global coffee business, it brings Italian coffee brands to the Latvian retail and hospitality sector.

### **LEAX Rēzekne RSEZ**

LEAX Rēzekne is a Latvian unit of the Swedish Leax Group, located in the Rēzekne Special Economic Zone (Tevīņi). It is engaged in metalworking for the automotive industry. Specifically, the factory produces heavy-duty leaf springs and chassis components for trucks and trailers. Benefitting from SEZ incentives, LEAX Rēzekne supplies Leax's global manufacturing operations, highlighting Latvia's role in Northern European vehicle supplier networks.

### **Leinonen OÜ**

Leinonen OÜ is the Estonian subsidiary of Finland's Leinonen Group, providing outsourced accounting, payroll and financial management services. It offers tailored financial and tax advisory solutions to help companies (particularly foreign-owned firms) ensure compliance with Estonian regulations and focus on growth. Leinonen specialises in serving businesses entering or operating in Estonia, delivering end-to-end accounting, reporting and support with local expertise.

### **Linstow Baltic SIA**

Linstow Baltic SIA is the Latvian subsidiary of the Norwegian Linstow Group, a leading real estate developer in the Baltics. It is known for major commercial projects in Riga, including shopping centres (Origo, Alfa) and office complexes (Satekles Business Centre). Linstow Baltic has been active in Latvia for decades, leveraging Norwegian capital to develop and manage prime retail and office properties. Its work has significantly shaped Riga's modern urban landscape, reflecting the group's Baltic-focused real estate strategy.

### **LIREMA**

LIREMA is the largest network of private eye surgery clinics in Lithuania, with locations in Vilnius, Kaunas, Klaipėda, and Šiauliai. Established over 20 years ago, Lirema specialises in laser vision correction, cataract surgery and other ophthalmological procedures, serving thousands of patients annually. The company is a Lithuanian–German joint venture (Lietuvos ir Vokietijos UAB) and has earned international recognition for its quality – including expanding its services to Stockholm, Sweden. With a team of experienced eye surgeons and state-of-the-art equipment, LIREMA has become a leader in eye healthcare in the Baltics,

combining local medical expertise with European standards to deliver advanced ophthalmic treatments.

### **LSEZ RT Metals SIA**

LSEZ RT Metals SIA (Riga) is a metal fabrication company in the Liepāja Special Economic Zone. Established in 1999, it manufactures steel structures and components (e.g., stairs, platforms and railings). Most of its output is exported to clients in Denmark and other EU countries. Employing about 100 people, RT Metals is a key industrial tenant in the LSEZ, reflecting Liepāja's ongoing metalworking industry and access to Scandinavian markets.

### **Nasdaq Riga and Tallinn**

Nasdaq operates the only regulated securities exchanges in Latvia, Estonia and Lithuania through its Nasdaq Baltic network. In Latvia, Nasdaq Riga has functioned as the country's sole stock exchange since 1993, facilitating trading in local stocks, bonds and other instruments. Nasdaq Tallinn, launched in 1995, plays a similar role in Estonia, enabling capital market access for local companies and investors. Together with Nasdaq Vilnius, they form an integrated Baltic market that simplifies cross-border trading and enhances financial transparency in the region. Nasdaq is recognised for connecting Baltic capital markets with global investors through modern, regulated platforms.

### **Neste Eesti AS**

Neste Eesti AS is the Estonian subsidiary of Neste Corporation (Finland), focused on fuel distribution and retail. It operates a network of Neste-branded service stations and supplies automotive fuels – including Neste's high-quality and renewable diesel blends – to the Estonian market. Neste Eesti emphasises sustainable fuel solutions and has integrated Neste's advanced products (like Neste Pro Diesel) into Estonia's fuel offerings.

### **Norwegian Air Resources Latvia SIA**

This company serves as the Riga Business Centre for Norwegian Air Shuttle (Norway's low-cost airline). Opened in 2020, it grew rapidly to over 140 employees in customer care, finance, IT, and back-office roles. The Riga centre handles call centre support, accounting and other corporate functions for Norwegian's operations, taking advantage of Latvia's multilingual talent pool. It reflects the airline's strategy of centralising customer-facing and administrative services in the Baltics.

### **Omniva Latvia**

Omniva Latvia is the Latvian subsidiary of Omniva (Estonia's national postal and logistics company). It provides postal parcel services, e-commerce deliveries and the network of self-service parcel lockers across Latvia. In partnership with its Baltic counterparts, Omniva operates the largest locker network in the region (over 1,300 machines). The company's growth in recent years (handling millions of parcels annually in the Baltics) reflects its strategy to modernise regional mail and parcel logistics with digital solutions and expanding infrastructure.

### **OP Corporate Bank – Lithuania branch**

OP Corporate Bank plc Lithuania branch is the Lithuanian presence of Finland's OP Financial Group, focusing on corporate and institutional banking services. Opened in 2010 and based in Vilnius, this branch offers financing, trade finance, cash management, and other specialised banking solutions to large companies operating in Lithuania and across the Baltics. It

underscores OP's role as a regional corporate bank, leveraging its cooperative banking heritage to support Baltic corporate clients as part of its broader Northern European footprint.

### **Peikko Group Corporation**

Peikko is a Finnish manufacturer of concrete connections and slim floor components, with a sales and engineering presence in Latvia. Peikko Group established a Baltic sales office in Latvia in 2008 and now employs local technical teams to serve the regional construction industry. It cooperates with Riga Technical University on engineering research and supports projects throughout the Baltics. The Latvian subsidiary is part of Peikko's global network (30+ countries) that delivers prefabricated concrete hardware and structural solutions to building and industrial projects.

### **PILT Trading OÜ**

PILT Trading OÜ is an Estonian agricultural machinery wholesaler. The company imports and distributes specialised farm equipment, focusing on livestock and dairy farming solutions such as KVK hoof-trimming chutes and barn interior systems. PILT Trading serves Estonian farmers and works closely with Danish technology providers (it is a member of the Danish-Estonian Chamber of Commerce), and it exhibits at major agriculture fairs in the Baltics.

### **Premier Restaurants Latvia SIA**

Premier Restaurants Latvia is the franchise operator of major fast-food chains in Latvia. It owns and runs McDonald's and KFC restaurants throughout the country. (The company has been noted as the owner of these franchises in Latvia.) Premier Restaurants manages dozens of locations in Riga and other cities, employing local staff and adhering to the international brands' standards. It is a key player in Latvia's quick-service restaurant sector.

### **Prisma Peremarket AS**

AS Prisma Peremarket is the Estonian subsidiary of Finland's S-Group, operating the Prisma hypermarket chain in Estonia. Since 2000 the company has grown to 14 stores nationwide, employing about 900 people. Prisma offers a wide selection of groceries, home goods and weekly supplies at competitive prices, and also runs ePrisma (an online grocery platform) with extensive product variety. The chain is guided by customer-focused values and sustainability principles as part of S-Group.

### **Protex Balti AS**

Protex Balti AS is an Estonian textile manufacturing company under Norway's Protex Group. It develops and produces advanced textile products, with two main divisions: ProtexTech (technical/smart textiles) and ProtexWear (functional workwear, sportswear and casual apparel). Protex Balti offers end-to-end design and production services (from initial concept to final delivery) in its ISO-certified Estonian factories, serving Northern European brands with innovative and sustainable textile solutions.

### **PwC (PricewaterhouseCoopers)**

PwC (PricewaterhouseCoopers) is a leading global professional services network, operating in Estonia and Latvia as part of its Baltic alliance. PwC Estonia, established in 1992, employs over 240 professionals and serves more than 500 clients, including major domestic and international companies as well as public sector institutions. PwC Latvia, founded in 1993, has a team of over 160 specialists providing audit, tax, legal, and advisory services to a diverse client base. Both firms are integral to the PwC Baltic network, delivering integrated services

across the region. Globally, PwC comprises over 328,000 professionals in 152 countries, offering industry-focused solutions to build trust and drive sustainable outcomes.

### **q.beyond SIA**

The Riga branch of q.beyond AG (formerly QSC), this IT services company was established in 2020 as q.beyond's first office outside Germany. q.beyond AG is a German cloud and digital transformation provider (~ 1,000 employees worldwide) focused on SAP, IoT and Microsoft technologies. The Latvian team delivers SAP Basis, cloud administration and DevOps support to clients in the Baltics and beyond, growing rapidly (about 20 local IT specialists by late 2021) as part of the firm's regional expansion. Headquartered in Cologne, the parent q.beyond group uses the Riga centre to extend its service capacity across Northern Europe.

### **Reimax Electronics OÜ**

Reimax Electronics OÜ is the Estonian subsidiary of Finnish Reimax Electronics Oy. Established in 2005, it focuses on manufacturing wiring harnesses, fibre-optic and equipment cables, and related electromechanical assemblies. In 2024, the company moved into a new 6,000 m<sup>2</sup> production facility near Tallinn, reflecting its growth in supplying custom cable solutions and assemblies to industrial clients.

### **Reitan Group (Reitan Retail)**

Reitan is a Norwegian family-owned retail conglomerate with substantial operations in the convenience and fuel retail sectors across the Nordic and Baltic countries. In the Baltics, Reitan's most visible business is Reitan Convenience, which operates the Narvesen convenience store chain – the largest convenience kiosk network in Latvia and Lithuania with over 450 stores – as well as managing 7-Eleven franchises in Scandinavia. Reitan entered the Lithuanian and Latvian markets by acquiring and rebranding local newsstands (e.g., Lithuania's Lietuvos Spauda kiosks) under the Narvesen brand. The Baltic convenience stores offer on-the-go products, press, and food services, and are run via franchising. Reitan Group's broader portfolio also includes supermarkets (REMA 1000 chain in Scandinavia) and fuel stations, but in Lithuania, its presence is primarily through Narvesen and affiliated services.

### **Repligen Estonia OÜ**

Repligen Estonia OÜ (formerly ARTeSYN Biosolutions Estonia) is the Estonian unit of the global bioprocess supplier Repligen Corporation. Established in 2016, the company develops, manufactures and sells single-use bioprocess devices and components (such as filtration and tubing systems) for the pharmaceutical and biotechnology industries. Its clients are primarily international pharma and biopharma companies, and it became part of Repligen after Repligen's 2020 acquisition of ARTeSYN Biosolutions. As of Q4 2024, the company had 49 employees in Estonia.

### **Rimi Baltic**

Rimi Baltic is a pan-Baltic grocery retail group operating hypermarkets and supermarkets in Lithuania, Latvia and Estonia. Headquartered in Riga, it manages around 314 stores across the three countries and employs approximately 11,000 people. In Lithuania, Rimi entered the market in the early 2000s and today runs a network of modern supermarkets and Rimi Hypermarket stores in major cities. Rimi Baltic was a wholly-owned subsidiary of Sweden's ICA Gruppen and one of the region's largest retail companies.



### **Roche Latvija SIA**

Roche Latvija SIA is the Latvian affiliate of Roche (Basel, Switzerland), the global healthcare and diagnostics leader. It provides pharmaceuticals, diagnostics equipment and laboratory services to hospitals and clinics across Latvia. In 2023, Roche expanded its local presence by opening a Roche Services & Solutions centre in Riga to handle back-office functions for EMEA markets. The Roche Group's Latvian operations support the rollout of new therapies and diagnostic innovations in the Latvian healthcare system.

### **SBM FastWood OÜ**

SBM FastWood OÜ is a Tallinn-based timber and wood products distributor. It supplies high-performance, sustainable wood materials – such as Accoya acetylated wood, Tricoya wood-fibre panels, and CLT – to the construction and joinery industries. The company focuses on durable, eco-friendly building materials and provides tailored wood solutions to clients throughout the Baltics and Northern Europe.

### **SCHWENK**

SCHWENK, a German building materials group founded in 1847, operates in both Latvia and Estonia through its subsidiaries SCHWENK Latvija and SCHWENK Eesti. In Latvia, SCHWENK owns the Brocēni cement plant – the country's only cement factory – with an annual capacity of up to 1.6 million tonnes, exporting approximately 70% of its production to neighbouring countries. The plant is recognised as one of Europe's most modern, emphasising sustainability through the use of alternative fuels and advanced technologies. In Estonia, SCHWENK Eesti has expanded its presence by acquiring a majority stake in Betoonimeister AS, a leading ready-mix concrete producer operating six batching plants across the country. Together, these operations underscore SCHWENK's commitment to providing high-quality construction materials throughout the Baltic region.

### **SEB banka AS (Latvia)**

SEB banka is one of Latvia's largest banks, a wholly-owned subsidiary of Sweden's Skandinaviska Enskilda Banken (SEB) Group. Founded in the early 1990s (as Latvijas Unibanka), SEB Latvia provides corporate and retail banking services throughout the country. It serves major enterprises, small businesses and individual clients, offering loans, deposits, cards, and digital banking. SEB Group is a major Nordic financial institution, and SEB Latvia acts as its strategic Baltic operation in the Latvian market.

### **Smurfit Kappa Baltics**

Smurfit Kappa is a global leader in paper-based packaging solutions, and it operates manufacturing units in the Baltic region to serve local markets. In Lithuania, Smurfit Kappa Baltic UAB runs a corrugated packaging plant in Vilnius, producing cardboard boxes and other corrugated products for industries such as food & beverage, furniture and electronics. As part of Smurfit Kappa Group (a FTSE 100 company with operations in over 30 countries), the Baltic operations adhere to high standards of sustainability – using recycled fibres and innovative design to create packaging that is both functional and environmentally friendly.

### **Södra Forest Latvia SIA**

Södra Forest Latvia SIA is the Latvian arm of Södra, Sweden's large forestry co-operative. It encompasses several Latvian forestry and timber companies (such as Sodra Forest Latvia, Alfredsson Latvia, Myrtillus and Ruda), managing extensive forest holdings and wood harvesting operations. The group applies sustainable forestry practices (replanting, forest improvement) in line with Södra's environmental strategy. Timber procured by Södra Latvia

supplies wood fibre to Södra's Scandinavian sawmills and pulp mills, making Latvia an important source of raw material for the region's forest products industry.

### **Stenders SIA**

Stenders SIA (Riga) is a Latvian cosmetics and personal care manufacturer and retailer. Established in 1996, Stenders creates natural beauty products (soaps, scrubs, oils, etc.) made from local ingredients like Baltic amber and herbs. The company operates Stenders stores in Latvia and abroad, positioning itself as a premium Baltic brand. Its Riga factory produces the line of Stenders products, contributing to Latvia's local manufacturing of organic cosmetics.

### **Stora Enso Latvija AS**

AS Stora Enso Latvija is the Latvian arm of Stora Enso (Finland/Sweden), a leading provider of renewable packaging and forest products. The company's Baltic operations include corrugated board manufacturing in Latvia (in Riga), serving both local and export markets. It sources fibre from regional forests and produces cardboard sheets, packaging boxes and paper-based solutions. Stora Enso's Latvian unit is part of the Packaging Baltics division, which specialises in corrugated packaging from virgin and recycled pulp.

### **Sunly**

Sunly is an Estonian renewable energy company founded in 2019, specialising in the development of solar and wind energy projects across the Baltics and Poland. The company is advancing hybrid energy solutions that integrate battery storage to enhance grid stability and energy availability. Notably, Sunly is constructing the 244 MW Risti solar park in Estonia, set to be the largest in the Baltics, and has initiated four solar projects in Latvia totalling 553 MW. With over € 765 million raised in capital, including € 300 million secured in 2024, Sunly is committed to accelerating the region's transition to renewable energy.

### **Swisscom DevOps Center Latvia**

Swisscom DevOps Center Riga is the Latvian development centre of Swisscom, Switzerland's largest telecom company. Established in 2020 as Swisscom's second European DevOps centre, it employs local software engineers and DevOps specialists to work on cloud, IT automation and product development projects. By leveraging Latvia's IT talent, this Swisscom subsidiary expands the company's R&D footprint: the Riga team builds infrastructure tools and supports Swisscom's services from Latvia, in close cooperation with the Swiss headquarters.

### **TDR Estonia OÜ**

TDR Estonia OÜ is the Pärnu-based subsidiary of Finland's TDR Group, a telecommunications and electronics service provider. It operates specialised repair and assembly facilities for telecom and industrial electronic equipment in Estonia, offering services such as equipment screening, testing and electromechanical assembly. By maintaining network hardware and building test systems, TDR Estonia helps telecom and manufacturing customers maximise the uptime and reliability of their electronic systems.

### **Tele2 SIA**

Tele2 SIA is the Latvian subsidiary of Tele2 AB, the Swedish telecom operator. Tele2 entered the Latvian market in 2000 and has grown into one of the country's largest mobile network operators. It provides full telecommunications services (mobile, fixed broadband and related content) to consumers and businesses in Latvia, and is part of Tele2's Baltic operations (alongside Estonia and Lithuania) offering advanced 4G/5G coverage and competitive pricing.

The company's large subscriber base and nationwide network make it a key player in Latvia's digital infrastructure, under the strategic ownership of the Tele2 group.

### **Telia Lietuva, AB**

Telia Lietuva is a leading telecommunications and IT services provider in Lithuania and part of the Nordic-based Telia Company group. Formed via the merger of Lithuania's incumbent fixed-line operator and mobile operator in 2017, Telia Lietuva is the only telco in the country offering a full range of services – including mobile, broadband internet and digital TV – under one brand. The company is one of the largest telecoms in the Baltic states, with around 1,830 employees and € 476 million in revenue in 2023. Headquartered in Vilnius, Telia Lietuva is majority-owned by the Sweden-based Telia Company (which holds ~ 88% of shares).

### **Vastint Latvia**

Vastint Latvia SIA is the Latvian branch of Vastint Holding (the real estate arm of Inter IKEA Group). It has been active in Latvia since 2003, developing commercial and residential properties. Its portfolio includes large mixed-use projects such as the Magdeļnieki kvartāls office/residential complex and retail parking facilities. Vastint Latvia focuses on development and active property management, contributing significant international investment to the Latvian real estate market.

### **Viltechmeda (Moog)**

UAB Viltechmeda – now part of Moog Inc.'s medical devices division – is a Vilnius-based manufacturer of high-precision medical equipment, particularly infusion pump systems. Founded in 1993, Viltechmeda was acquired by the U.S. motion control and engineering company Moog in 2008. Under Moog's ownership, the company (sometimes branded Moog Medical Devices Lithuania) develops and produces advanced syringe infusion pumps used globally in fields such as anaesthesiology, oncology and intensive care.

### **Visma Labs SIA**

Visma Labs Latvia (Riga) is a software development centre of Visma Group (a Norwegian SaaS company). Established in 2015, it has grown from ~ 20 to about 290 IT professionals. The Riga-based team performs R&D, testing and support for Visma's business software products (financial, ERP and analytics solutions) used throughout Europe. As one of Visma's talent hubs, Visma Labs SIA drives innovation in cloud and software services for clients in Latvia and the wider region.

### **Vitol Terminal Latvia**

Vitol Terminal Latvia (formerly Ventspils Nafta Terminal) is a major oil storage and transshipment operator at Ventspils Freeport. It is partly owned by the global energy trader Vitol (which acquired a 49% stake in 2007) and is the largest, most technologically advanced petroleum terminal in the Baltics. The terminal (originating in 1961) provides crude and refined oil storage, blending and ship/rail/pipeline loading services with about 1.2 million m<sup>3</sup> capacity.

### **VTG Rail Logistics Baltics UAB**

VTG Rail Logistics Baltics is a Lithuanian-based rail freight and logistics company, established in 2019 and rebranded under its current name in 2023. It is a subsidiary of Germany's VTG AG – Europe's largest private railcar leasing and rail logistics provider. VTG Rail Logistics Baltics, headquartered in Klaipėda, serves as a full-service rail forwarder offering tailor-made rail transport solutions for the Baltic region and transit routes to Scandinavia.

## Appendix 2. Guidelines for research: 2024 study

### **FICIL Sentiment Index 2024: Survey and interview questions**

#### **Survey questions**

- 1. Please provide the name of your company**

Open field

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- 2. Please indicate the main type of economic activities in your company, based on NACE Rev.2.**

Dropdown list of economic activities under NACE Rev.2

- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Construction
- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Accommodation and food service activities
- Transportation and storage
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Education
- Human health and social work activities
- Arts, entertainment and recreation
- Other service activities

- 3. Does foreign capital represent at least 50% of total investment of your company in Latvia/Lithuania/Estonia?**

One answer option – yes, no

- 4. Is the annual turnover of your company in Latvia/Lithuania/Estonia above EUR 145 000?**

One answer option – yes, no

#### ***Investment climate***

- 5. Overall, from the perspective of your company, what is the current investment attractiveness of Latvia/Lithuania/Estonia?**

One answer option

1	2	3	4	5
Very low	Low	Moderate	High	Very high

6. Please select **3 areas** among those listed below that, in your view, require the urgent attention of policymakers in Latvia/Lithuania/Estonia. Please use the comment box below to suggest how to improve them.

Multiple choice question (max. 3 options)

- Innovation ecosystem – cooperation between government, business and universities
- Science, technology and innovation
- Education and requalification
- Healthcare system
- Social security
- Physical infrastructure (e.g., roads, office spaces)
- Digital infrastructure
- Availability of labour (management level)
- Availability of labour ('hands')
- Productivity
- Knowledge of foreign language(s)
- Production costs
- Tax system
- Legal system (e.g., business regulations, court procedures)
- Transparency of the business environment
- Stability of the political environment
- Sustainability of the macroeconomic environment
- Access to finance (e.g., credit, grant)
- Investment incentives (e.g., business support policies)
- Attitudes towards foreign investors
- Standard of living
- Defence
- Energy resources
- Other (please specify) \_\_\_\_\_

**Comment: please suggest what should be done to improve each selected area**

7. In your opinion, what are the **three key strengths** of the investment climate in Latvia/Lithuania/Estonia

Multiple choice question (max. 3 options)

Business Regulations	
Domestic Market Growth	
Government Incentives	
Digital Infrastructure	
Physical Infrastructure, Logistics & Connectivity	
Labour Costs	
Proximity to Markets	



Real Estate	
Talent Pool	
Taxation	
Technology and Know-how	
Utilities	
Quality of Life	
Other (please specify)	

**8. Using a 5-point scale, please rate government spending efficiency in Latvia/Lithuania/Estonia.**

One answer option

1	2	3	4	5
Very low	Low	Moderate	High	Very high

**9. In your view, how could the government in Latvia/Lithuania/Estonia achieve greater government spending efficiency? Please select max. 3 options from those listed below and elaborate on the order of priority in the comment box below.**

Multiple choice question (max. 3 options)

- Digitalisation and integration of AI and big data analytics technologies in public administration
- Centralisation of public administration functions and processes
- Restructuring or elimination of redundant government agencies/departments
- Transparent, performance-based budgeting and stronger auditing mechanisms
- Greater accountability and productivity of the public sector employees
- Public-private partnerships and government service outsourcing
- Improvement of the public procurement procedures
- Strengthening of economic and administrative cooperation among the Baltic states to share resources and learn best practices
- Reduction of excessive spending by public administration in a specific category (e.g., international trips of civil servants)
- Improve social spending efficiency (e.g., social protection, healthcare), using data-driven approaches, to target only the most vulnerable individuals
- Other (please specify) \_\_\_\_\_

**Comment** \_\_\_\_\_

**10. In your view, in what 3 areas should government spending be increased to stimulate greater economic development and investment attraction in Latvia/Lithuania/Estonia?**

Multiple choice question (max. 3 options)

- Education and human capital development
- Infrastructure and public transportation
- Social protection (e.g., subsidies for families, unemployed)
- Healthcare

- Defence and national security
- Environment and climate change
- Economic development & industry support
- Research & development
- Government administration and public services
- Other (please specify) \_\_\_\_\_

**11. Does your company plan to increase investment in Latvia/Lithuania/Estonia (please answer for the country where your company is registered)? If yes, under what circumstances and in what period/amount? If no, why?**

Open field

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*Geopolitics, collaboration between the Baltic states and EU support*

**12. In your view, what are the top-3 most effective solutions to reduce geopolitical and security concerns in Latvia/Lithuania/Estonia?**

Multiple choice question (max. 3 options)

- Stronger economic and military collaboration at the **EU level** to develop strategic defence (tech) programmes
- Stronger economic and military collaboration between the **Baltic states** to position the region as a defence tech hub of Europe
- Larger investments in the **national** defence industry and modernisation of the armed forces
- Greater clarity and effectiveness of the **national** defence strategy and mechanisms
- Stronger **NATO** presence in the country
- Other \_\_\_\_\_

**13. Given the new geopolitical reality, what are the top-3 areas where the three Baltic states should collaborate more intensively?**

Multiple choice question (max. 3 options)

- Economy and industrial development
- Science, technology and innovation
- Defence
- Education
- Energy and environment
- Infrastructure
- Culture and tourism
- Other \_\_\_\_\_

**14. On a scale from 1 (not at all) to 5 (excellent), to what extent does the EU provide sufficient support to the Baltic states, given the security and economic challenges they have faced since the beginning of the Russian war with Ukraine?**

One answer option

1 (poor)	2	3	4	5 (excellent)
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**15. In your view, what are the top-3 EU support instruments that would be most helpful to Latvia/Lithuania/Estonia to address the security and economic challenges it faces in the new geopolitical reality?**

Multiple choice question (max. 3 options)

- Provide funding and expertise for meeting key defence priorities (e.g., border security, development of military capabilities)
- Provide funding for research and innovation
- Boost the development of a (high) tech ecosystem
- Promote human capital development
- Support the growth of start-ups and SMEs (small and medium-sized enterprises)
- Support renewable energy projects and energy independence
- Foster infrastructure development
- Facilitate social inclusion
- Stimulate targeted (foreign) investment attraction towards economic priority areas
- Promote economic and military cooperation between the Baltic states
- Other (please specify) \_\_\_\_\_

### *Final messages*

**16. Please provide final messages on what should be done to untap the economic potential of Latvia/Lithuania/Estonia:**

- Message to the Prime Minister in Latvia/Lithuania/Estonia: \_\_\_\_\_
- Message to EU policymakers: \_\_\_\_\_
- Message to policymakers in the neighbouring Baltic states: \_\_\_\_\_

### **Interview questions**

- In your view, what are the main factors that can drive the further development of the Latvian/Lithuanian/Estonian economy?
- In your view, what are the key business opportunities in Latvia/Lithuania/Estonia? What are the key barriers that could prevent the realisation of these business opportunities?
- In your view, how can government spending efficiency in Latvia/Lithuania/Estonia be improved, and where should the resources be redirected to stimulate economic development?
- How has the investment climate in Latvia/Lithuania/Estonia been affected by the Russian war with Ukraine? In your view, to what extent do the geopolitical risks deter potential investors?
- What kind of EU support would be most needed in the Baltic states, and why?
- Do you see any opportunities that the Baltic states might explore together, despite common geopolitical challenges? What might they be?