



Executive Summary

Located in the Baltic region of northeastern Europe, Latvia is a member of the EU, eurozone, NATO, and the World Trade Organization (WTO). Latvia became a member of the eurozone on January 1, 2014, which further improves Latvia's advantages as an investment destination. The Latvian government recognizes that Latvia, as a small country, must attract foreign investment in order to foster economic growth, and thus has pursued liberal economic policies. According to the World Bank's Doing Business Report 2014, Latvia is ranked 24th out of 189 countries in terms of ease of doing business.

As an EU country, Latvia applies EU laws and regulations, and, according to current legislation, foreign investors possess the same rights and obligations as local investors. Any foreign investor is entitled to establish and own a company in Latvia and has the opportunity to acquire a temporary residence permit.

Latvia provides several advantages to potential investors, and among them are the following:

Latvia provides strategic access to the EU market and the emerging markets of Russia and Central Asia. Companies can take advantage of Latvia's location as a regional hub that offers access to large neighboring markets.

Latvia's three ice-free ports are connected to the country's rail and road networks and the largest international airport in the Baltic region. The road network is connected to both European and Central Asian road networks. The railroads connect Latvia with the other Baltic states, Russia, and Belarus, with further connections extending into Central Asia and China.

Latvia offers a workforce that is well-educated, multilingual, and cost-competitive with other EU countries. Labor costs in Latvia are the 4th lowest in the EU. Latvia has one of the lowest corporate income tax rates in the EU at a flat rate of 15 percent, and personal income tax rate of 24 percent.

To further boost its competitiveness, the Latvian government has established special incentives for investment, both foreign and domestic. There are four special economic zones (SEZs) in Latvia: Riga Free Port, Ventspils Free Port, Liepaja Special Economic Zone, and Rezekne Special Economic Zone, which provide various tax benefits for investors.

The most competitive sectors in Latvia are woodworking, metalworking, food processing, IT, life science, green tech, and finance.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

The Latvian government actively encourages foreign direct investment and works with investors to improve the country's business climate. To strengthen these efforts, the Latvian government has introduced the POLARIS process, a mechanism designed to create an alliance between the public sector, including national and local governments; the private sector, covering both national and international companies; and major Latvian academic and research institutions to encourage foreign direct investment and spur economic growth. The Latvian government also meets annually with the Foreign Investors Council in Latvia (FICIL), which represents large foreign companies and chambers of commerce, with the express purposes of improving the business environment and encouraging foreign investment. The Coordination Council for Large and Strategically Important Investment Projects is chaired by the Prime Minister.

Other Investment Policy Reviews

Although there have been no policy reviews specifically involving Latvia, the WTO published its latest review of the European Union on July 18, 2013 (http://www.wto.org/english/tratop_e/tpr_e/tp384_e.htm).

Industrial Strategy

Latvia has established a National Industrial Policy (NIP) covering 2013-2020, which aims to promote structural changes in the economy to foster the manufacture of goods and services with higher added value. More information on the NIP is available here: [http://www.em.gov.lv/images/modules/items/finl_en%20\(1\).pdf](http://www.em.gov.lv/images/modules/items/finl_en%20(1).pdf).

Limits on Foreign Control

Physical and legal persons who are citizens of Latvia or of other EU countries may freely purchase real property. In general, physical and legal persons who are citizens of non-EU countries ("third-country nationals") may also freely purchase *developed* real property. However, third-country nationals may not directly purchase certain types of agricultural, forest, and undeveloped land. Such persons may, however, acquire ownership interest in such land through a company registered in the Register of Enterprises of the Republic of Latvia, provided that more than 50 percent of the company is owned by: (a) Latvian citizens and/or Latvian governmental entities; and/or (b) physical or legal persons from countries with which Latvia signed and ratified an international agreement on the promotion and protection of investments on or before December 31, 1996; or for agreements concluded after this date, so long as such agreements provide for reciprocal rights to land acquisition. The United States and Latvia have such an agreement. In addition, foreign investors can lease land without restriction for up to 99 years. As of May 1, 2014 changes in the Law on Land Privatization in Rural Areas will allow EU citizens to purchase Latvia's agricultural land and forests. Other restrictions apply (to both Latvian citizens and foreigners) to the acquisition of land in Latvia's border areas, Baltic Sea and Gulf of Riga dune areas, and other protected areas.

Privatization Program

The Law on Privatization of State and Municipal Property governs the privatization process in Latvia. The Latvian Privatization Agency (LPA), established in 1994, uses a case-by-case approach to determine the method of privatization for each state enterprise. The three allowable methods are: public offering, auction for selected bidders, and international tender. For some of the largest privatized companies, a percentage of shares may be sold publicly on the NASDAQ

OMX Riga Stock Exchange. The government may maintain shares in companies deemed important to the state's strategic interests. Privatization of small and medium-sized state enterprises is considered to be largely complete.

Latvian law designates six State Joint Stock Companies that cannot be privatized: Latvenergo (Energy and Mining), Latvijas Pasts (Services), International Airport Riga, Latvijas Dzelzceļš (Automotive and Ground Transportation), Latvijas Gaisa Satiksme (Aerospace and Defense), and Latvijas Valsts Meži (Forestry). Other large companies in which the Latvian government holds a controlling interest include airBaltic (Travel), Latt telecom (Information and Communication), and Latvian Mobile Telephone (Information and Communication).

Screening of FDI

In keeping with European Union and World Trade Organization requirements, there is generally no screening of foreign investment. However, in cases of greenfield investment requiring licenses regulated by the Public Services Regulatory Commission, or when the state offers tax exemptions or other concessions, significant due diligence measures may be applied. Tender regulations for greenfield investment projects are prepared on a case-by-case basis.

Business activities are regulated by the Commercial Law, the latest version of which came into force on January 1, 2002. The Commercial Law serves as the legal framework for establishing, registering, operating, and closing a business in Latvia. The law specifies five possible business legal entities: individual merchants, partnerships (general and limited), and corporations (joint stock and limited liability companies). Legislation that went into effect in 2010 offers special tax treatment for qualifying “micro-enterprises.” Latvia has established the Large and Strategically Important Investment Project Coordination Committee to promote the successful implementation of imperative investment projects and to organize cooperation between governmental institutions, municipalities, educational institutions, special economic zones and free ports. The Committee is led by the Prime Minister as the chairman of the board and the Minister of Economics as the deputy chairman.

Competition Law

The competition environment is supervised by the Competition Council (CC). More information can be accessed at: <http://www.kp.gov.lv/en>

Investment Trends

In December 2012, the Latvian government announced its full repayment ahead of schedule of an International Monetary Fund (IMF) loan that it had received to mitigate the effects of its 2008-2009 economic crisis. During the crisis, Latvia saw a reduction in FDI and a drop in GDP of almost 25 percent. FDI flows already exceed pre-crisis levels and the Latvian government expects to conclude 2014 with economic growth of 4.2 percent. The chart below shows Latvia's rank on several prominent international measures of interest to potential investors.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address

TI Corruption Perceptions index	2013	of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(24 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(33 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	14,120USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

On January 1, 2014, Latvia adopted the euro as its currency.

There are no restrictions on exchanging currencies or capital movement. Foreign investors are allowed to extract their profits in any currency with no restraints. As of April 17, 2014, one euro is worth \$1.384.

Remittance Policies

Latvian law provides for unrestricted repatriation of profits associated with an investment. Investors can freely convert local currency into foreign exchange at market rates, and have no difficulty obtaining foreign exchange from Latvian commercial banks for investment remittances. Exchange rates and other financial information can be obtained at the Central Bank of Latvia's web site: www.bank.lv.

3. Expropriation and Compensation

There have been no cases of arbitrary expropriation of private property by the Government of Latvia. Expropriation of foreign investment is possible in a very limited number of cases specified in the Law on Expropriation of Real Property. Compensation must be paid in full within three months of the date of expropriation. If the owner of the property claimed by the government deems the compensation inadequate, the owner has the right to appeal to a Latvian court.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The 1993 Law on Judicial Power introduced a three-tier court system. Judicial power is exercised by town, city, and rural districts; regional courts; and the Supreme Court. In addition, the Constitutional Court reviews the compatibility of decrees and acts of the President of the Republic, the government, and local authorities with the constitution and the law. Unless otherwise stipulated by law, district courts are the courts of first instance in all civil, criminal, and administrative cases. Regional courts are vested with the authority of appellate review for district court verdicts. In addition, regional courts are courts of first instance for cases specified in the Civil Code. Such cases include cases on the protection of patent rights, trademarks, and geographical indications; and cases on the insolvency and liquidation of credit institutions. The Supreme Court consists of the Senate and two Chambers of Court: the Civil Chamber of Court and the Criminal Chamber of Court.

City and regional courts are administered by the Ministry of Justice (www.tm.gov.lv). The Supreme Court and Constitutional Court are independent. The Ministry has enacted reforms which have reduced the backlog of cases in the lower courts. Nevertheless, improvements in the judicial system are still needed to accelerate the adjudication of cases, to strengthen the enforcement of court decisions, and to upgrade professional standards.

Bankruptcy

There are two laws governing bankruptcy procedure: the Law on Insolvency, which came into force on January 1, 2008, amended in November 2010; and the Law on Credit Institutions (regulating bankruptcy procedures for banks and other financial sector companies), which came into effect in 1995. Recent changes to the Law on Insolvency were designed to make the process more efficient and accessible to physical persons.

According to the World Bank's Doing Business Report 2014 Latvia ranked 43rd out of 189 countries in terms of ease of resolving insolvency.

Investment Disputes

Investment disputes concerning U.S. or other foreign investors and Latvia are generally rare.

International Arbitration

A register of arbitration institutions was established in 2005. According to the information available in the register, there are 213 arbitration institutions registered in Latvia (www.ur.gov.lv). In most commercial agreements, parties opt to refer their disputes to arbitration rather than to the Latvian courts.

The Civil Procedure Law, which came into force on March 1, 1999, contains a section on arbitration courts. This section was drafted on the basis of the UNCITRAL model law, thus providing full compliance with international standards. The law also governs the enforcement of rulings of foreign non-arbitral courts and foreign arbitrations. The full text of the law in English can be found at: www.vvc.gov.lv.

ICSID Convention and New York Convention

Latvia has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since 1997 and a member of the New York Convention of 1958 on the Recognition and

Enforcement of Foreign Arbitral Awards since 1992. Judgments of foreign arbitral courts that are made in accordance with either can therefore be enforced in Latvia. The Civil Procedure Law stipulates that the judgments of foreign non-arbitral courts can be enforced in Latvia.

Duration of Dispute Resolution

Investment and commercial dispute resolution proceedings in Latvia typically take between two and three years, if the case is reviewed at all possible levels and the involved parties do not deliberately delay the proceedings. It should be noted that the length of these proceedings can differ significantly depending on the Latvian region in which the case is filed.

5. Performance Requirements and Investment Incentives

Investment Incentives

The Latvian government extends national treatment to foreign investors. Therefore most investment incentives and requirements apply equally to local and foreign businesses. Latvia has two special economic zones and two free ports in which companies benefit from various tax rebates (real estate, dividend, and corporate income) and do not pay VAT. Long-term investments exceeding 7 million euros (approximately \$9.66 million) are considered large scale and thus receive a tax rebate on initial long-term investment of 25 percent of the investment amount up to 50 million euro and 15 percent above 50 million euro.

Research and Development

The Latvian government offers incentive schemes for investment, both foreign and domestic, in several free ports, special economic zones, and in special support regions, as well as through the POLARIS process. The process provides free support for investors from the preparation phase up until the investment project is completed. For more information on these programs, see www.liaa.gov.lv and www.polarisprocess.com.

Performance Requirements

Except for specific requirements for investors acquiring former state enterprises through the privatization process, there are no performance requirements for a foreign investor to establish, maintain, or expand an investment in Latvia. In the privatization process, performance requirements for investors, both foreign and domestic, are determined on a case-by-case basis.

Under Latvian law, foreign citizens can enter Latvia for temporary business activities for up to three months in a half-year period. For longer periods of time, foreigners are required to obtain residence and work permits.

A physical third-country national may obtain a five-year temporary residence permit if he or she has made certain minimum equity investments in a Latvian company, certain subordinated investments in a Latvian credit institution, or purchased real estate for certain designated sums, subject to limitations in each case.

6. Right to Private Ownership and Establishment

The Latvian constitution guarantees the right to private ownership. Both domestic and foreign private entities have the right to establish and own business enterprises and engage in all forms of commercial activity, except those prohibited by the law. Private enterprises have competitive equality with public enterprises with respect to access to markets and business operations.

7. Protection of Property Rights

Real Property

Latvia has full legal rights to property and, according to World Bank's Doing Business Report 2014, is ranked 33rd out of 189 countries in terms of ease of registering property.

Intellectual Property Rights

In an effort to harmonize its legislation with EU and WTO requirements, Latvia has established a legal framework for the protection of intellectual property. In 1993, the Latvian Parliament passed legislation to protect copyrights, trademarks, and patents. In 2000, the Parliament adopted the Law on Copyrights. The law strengthens the protection of software copyrights and neighboring rights. Foreign owners may seek redress for violation of their intellectual property rights through the appellation council at the Latvian Patent Office; court action can also be sought in such cases. In copyright violation cases, the interested party can request that the use of the pirated works be prohibited, that pirated copies be destroyed, and that remuneration for losses be paid (including for lost profits). The criminal law stipulates penalties for copyright violations.

In July 1994, the United States signed a Trade and Intellectual Property Rights Agreement with Latvia. Latvia has been a member of the World Intellectual Property Organization (WIPO) since January 1993, the Paris Convention since September 1993, the Berne Convention since August 1995, and the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms since August 1997. In addition, the Latvian government has amended all relevant laws and regulations to comply with the requirements of the WTO TRIPS agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), to which Latvia acceded by joining the WTO.

Latvia has also acceded to the following international treaties and agreements:

- Patent Co-operation Treaty (September 1993);
- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure (December 1994);
- Madrid Agreement on International Registration of Trade Marks (January 1995);
- Nice Agreement on International Classification of Goods and Services for the Purposes of Trade Mark Registration (January 1995);
- Rome Convention for the Protection of the Rights of Performers, Producers of Phonograms, and Broadcasting Organizations (with a note to not apply article 12 of the convention concerning phonograms of producers that are not nationals of contracting states) (August 1999); and

-- Geneva Agreement on Trade Marks (December 1999).

Concerns exist regarding the enforcement of these intellectual property protection standards in Latvia. As in much of Eastern and Central Europe, piracy rates are relatively high. Previously, there have been some reports of infringement of software licensing agreements by government offices.

Contact at Copyright Offices

- **Ms. Ilona Tomsone**
- **Director of Legal Division, Ministry of Culture of the Republic of Latvia**
- **(371) 67330 211**
- **pasts@km.gov.lv**

Contact at Industrial Property Offices

- **Mr. Sandris Laganovskis**
- **Director of the Patent Office of the Republic of Latvia**
- **(371) 670 99 608**
- **valde@lrpv.lv**

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Guntars Vicmanis VicmanisG@state.gov

Local lawyers list: http://riga.usembassy.gov/legal_assist_en2.html

8. Transparency of the Regulatory System

The Latvian government has amended its laws and regulatory procedures in an effort to bring Latvia's legislation in compliance with the European Union and WTO GPA requirements. A number of legislative changes were aimed at increasing the transparency of the Latvian business environment and regulatory system. At the same time, the massive legislative changes carried out in a short period of time have led to some laws and regulations that could be subject to conflicting interpretations. The Latvian government has developed a good working relationship with the foreign business community (through FICIL) to streamline various bureaucratic procedures and to address legal and regulatory issues.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

Latvian government policies do not interfere with the free flow of financial resources or the allocation of credit. Local bank loans are available to foreign investors.

The regulatory framework for commercial banking incorporates all principal requirements of European Union directives. A unified capital and financial markets regulator was launched on July 1, 2001, replacing the Securities Market Commission, the Insurance Inspectorate, and the

Bank of Latvia's Banking Supervision Department. Existing banking legislation includes provisions on accounting and financial statements (strict adherence to international accounting standards is required), minimum initial capital requirements, capital adequacy requirements, large exposures, restrictions on insider lending, open foreign exchange positions, and loan-loss provisions. An Anti-Money Laundering Law came into effect in August 2008 and a Deposit Guarantee Law came into effect in January 2003. An independent anti-money laundering unit operates under the supervision of the Prosecutor General's Office. Some of the banking regulations, such as capital adequacy and loan-loss provisions, exceed EU requirements.

According to the Association of Commercial Banks of Latvia, total assets of the country's banks at the end of 2013 stood at approximately \$38.3 billion. At the end of 2013, 79 percent of total loans had no payment arrears. More information is available at: <http://www.bankasoc.lv/en/statistics/> and http://fktk.lv/texts_files/0_FKTK_Infografika_banku_dati_2013_ENG.pdf.

Securities markets are regulated by the 2000 Law on the Consolidated Capital Markets Regulator, the 2004 Law on the Financial Instrument Market, and several other laws and regulations. Protection of investor interests is ensured by strict control over participants in the securities market.

The NASDAQ/OMX Riga Stock Exchange (RSE) (www.nasdaqomxbaltic.com) began operations in 1995. France assisted Latvia in setting up the securities market based on a continental European model. In 1997, the RSE was admitted to the International Federation of Stock Exchanges as a corresponding emerging market. The RSE was the first exchange in Eastern Europe to create an index in cooperation with Dow Jones.

10. Competition from State-Owned Enterprises

Private enterprises may compete with public enterprises on the same terms and conditions with respect to access to markets, credit, and other business operations such as licenses and supplies. The Latvian government is working to implement the requirements of the EU's Third Energy Package, which would further open the electricity market to private power producers, allowing them to compete on an equal footing with Latvenergo, the state-owned power company.

SOEs are active in the energy and mining, aerospace and defense, services, information and communication, automotive and ground transportation, and forestry sectors.

Senior managers of SOEs report to independent boards of directors, which in turn report to the line ministries. Many SOEs previously had a council in addition to a Board of Directors, but these councils were eliminated in 2009 due to widespread allegations that they provided little guidance and served only to provide jobs for politically connected individuals.

SOEs are required by law to publish an annual report and to submit their books to an independent audit.

Sovereign Wealth Funds

Latvia does not have a sovereign wealth fund.

11. Corporate Social Responsibility

On January 9, 2004, Latvia joined the OECD Declaration on International Investment and Multinational Enterprises. Adherence to these OECD principles and standards reinforces the efforts of the Latvian government to pursue investment-friendly economic reforms. Awareness of and adherence to principles of corporate social responsibility (CSR) is developing among producers and consumers. Two of the most active promoters of CSR are the American Chamber of Commerce in Latvia and the Employers' Confederation of Latvia. The Latvian Ministry of Welfare has also taken an active part in promoting CSR. As a result, several initiatives have been developed. One of the most successful is the Sustainability Index. For more information on this program, see: www.ilgtspejasindekss.lv.

12. Political Violence

There have been no reports of political violence or politically motivated damage to foreign investors' projects or installations. The likelihood of widespread civil disturbances is very low. Civil unrest is generally not a problem in Latvia. While Latvia has experienced peaceful demonstrations related to internal political issues, there have been rare incidents when peaceful demonstrations have devolved into crimes against property, such as breaking shop windows or damaging parked cars. U.S. citizens are cautioned to avoid any large public demonstrations, as even peaceful demonstrations can turn confrontational. The Embassy provides periodic notices to U.S. citizens in Latvia that can be found on the Embassy's web site: riga.usembassy.gov.

13. Corruption

Latvian law enforcement institutions, foreign business representatives, and non-governmental organizations, such as Transparency International, have identified corruption and the perception of corruption as persistent problems in Latvia. According to the 2013 Corruption Perception Index by Transparency International, Latvia ranks 49th out of 177 countries (in order from the lowest perceived level of public sector corruption to the highest). Among EU member states, Latvia ranks 20th out of 28.

In an effort to strengthen its anti-corruption program, the Latvian government has adopted several laws and regulations, including the 1998 Law on Money Laundering (amended in 2009), and the 2002 Law on Conflicts of Interest (replacing the 1995 Anti-Corruption Law). The Conflicts of Interest Law imposes restrictions and requirements on public officials and their relatives. Several provisions of the law deal with the previously widespread practice of holding several positions simultaneously, often in both the public and private sector. The law includes a comprehensive list of state and municipal jobs that cannot be combined with additional employment. Moreover, the law expands the scope of the term "state official" to include members of boards and councils of companies with state or municipal capital exceeding 50 percent.

Latvia has signed the Council of Europe's Criminal Convention on Corruption and the United

Nations Convention against Corruption. Latvia will become a member of the OECD Anti-Bribery Convention on May 30, 2014.

Under Latvian law, it is a crime to offer or to accept a bribe or to facilitate an act of bribery. Although the law stipulates heavy penalties for bribery, there have been only a limited number of government officials prosecuted and convicted for corruption. On April 1, 2013, new amendments to the Latvian Criminal Law came into effect which broadens the definition of state and local government employees to enable wider anti-bribery enforcement. The amendments also create the possibility of withdrawing charges against a person giving a bribe in cases where the bribe has been extorted, or in cases where the person voluntarily reports these incidents and actively assists the investigation.

The primary institution responsible for combating corruption is an independent anti-corruption agency -- the Anti-Corruption Bureau (known by its Latvian acronym KNAB) -- whose task is to carry out operational activities on fighting incidents of corruption. The Crime Prevention Council chaired by the Prime Minister is in charge of coordinating and supervising all state authorities' activities to prevent crime and corruption. The Prosecutor General's Office also plays an important role in fighting corruption.

There is a perceived lack of fairness and transparency in the public procurement process in Latvia. A number of companies, including foreign companies, have complained that bidding requirements are sometimes written with the assistance of potential contractors or couched in terms that exclude all but "preferred" contractors.

A regulation of the Cabinet of Ministers provides for public access to government information, and the government generally provided citizens such access. There were no reports that noncitizens or the foreign media have been denied access.

The U.S. Department of Commerce offers services to U.S. businesses seeking to address business-related corruption issues. For example, the U.S. Foreign Commercial Service provides services that assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

Contact at Corruption Prevention and Combating Bureau (KNAB)

- **Corruption Prevention and Combating Bureau**
- **Brivibas Str. 104 block 2, Riga, LV 1001, Latvia**
- **(371) 67356161**
- **knab@knab.gov.lv**

Contact at DELNA (Transparency International)

- **Association "Society for transparency - Delna"**
- **A.Čaka street 49-4, Riga, LV-1011**
- **(371) 67285585**
- **ti@delna.lv**

14. Bilateral Investment Agreements

Latvia has concluded bilateral investment agreements with Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Georgia, Greece, Hungary, Iceland, India, Israel, Kazakhstan, Kyrgyzstan, Korea, Kuwait, Lithuania, Luxembourg, Moldova, the Netherlands, Norway, Poland, Portugal, Romania, Singapore, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom, the United States, Uzbekistan, and Vietnam. The agreement with the United States came into force in December 1996.

Currently the EU and the United States are negotiating the Transatlantic Trade and Investment Partnership (TTIP).

Bilateral Taxation Treaties

Latvia has concluded the Treaty on Avoidance of Double Taxation with the United States, which entered force on December 30, 1999.

15. OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) political risk insurance coverage is available for U.S. investments in Latvia. Latvia is a member of the Multilateral Investment Guarantee Agency (MIGA).

On January 1, 2014, Latvia adopted the euro as its currency at an exchange rate of \$1.384 per 1 euro as of April 17, 2014.

16. Labor

The official rate of registered unemployment at the end of 2013 was 11.9 percent according to the Latvian State Employment Agency. Unemployment is significantly higher in rural areas. A high percentage of the workforce has completed at least secondary or vocational education. Foreign managers agree that Latvians generally are hardworking, reliable, and quick to learn. Foreign managers also praise the high degree of language skills, especially in Russian and English, among Latvian workers. However, there is a shortage of mid- and senior-level managers with western-style management skills.

Companies must keep wages above a legally specified minimum, which since January 1, 2014, is 320 euros (approximately \$442) per month. Union influence on the wage setting process is limited. Trade unions do not have significant influence on the labor market.

One challenge that employers have faced since Latvia joined the EU is that many skilled employees can find employment opportunities in other EU countries. Unofficial statistics suggest that more than 200,000 people have moved from Latvia to other EU countries since May 1, 2004. Despite the fact that the macroeconomic situation has stabilized, skilled and unskilled workers continue to emigrate.

In 2013, several reports indicated a shortage of available workers in the manufacturing, wholesale and retail, and transport and storage sectors. The largest share of registered unemployment is comprised of persons with only primary or secondary education who do not have specialized skills.

The Labor Law addresses discrimination issues, provides detailed provisions on the rights and obligations of employees' representatives, and created the Conciliation Commission – an institution that can be established in any workplace.

Full-time employees in Latvia work 40 hours a week. Normally, there are five working days per week, but employers are allowed to schedule six working days per week. Employees are entitled to four calendar weeks of annual paid vacations per year. An employer is prohibited from entering into an employment contract with a foreign individual who does not have a valid work permit.

Latvia has committed to adhere to the ILO Convention protecting workers' rights.

17. Foreign Trade Zones/Free Ports

There are four free trade areas in Latvia. Free ports have been established in Riga and Ventspils, and special economic zones (SEZ) have been created in Liepaja, a port city in western Latvia, and Rezekne, a city in the middle of an eastern Latvian region that borders Russia.

Somewhat different rules apply to each of the four zones. In general, the two free ports provide exemptions from indirect taxes, including customs duties, VAT, and excise tax. The SEZs offer additional incentives, such as an 80-100 percent reduction of corporate income taxes and real estate taxes. To qualify for tax relief and other benefits, companies must receive permits and sign agreements with the appropriate authorities: the Riga and the Ventspils Port Authorities, for the respective free ports; the Liepaja SEZ Administration; or the Rezekne SEZ Administration. The SEZs will be in place until 2035.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in Latvia

	Central Bank of Latvia Statistics Database of Latvia		World Bank Bureau of Economic Analysis	
Economic Data	Year	Amount	Year	Amount
Latvia Gross Domestic Product (GDP) (<i>Millions U.S. Dollars</i>)	2012	29,227	2012	28,370
Foreign Direct Investment	Year	Amount	Year	Amount

U.S. FDI in Latvia (Millions U.S. Dollars, stock positions)	2012	336	2012	13
Latvia's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	0	2012	non-zero value between -\$500,000 and +\$500,000
Total inbound stock of FDI as % of Latvia's GDP	2012	1.15%	2012	0.046%

*These figures significantly underestimate the value of U.S. investment in Latvia due to the fact that these do not account for investments by U.S. firms through their European subsidiaries.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Latvia Data					
From Top Five Sources/To Top Five Destinations (U.S. Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	13,577	100%	Total Outward	950	100%
Sweden	3,184	23%	Switzerland	174	18%
Netherlands	1,080	8%	Lithuania	163	17%
Cyprus	865	6%	Estonia	97	10%
Estonia	734	5%	Poland	56	6%
Norway	726	5%	Cyprus	53	6%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org>

**TABLE 4: Sources of Portfolio Investment
Latvia, 2012**

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total			Equity Securities			Total Debt Securities		
World	4,925	100%	World	1,419	100%	World	3,506	100%
Luxembourg	888	18%	Luxembourg	622	44%	United States	584	17%
United States	636	13%	Ireland	269	19%	Germany	384	11%
Ireland	448	9%	France	101	7%	Netherlands	272	8%
Germany	402	8%	Estonia	59	4%	Luxembourg	266	8%

Netherlands	273	6%	Finland	57	4%	Canada	249	7%
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Source: <http://cpis.imf.org>

19. Contact Point at Post for Public Inquiries

- **Guntars Vicmanis**
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