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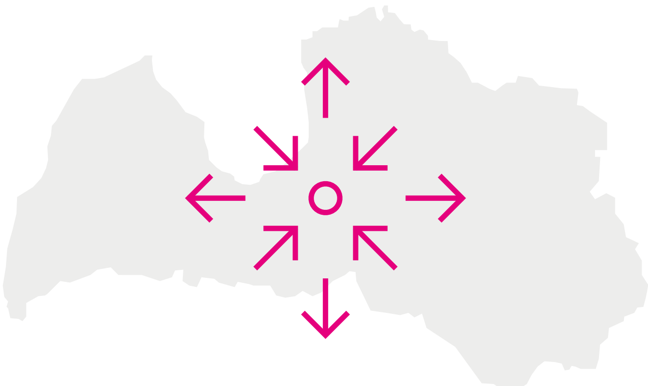

Navigating Uncertainty:

Opportunities and Challenges for Latvia–U.S. Economic Relations

Nathaniel Fagelson

Riga, January 2026

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FOREWORD

This is a timely and forward-looking study on the past, present and future of Latvia–United States economic relations, written and published at a time when the global economy is being reshaped by technological disruption, shifting geopolitical alignments, and renewed debates over the rules of international trade – largely being driven by America's political leadership.

Nevertheless, few relationships are as important as the one Latvia shares with the United States. We are connected by critical and long-standing security ties as well as a core belief that economic opportunity flourishes in free societies. These values form the foundation for a partnership that can and should deepen and diversify, even as global markets become more uncertain.

This report highlights both the strengths of the existing Latvia-USA economic relationship and the unrealized potential that lies ahead. While Latvia's trade with the United States has grown steadily, the comparison with our Baltic neighbors (the author notes that "Latvia trades less intensively with the U.S. than its Baltic neighbors do") underscores that there is room for this economic partnership to grow.

The United States is a critical source of investment, expertise, and technological partnership for Latvia. At the same time, Latvian firms have plenty to offer the United States. Whether in defense, clean energy, advanced manufacturing, or digital services, Latvia and the U.S. share complementary capabilities that – if strategically aligned – can drive mutual growth. Strengthening this relationship is not only an economic imperative; it is a contribution to the collective security and competitiveness of the Baltic-Nordic region and the transatlantic community as a whole.

This report provides an honest and data-driven assessment of Latvia's current position, the challenges that exporters to the United States face, and the opportunities that policymakers should prioritize. It sheds light on where Latvia excels, where we lag behind, and where decisive action can deliver real results. Grounding national economic strategy in facts, rather than assumptions, is essential for building a resilient and forward-looking economy.

Finally, a few words on Nathaniel Fagelson, the author of this report. Nathaniel, a student of economics at Stanford University in California, spent the summer of 2025 at the LaSER think tank as a participant in the Stanford Baltic programme. Nathaniel was a splendid ambassador for the United States, seamlessly blending into LaSERs research team and throwing himself into Latvian cultural life. His commitment to rigorous analysis and his strong work ethic made him an asset to our team, and his contributions are reflected in the quality of this report.

Aigars Rostovskis
PhD, Chair,
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EXECUTIVE SUMMARY

Room for Growth

While Latvia's exports and investment with the U.S. are growing, Lithuania and Estonia continue to outperform Latvia in measures of trade and investment with the U.S.

Economic Uncertainty and a Changing Landscape

Uncertainty defines the current economic moment. Volatile trade negotiations, tariffs, and macroeconomic conditions are forcing businesses and investors to adjust their strategies.

Export Opportunities

Despite a challenging environment, exporters have opportunities in the U.S. market. The recent U.S.–EU trade framework could give Latvian exporters a market advantage over competitors with higher tariffs.

Attracting Investment

Latvian industries like defense, energy, and tech can attract U.S. investment.

Baltic Branding

Latvia lacks a strong national brand, which harms the country's investment prospects. Through collaboration with Estonia and Lithuania, Latvia can tie itself to a regional brand of business-friendly countries.

INTRODUCTION

One of the *LaSER Think Tank's* goals is to boost Latvia's economic competitiveness on the European and global stages. While large countries can often fall back on selling to their domestic markets, small countries don't have this option. Exports are therefore a key indicator of Latvia's economic competitiveness and are essential to power the country's growth.

The U.S. has been one of Latvia's key political allies since the country regained its independence. However, the U.S.' changing relationship with NATO has plunged its relationship with the Baltic states into more uncertainty. As Washington's priorities change, so too may its political relationship with Riga.

On the economic front, the relationship has room for growth. The Trump Administration's introduction of tariffs on global trading partners has thrust the U.S.' role in the global economy into the spotlight, and global economic patterns are adjusting amid pervasive uncertainty. Now more than ever, it is crucial for Latvia to understand how it fits into this puzzle.

The aim of this policy brief is to understand the current economic relationship between the U.S. and Latvia, explore the effects of current economic conditions, and identify opportunities for Latvia to grow its economic relationship with the U.S.

Research for this report was done with publicly available data and a series of interviews with business, government, and NGO leaders.[1] These interviews were conducted both in-person and online.

[1] Interviewees represented the following companies and organizations: Aerones, Draugiem Group, Foreign Investors Council in Latvia (FICIL), Honorary Consul to the United States of the Republic of Latvia, Latvian American Chamber of Commerce (LACC), Latvian Exporters Association "The Red Jackets", Latvian Investment and Development Agency (LIAA), Latvian Wood Association, SAF Tehnika, U.S. Embassy in Latvia, and Valpro.

1. THE STORY IN NUMBERS

Due to its geographical detachment (Washington D.C. is over 7,000 kilometres from Riga), the United States is not one of Latvia's major trading or investment partners. In 2024, the U.S. was Latvia's 11th largest export partner and U.S. investors accounted for only 1.7% of all foreign direct investment in Latvia.

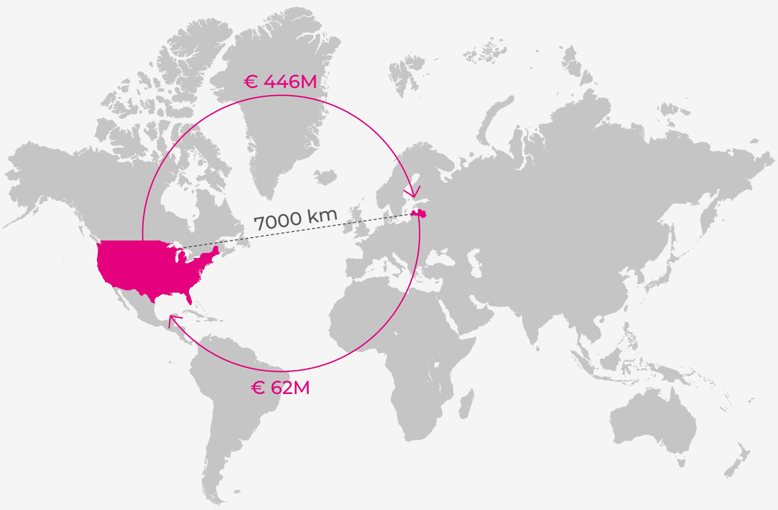
However, the trend of economic engagement has been positive. Over the past few years, the U.S. has grown into a marginally more important part of Latvia's trade and investment picture. Wood, electrical goods, and computer services have powered Latvian export growth, and investment flows from the U.S. have followed an upward trajectory. Nevertheless, when put into comparative perspective with Estonia and Lithuania, it becomes clear that Latvia's economy exhibits potential for more growth in trade and investment with the U.S.

It is important to caveat data on the economic relationship between the U.S. and Latvia with the understanding that these empirics cannot tell the full story. For example, nearly every Latvian supermarket, convenience store, and restaurant carries Coca-Cola products. However, these drinks are not imported from the U.S. and therefore do not appear in the trade data.

The same holds true for investment. Many American companies invest in Latvia through their European subsidiaries, which is not classified as foreign direct investment from the U.S. In an increasingly globalized world, ventures can easily change their legal locations in a manner detached from their economic activities. When relying solely upon companies' registered homes, important data points will fall through the cracks.

Furthermore, due to the small size of Latvia's economy, individual actors can drive shifts that should not be viewed as long-term trends. Empirical evidence provides a solid basis for understanding the economic relationship between Latvia and the U.S., but it does not paint the full picture.

2024



→
€ 446M
U.S. FDI in Latvia

←
€ 62M
Latvian FDI in the U.S.

Goods

export	import
€ 533,98M	€ 199,77M

Services

export	import
€ 457M	€ 247M

TRADE IN GOODS

Latvia has produced a trade surplus in goods with the U.S. for 18 of the last 20 years, the only exceptions being during the Great Recession in the U.S. from 2007 to 2008. Imports from the U.S. have grown slowly over the past decade, and exports to the U.S. have grown rapidly over the past five years. Exports peaked at €612 million in 2022 and have surpassed €500 million every year since. Rising export numbers have expanded Latvia's trade surplus and exports to the U.S. now account for slightly more than 1% of GDP.[2] The once-modest trade surplus with the U.S. has grown to new heights, surpassing €300 million in two of the last three years.

Figure 1
Latvia's Trade Balance in Goods with the United States 2005-2024 (Million EUR)
Source: CSB of Latvia

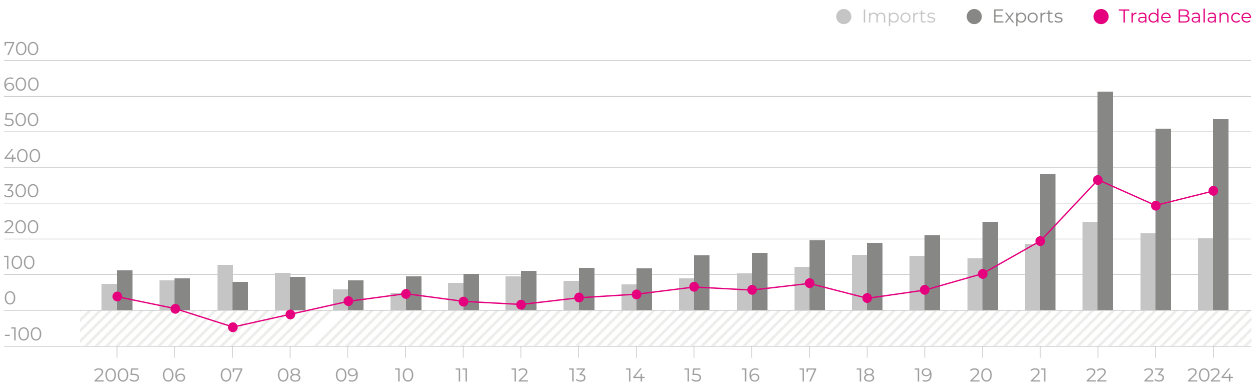
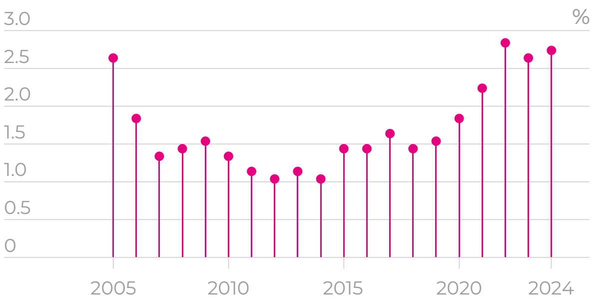


Figure 2
Latvia's Exports to the United States 2005-2024 (% of Total Exports)
Source: CSB of Latvia



Latvian exports to other nearby countries, primarily European and Russian markets, have historically dwarfed exports to the U.S. Over the past two decades, exports to the U.S. have typically accounted for 1–2% of Latvia's total exports. Using the Combined Nomenclature (CN) system (the EU's method of categorizing trade) at the two-digit level, Latvia's largest export to the U.S. during the late 2000s and early 2010s was alcoholic beverages – primarily vodka (likely Stolichnaya). However, this sector has seen virtually no export growth to the U.S. over the past 15 years and has become a less important factor in trade with the U.S. Electrical machinery like data transmission and networking equipment overtook beverages as the most important export category in 2013, until being overtaken by wood more recently.

In recent years, exports to the U.S. have grown as a percentage of total exports, nearing 3%. Wood was largely, although not entirely, responsible for Latvia's substantial recent export growth to the U.S. From 2019 to 2022, wood exports to the U.S. increased nearly tenfold, peaking at €218 million in the latter year.

According to one industry expert, Latvia's forestry industry is closely tied to the American construction industry. The vast majority of Latvia's wood exports to the U.S. are used for building purposes. Oriented strand board (OSB) and sawn wood, the industry's two primary exports to the U.S., are both used in construction. Conditions in the U.S. building market – primarily a post-COVID construction boom and record-high wood prices – drove Latvian exports of OSB

[2] Widgren, J. Feb. 21, 2025. How will U.S. imposed tariffs affect Latvian export and economy in general? OP Bank. https://www.opbank.lv/en/about-us/news2/20252/how-will-u.s.-imposed-tariffs-affect-the-latvian-economy

and sawn wood. As both demand and prices have receded since their peak in 2022, wood exports have declined.

Other industries and products have contributed to Latvia's export growth beyond wood, however. Electrical machinery, mechanical machinery, and precision instruments all grew in trade volume over the past half-decade. These three categories, alongside wood, accounted for nearly two-thirds of Latvia's exports to the U.S. in 2024.

That year, the country's most important exports to the U.S. at the CN 8-digit commodity level were OSB; data transmission equipment; telescopic sights and periscopes; reagents; and endoscopes. OSB exports alone accounted for over €77 million, or nearly 15% of all exports to the U.S. in 2024. Data transmission equipment totaled over €48 million, or over 9% of all exports to the U.S. that year.

Latvian imports from the U.S. have hovered around 1% of all imports in recent years.

Table 1
Latvia's Top Exports to the United States in 2024 (Million EUR)

Note: Commodities are classified based on Combined Nomenclature (CN) adopted by the European Union for tariffs and external trade statistics
Source: CSB of Latvia

Category	CN 2-Digit Classification	Million EUR
Wood and articles of wood; wood charcoal	44	148.7
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	90	69.2
Electrical machinery and equipment and parts thereof	85	67.7
Machinery and mechanical appliances; boilers, parts thereof	84	53.6
Glass and glassware	70	25.5
Miscellaneous chemical products	38	24.6
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	27	13.3
Beverages, spirits and vinegar	22	13.1
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; luminaires and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like; prefabricated buildings	94	12.9
Organic chemicals	29	12.8
Fish and crustaceans, molluscs and other aquatic invertebrates	03	11.9
Articles of iron or steel	73	11.9
Preparations of meat, of fish, of crustaceans, molluscs or other aquatic invertebrates, or of insects	16	11.2
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	87	10.0

Table 2
Latvia's Top Imports from the United States in 2024 (Million EUR)

Note: Commodities are classified based on Combined Nomenclature (CN) adopted by the European Union for tariffs and external trade statistics
Source: CSB of Latvia

Category	CN 2-Digit Classification	Million EUR
Electrical machinery and equipment and parts thereof	85	43.8
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	27	36.3
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	90	26.5
Aircraft, spacecraft, and parts thereof	88	23.7
Machinery and mechanical appliances; boilers, parts thereof	84	17.2

Imports of electrical machinery and equipment; machinery and mechanical appliances; and optical, medical, and measuring instruments are all significant import categories from the U.S. Aircraft parts temporarily became Latvia's biggest import from the U.S. in 2022 and 2023; however, most of these imports were repaired AirBaltic Pratt & Whitney engines, according to one interviewee. Fuel imports, previously insignificant, rose in 2023 and 2024 as Latvia continued to wean itself off Russian energy.

On the individual commodity level, oil was by far the most important import from the U.S. in 2024. Oil imports totaled over €36 million and accounted for nearly 20% of imports from the U.S. that year. Aircraft parts, likely the aforementioned repairs, came in second at nearly €18 million. Data transmission equipment accounted for significant imports as well.

Latvia trades less intensively with the U.S. than its Baltic neighbors do. Estonian and Lithuanian exports have exceeded Latvian exports for almost the entirety of the past two decades.

Estonia's largest export categories included electrical machinery; fuel; mechanical machinery; wood; and precision instruments. These top export categories are similar to Latvia's, and the two nations export many similar products to the U.S. Data transmission equipment, for example, was Estonia's leading export product to the U.S. in 2024, totaling €177 million compared to Latvia's €48 million. Estonia's exports of electrical machinery and equipment crested at over €1 billion in 2021, pushing Estonian exports to the U.S. well over €1.5 billion that year. Fuel, while still a top export, has declined significantly since 2021. In 2024, Estonia exported over €700 million worth of goods to the U.S. – more than Latvia, but a significant decrease from 2021.

Lithuania's recent exports to the U.S. were less similar to Latvia's. Fuel was Lithuania's predominant export to the U.S. for the past two decades. Chemical exports grew

Figure 3
Baltic Exports to the United States 2005-2024 (Million EUR)
Source: CSB of Latvia, Statistics Estonia, SDA Statistics Lithuania

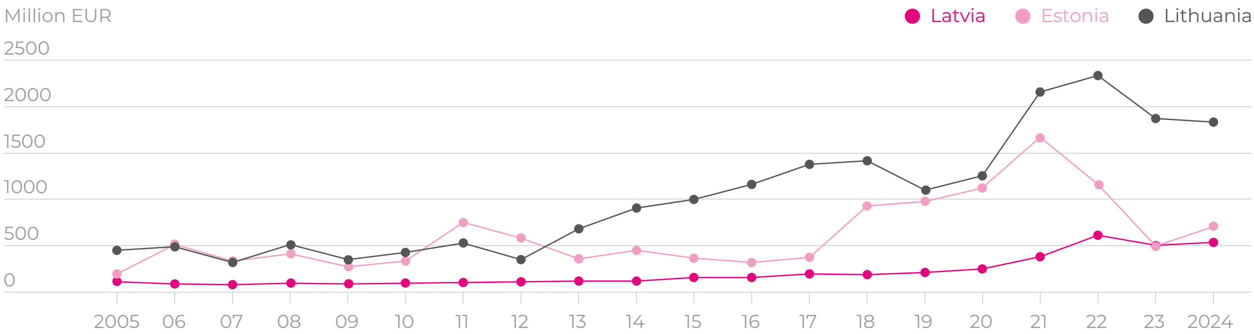
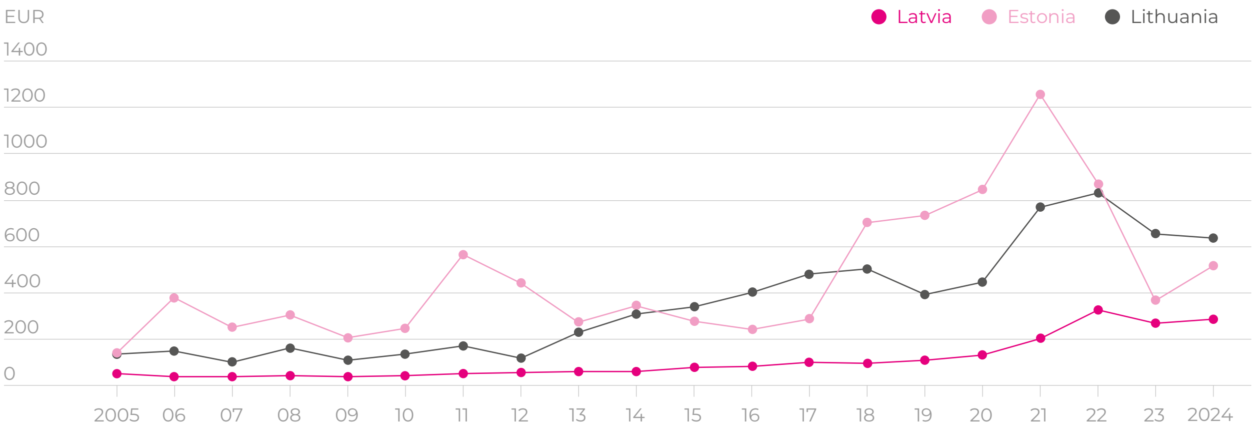


Figure 4
Baltic Exports to the United States Per Capita 2005-2024 (EUR)
Source: CSB of Latvia, Statistics Estonia, SDA Statistics Lithuania



considerably over the past decade and, alongside fuel, propelled exports of Lithuanian goods to the U.S. over the €2 billion mark in 2021 and 2022. In 2024, Lithuania exported €1.8 billion worth of goods to the U.S. Other significant export categories from 2024 included furniture; precision instruments; fertilizers; iron and steel; and electrical machinery.

It's important to note that trade statistics measure gross export numbers, which include both direct exports and reexported goods. Reexports pass through a country en route to their destination, without significant modification. While reexports contribute to a country's export statistics, they offer little value added to the reexporting country's economy.

The OECD's Trade in Value Added (TiVA) database provides a better representation of which trade countries benefit from. For example, Lithuania exported hundreds of millions of euros worth of fuel to the U.S. in recent years, yet according to TiVA statistics, only a miniscule fraction of this amount was value added in Lithuania. Value added statistics demonstrate that the Baltic countries sometimes serve as intermediary reexporters rather than value-added manufacturers for certain products like fuel. Thus, value added aids in understanding the true economic value a country derives from trade.

Latvia has also lagged behind its Baltic neighbors, particularly Lithuania, when it comes to imports of U.S. goods. Lithuanian imports from the U.S. totaled €544 per capita in 2024; Estonian imports totaled €229 per capita; and Latvian imports totaled €107 per capita. While fewer imports mean a better trade balance, they also signal that

Figure 5
Baltic Imports from the United States 2005-2024 (Million EUR)
Source: CSB of Latvia, Statistics Estonia, SDA Statistics Lithuania

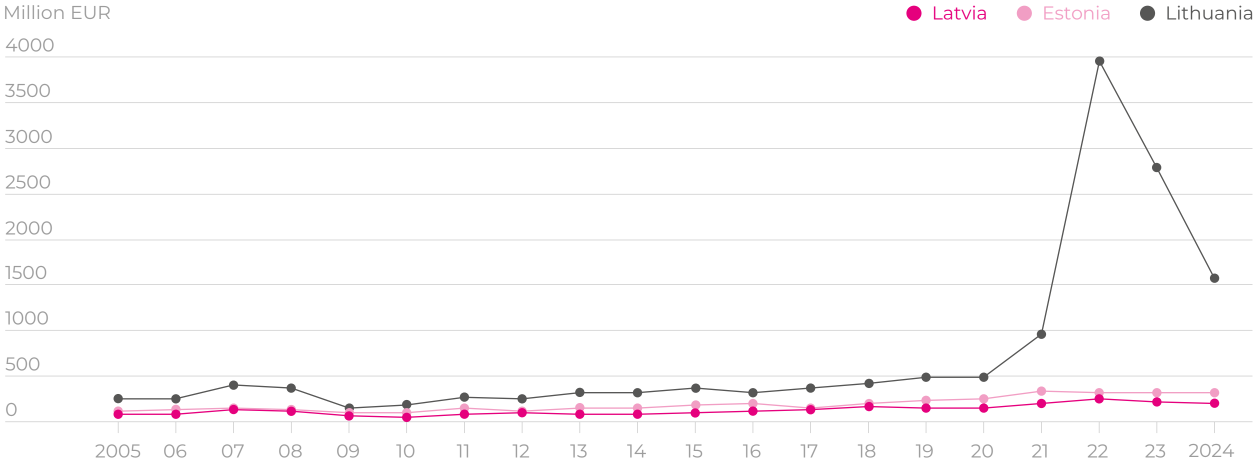
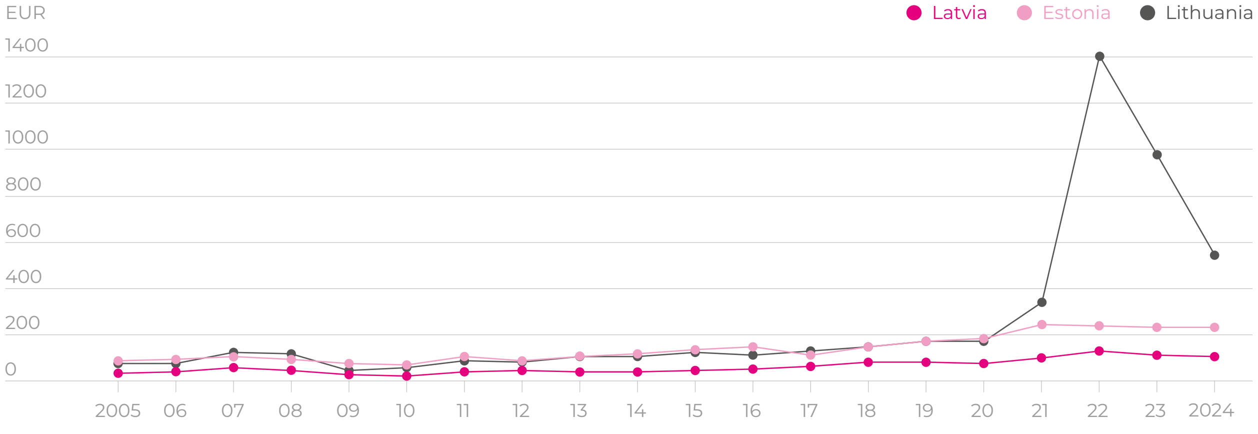


Figure 6
Baltic Imports from the United States Per Capita 2005-2024 (EUR)
Source: CSB of Latvia, Statistics Estonia, SDA Statistics Lithuania



the country lacks economic engagement with the U.S. compared to its neighbors.

Since Russia's full-scale invasion of Ukraine, Lithuania has mainly imported fuel from the U.S., including over €3 billion worth in 2022. Other significant Lithuanian imports included vehicles; mechanical machinery; precision instruments; seafood; and arms and ammunition.

Estonia's imports from the U.S. amounted to smaller totals than Lithuania's, albeit still twice the per capita rate of Latvia's. In 2024, Estonia's largest imports from the U.S. were electrical machinery; precision instruments; mechanical machinery; jewelry and precious metals; and aircraft parts.

While increased trade and stronger global integration can reap economic rewards, not all trade is equally beneficial. For example, Baltic economies feature entrenched trade flows that the nations are interested in limiting, namely with Russia and Belarus. For example, despite EU sanctions, Estonia has seen a dramatic rise in oil imports from Belarus, facilitated by reexport schemes and manipulation of customs codes.[3] By importing Belarussian oil and then reexporting it, these loopholes in customs regulations and intermediary trading networks allow the Lukashenko regime to evade sanctions.

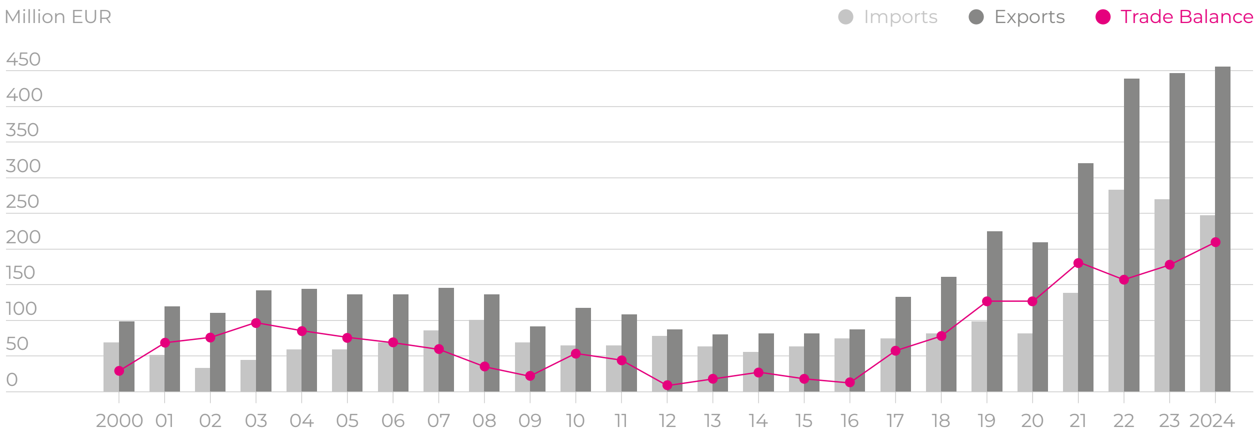
In this way, all trade is not always good for the Baltic states. Trade involving reexported goods or flows tied to politically sensitive regimes, like Belarus, not only exacerbates economic dependency and security vulnerabilities but also raises serious ethical concerns for the Baltic states.

TRADE IN SERVICES

Figure 7

Latvia's Trade Balance in Services with the United States 2000-2024 (Million EUR)

Source: Bank of Latvia



Latvia has run a surplus in service trade with the U.S. since the start of the century. After stagnating throughout much of the 2000s and 2010s, service exports – primarily in the IT and telecom sectors – have risen steadily over the past eight years. Service imports similarly increased following the COVID-19 pandemic. Recent growth in service trade with the U.S. has outpaced overall service trade growth. In 2024, U.S. service exports accounted for around 6% of all service exports for the fourth year in a row. Latvia's service trade balance with the U.S. surpassed the €200 million milestone for the first time in 2024.

A rise in IT & telecom service exports powered more service trade with the United States, demonstrating the importance of Latvia's innovative tech companies. Other business service exports have also grown over the past decade. These services include marketing, trade, research, legal & consulting, and other services. Air freight replaced rail freight as the primary transport export around 2016, and air freight exports to

[3] Roonemaa, H., Jemberga, S., Yaroshevic, A., and R. Poom. Jan. 30, 2022. Behind the Sanctions: How an Estonian-Latvian Conglomerate Benefits from Record Trade with the Lukashenko Regime. Re:Baltica. https://en.rebaltica.lv/2022/01/behind-the-sanctions-how-an-estonian-latvian-conglomerate-benefits-from-record-trade-with-the-lukashenko-regime/

the U.S. have grown since then, despite a temporary decline during the COVID-19 pandemic. Travel also generated more export value in recent years; over the past decade, the number of nights Americans spent in Latvian hotels steadily grew from 68,000 in 2015 to over 100,000 in 2024.

Latvian imports of U.S. services grew over the past four years. Imports of other business services, primarily trade and marketing services, rose in the post-COVID years to roughly €150 million annually. Other service import categories that surpassed €30 million in 2024 were IT & telecom; transport; and travel.

Estonian and Lithuanian exports and imports of services have mainly been comprised of IT & telecom as well as other business services. In 2024, Estonia's per capita service exports to the U.S. were more than three times higher than Latvia's. Lithuania's per capita service export growth also outpaced Latvia's from 2021 to 2024.

Figure 8
Exports and Imports with the United States 2000-2024 (% of Total Service Exports and Imports)

Source: Bank of Latvia

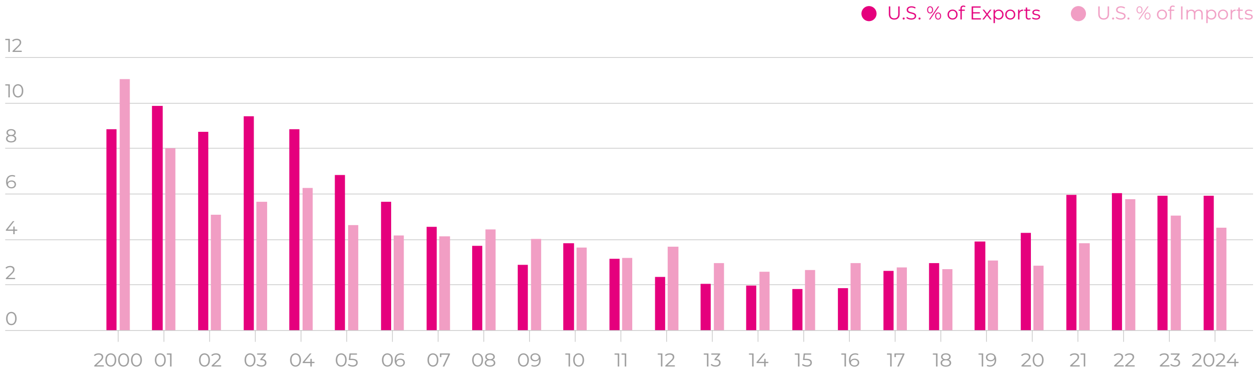


Figure 9
Latvia's Exports of Services to the United States by Category 2010-2023 (Million EUR)

Source: Eurostat

0 100<

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Telecommunications, computer, and information services	5	8	14	18	22	22	30	52	46	91	101	155	225	225
Transport	74	61	38	24	26	17	8	6	31	30	4	12	53	73
Other business services	11	10	9	7	16	19	27	51	60	67	58	101	81	69
Travel	11	14	12	13	10	10	12	12	13	13	23	28	58	67
Manufacturing services on physical inputs owned by others	0	0	0	0	3	2	1	0	1	13	17	18	12	5
Financial services	5	5	5	5	3	10	9	7	6	4	3	3	5	4
Personal, cultural and recreational services	0	0	0	0	1	1	0	0	1	6	0	1	2	2
Construction	0	1	1	1	1	1	1	3	1	1	1	1	2	1
Charges for the use of intellectual property n.i.e	0	1	1	1	0	0	0	1	2	1	1	1	2	1
Maintenance and repair services n.i.e	2	2	0	1	0	0	0	0	1	0	0	0	0	0
Insurance and pension services	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Government goods and services n.i.e.	0	0	0	0	0	0	0	0	0	0	0	0	0	0

In 2024, Estonia was the largest per capita importer of U.S. services among the Baltic states, followed by Lithuania and Latvia, respectively. Lithuania imported over €400 million worth of intellectual property in 2022, causing a one-time spike in U.S. service imports. Given the lack of a similar trend in Latvia or Estonia, this spike likely reflected a large one-time payment for the use of U.S.–owned IP.

Figure 10
Latvia's Imports of Services from the United States by Category 2010-2023 (Million EUR)

Source: Eurostat

0 100<

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Other business services	18	17	26	23	21	22	15	15	12	18	16	63	157	147
Telecommunications, computer, and information services	5	7	7	4	7	9	10	9	14	28	16	19	32	40
Transport	17	16	21	18	14	15	16	20	26	22	24	31	42	33
Travel	21	18	17	12	12	13	27	23	21	20	11	13	28	30
Personal, cultural and recreational services	0	0	1	0	0	0	0	0	1	1	2	4	5	7
Charges for the use of intellectual property n.i.e	3	5	5	3	1	3	2	4	3	3	6	5	6	5
Maintenance and repair services n.i.e	0	0	0	0	0	0	0	1	3	2	2	2	7	3
Financial services	0	0	0	1	0	2	2	2	3	3	2	2	4	3
Government goods and services n.i.e.	0	0	0	0	1	1	1	1	1	1	1	1	1	1
Manufacturing services on physical inputs owned by others	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance and pension services	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Figure 11
Baltic Service Exports to the United States Per Capita 2013-2024 (EUR)

Source: CSB of Latvia, Bank of Latvia, Statistics Estonia, SDA Statistics Lithuania, Bank of Lithuania

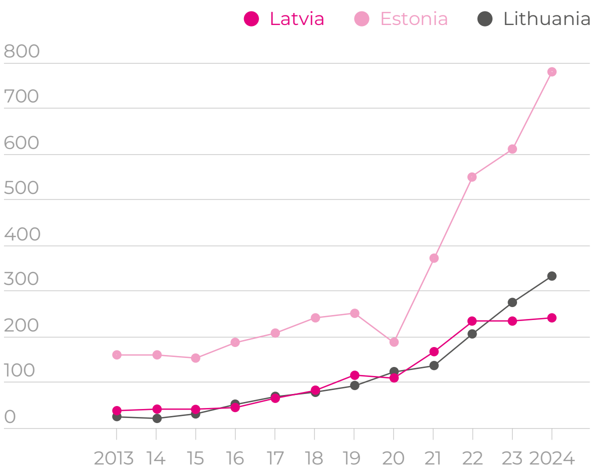
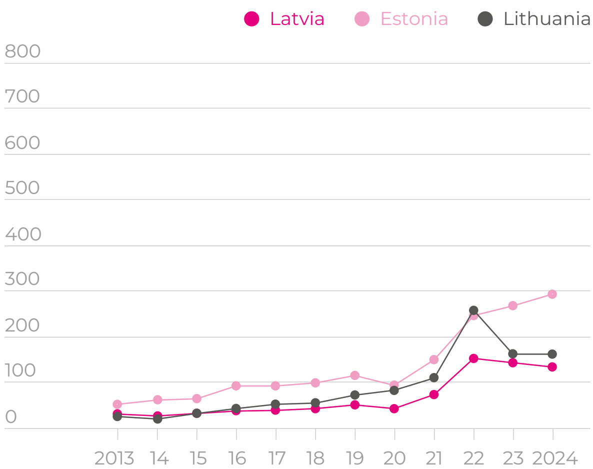


Figure 12
Baltic Service Imports from the United States Per Capita 2013-2024 (EUR)

Source: CSB of Latvia, Bank of Latvia, Statistics Estonia, SDA Statistics Lithuania, Bank of Lithuania



DIRECT INVESTMENT

U.S. investment in Latvia grew in the early 2000s before declining in the 2010s as Latvia's economy lagged behind those of its Baltic neighbors. American investment has rebounded strongly since 2020, closing at an accumulated total of €446 million in 2024, an all-time high. American investment continues to power innovative Latvian companies. In June 2025, for example, *Aerones*, the Latvian startup building robotic maintenance systems for wind turbines, secured a $62 million funding round led by U.S. investors.[4] According to one interviewee, U.S. investment is crucial for Latvian companies since there is no local alternative for sophisticated, capital-intensive investments for late-stage startups.

Sometimes, investment flows both ways. *Aerones*, for example, opened an operational hub in Dallas, Texas, in 2024.[5] This investment will help the company serve the U.S. market. Over a decade ago, however, Latvian investment in the U.S. was practically non-existent. Starting in the mid-2010s, more Latvian companies began investing in the U.S. In 2013, *SAF Tehnika* opened the company's U.S. headquarters in Denver, Colorado.[6] Print-on-demand company *Printful* opened its Charlotte, North Carolina faci-lity in 2016.[7] Five years later, *Printful* opened another facility in Coppell, Texas (a suburb of Dallas).[8]

Figure 13
Foreign Direct Investment Flows with the United States (Closing Position) 2000-2024 (Million EUR)
Source: Bank of Latvia

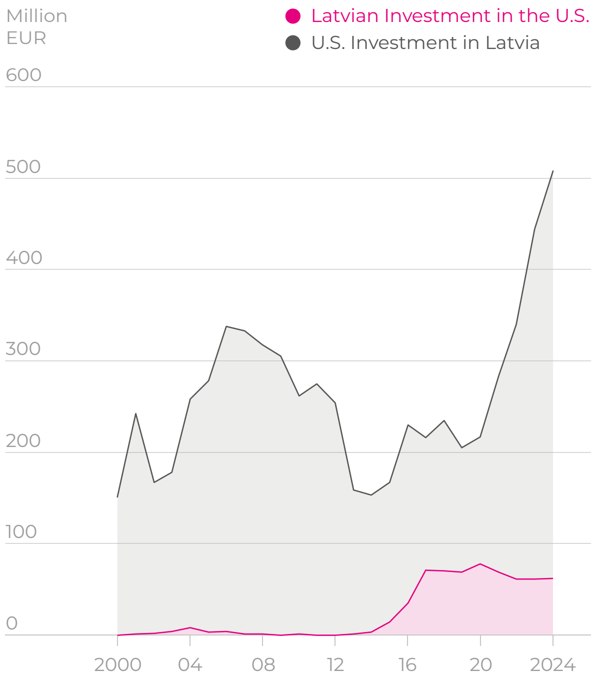
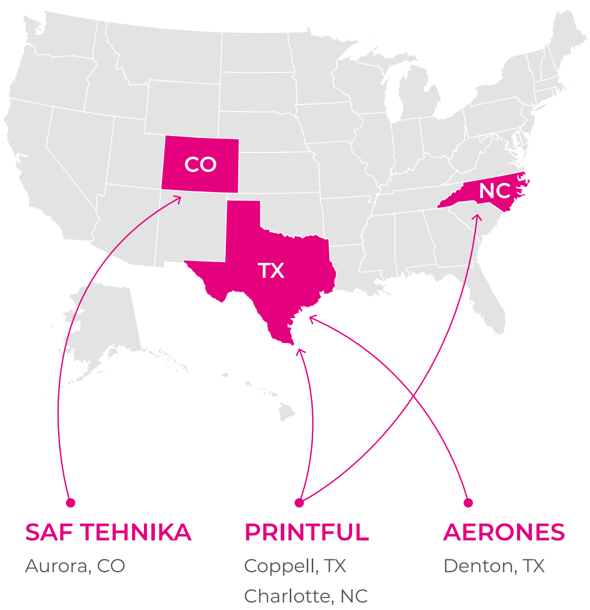


Figure 14
Location of Key Latvian Investments in the United States
Source: Bank of Latvia



[4] Aerones. Jun. 3, 2025. Aerones Secures $62M in Oversubscribed Financing Round. https://aerones.com/aerones-secures-62m-in-oversubscribed-financing-round/
[5] Aerones. *Op. cit.*
[6] SAF Tehnika. 2016. SAF Tehnika Media Kit. 2016. https://support.saftehnika.com/upload/file/SAF_MediaKit_2016%20final%2005.05.16.pdf
[7] Printful. Oct. 3, 2016. Printful opens new location in Charlotte to accommodate rapidly growing business. https://www.printful.com/news/printful-opens-new-location-in-charlotte-to-accommodate-rapidly-growing-business
[8] LSM. Feb. 12, 2021. Printful to open new facility in the US. https://eng.lsm.lv/article/economy/business/printful-to-open-new-facility-in-the-us.a392694/

Latvian investment in the U.S. has stagnated since 2017, and not all investments saw success. For example, glass manufacturer *Valmieras Stikla Skiedra* closed its U.S. operations in 2019 after opening two factories throughout the 2010s.[9] Investing in the U.S. market is expensive, and failure is a real possibility.

Lithuania's FDI stock from the U.S. surpassed €2 billion in 2024; Latvia's and Estonia's both remained below €500 million. While Estonia was once the Baltic leader in attracting American FDI, the country shared a similar level of per capita U.S. direct investment with Latvia in 2024 – around €250.

Lithuania's success at attracting U.S. investment has outpaced that of its Baltic neighbors since 2022, as the country effectively advertised itself as a lucrative technology and business hub. According to Invest Lithuania, 13 U.S.-based fintech companies were operating in Lithuania as of 2023.[10]

Figure 15

The United States Direct Investment in the Baltics Per Capita (Closing Position) 2004-2024 (EUR)

Source: Official Statistics of Latvia, Bank of Latvia, Statistics Estonia, Bank of Estonia, Official Statistics of Lithuania, Bank of Lithuania

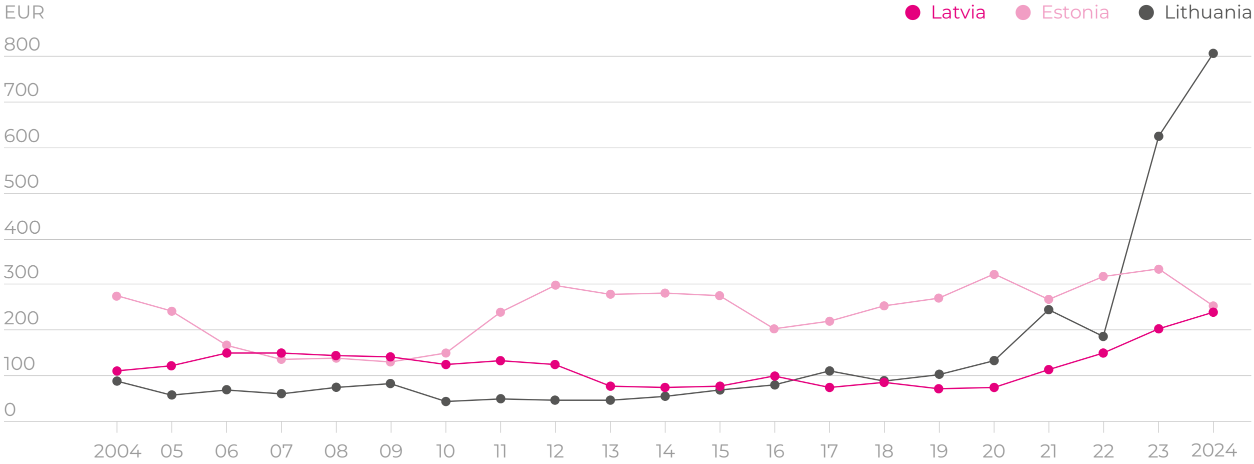
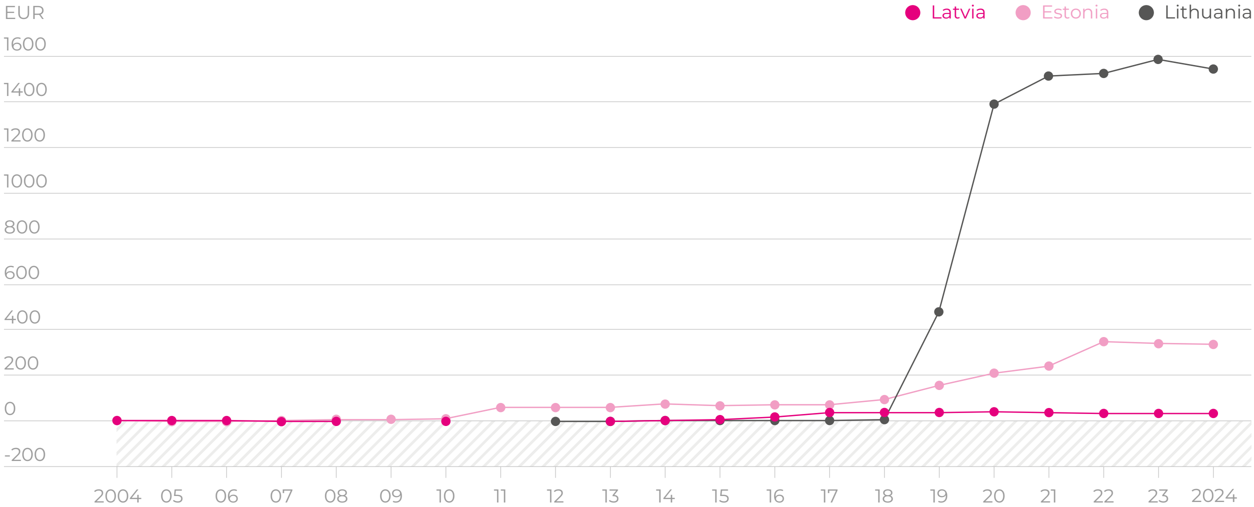


Figure 16

Baltic Direct Investment in the United States Per Capita (Closing Position) 2004-2024 (EUR)

Official Statistics of Latvia, Bank of Latvia, Statistics Estonia, Bank of Estonia, Official Statistics of Lithuania, Bank of Lithuania



[9] Saunders, J. Jun. 19, 2019. 350 laid off in Dublin, Ga., as Latvian company shuts down plant 2nd phase. Atlanta Business Journal. https://www.bizjournals.com/atlanta/news/2019/06/19/350-laid-off-in-dublin-ga-as-latvian-company-shuts.html

[10] Invest Lithuania. Mar. 20, 2024. The Fintech Landscape in Lithuania: 2023-2024 Report. https://investlithuania.com/wp-content/uploads/LT-Fintech-report-2023-2024.pdf

Furthermore, the U.S. is Lithuania's largest foreign investor in the global business services and ICT industry; American companies accounted for 37% of all foreign centers in this sector in 2024.[11]

The recent growth of Lithuanian direct investment in the U.S. has been even more dramatic. In half a decade, Lithuania's direct investment in the U.S. rose by 20,000%, from €21.2 million in 2018 to €4.3 billion in 2022. In 2024, over one-third of Lithuania's direct investment abroad lay in the U.S. This surge reflects a handful of significant corporate expansions in recent years. For example, Lithuanian furniture manufacturer *SBA Home* invested $70 million in a North Carolina factory in 2024.[12]

Many other investments have been facilitated through government-facilitated programs like the UCLA Anderson School of Management's Global Access Program (GAP). From 2018 to 2024, GAP worked in collaboration with Innovation Agency Lithuania to pair 24 Lithuanian companies with MBA teams to develop market entry strategies.[13] In 2024, the Lithuanian government opened *InnoHub Lithuania*, which is co-located with the Nordic Innovation House in Palo Alto, CA, to provide support for Lithuanian tech companies in Silicon Valley.[14]

Meanwhile, Latvia's direct investment in the United States fell throughout the same period. On a per capita basis, Lithuania holds nearly 50 times, and Estonia over 10 times, the amount of direct investment in the U.S. compared to Latvia. While Latvia's priority is to attract U.S. investment, the country's paltry level of investment in the U.S. compared to its Baltic neighbors demonstrates the relative weakness of the bilateral economic relationship.

[11] Invest Lithuania. Sep. 12, 2024. Lithuania's business services report. https://investlithuania.com/wp-content/uploads/LT-GBS-Report-2024.pdf

[12] North Carolina Department of Commerce. Dec. 17, 2024. Governor Cooper announces first North American manufacturing facility by Lithuanian furniture maker. https://www.commerce.nc.gov/news/press-releases/2024/12/17/governor-cooper-announces-first-north-american-manufacturing-facility-lithuanian-furniture-maker.

[13] InnoHub Lithuania. 2024. From Vilnius to Los Angeles: Lithuanian businesses embark on a journey to the US market with Global Access Program. https://innohublithuania.com/from-vilnius-to-los-angeles-lithuanian-businesses-embark-on-a-journey-to-the-us-market-with-global-access-program/

[14] Ministry of Economy and Innovation of Lithuania. 2024. Lithuania enters Silicon Valley with the opening of an innovation hub. https://eimin.lrv.lt/en/structure-and-contacts/news-1/lithuania-enters-silicon-valley-with-the-opening-of-an-innovation-hub/

2. BEYOND THE NUMBERS

KEY PLAYERS

A number of governmental and non-governmental organizations across both countries work to support business ties between Latvia and the U.S. Many of these organizations provide resources, knowledge, or connections that Latvian or American companies can use to expand their operations in the U.S. or Latvia. These groups also pursue frequent collaboration on initiatives related to U.S.–Latvia trade and investment.

IMPORTANT ORGANIZATIONS

Latvijas Investīciju un attīstības aģentūra

Investment and Development Agency of Latvia (LIAA)

LIAA works to promote American investment in Latvia and help Latvian exporters thrive within the U.S. market. LIAA is the Latvian government's main point of contact for Latvian companies looking to expand to the U.S. or American investors interested in Latvia. LIAA's new representative in the U.S. is expected to begin working from New York from late 2025. Locating a representative in New York will shift LIAA's focus to the East Coast after stationing the agency's previous U.S. representative in Northern California for many years.

UNITED STATES EMBASSY RIGA

U.S. Embassy in Riga

The U.S. Embassy in Riga works to promote Latvian investment in the U.S. and American exports to Latvia. The Embassy offers several paid services for U.S. business looking to expand to Latvia including hosting seminars or events and a "gold key service" in which the Embassy will shortlist potential local partners and set up meetings for U.S. businesses. Since there is no U.S. Department of Commerce Office in Latvia, the Embassy works with the Commerce Department's office in Stockholm to attract investment through the *SelectUSA* program. The U.S. Embassy has four economic priorities in Latvia: opening the banking and finance sectors to American actors; diversifying the Latvian energy sector; developing relationships with universities to catalyze the tech and STEM fields; and combatting money laundering and corruption.

AmCham Latvia
Thought leadership hub

American Chamber of Commerce in Latvia (AmCham)

AmCham is an NGO affiliated with the U.S. Department of Commerce. AmCham has hundreds of members, ranging from large corporations to small businesses and individuals. The organization's mission is to cultivate economic partnerships between Latvia and the U.S., serve as a resource for its members, and push for a business and investment-friendly climate in Latvia.

Latvian American Chamber of Commerce (LACC)

LACC is a network of Latvians and Latvian diaspora throughout the U.S. designed to strengthen business relations between Latvia and the U.S. It's a relatively new organization, founded in 2017 and has one part-time employee with regional directors and board members located throughout the U.S. Besides facilitating connections among its members, LACC hosts regional events and is currently collaborating with the Exporters Association to produce a U.S.–Latvia business report. LACC also hosts the annual *Spotlight Latvia* conference to connect Latvian and American leaders in different fields.

Latvian Exporters Association ("The Red Jackets")

The Exporters Association serves as the predominant voice representing exporters' interests in Latvia. The organization has three focuses: advocating for exporters' interests with the government, supporting exporters with knowledge sharing and events, and promoting the image of exporters within society and the economy. The Exporters Association frequently works in collaboration with LIAA, LACC, AmCham, and FICIL. For example, the Red Jackets are collaborating with LACC to create a directory of Latvian exporters in the U.S. This project will become a resource for LACC members, Latvia's honorary consuls, and others seeking to promote U.S.–Latvia business.

Foreign Investors Council in Latvia (FICIL)

While the role of LIAA is to attract foreign investors to Latvia, the role of FICIL is to keep them happy. FICIL doesn't serve individual investors or companies but instead acts as a public good representing investors in the aggregate. Accordingly, FICIL lobbies the government on wide-ranging issues that impact the investment landscape (and not just one or two companies). FICIL also produces an annual Investment Climate Sentiment Index.

While many Latvian companies look to the EU market, the U.S. plays an important role in their global aspirations due to its size and relevance for many industries. According to one interviewee, the U.S. is among the five most important markets for many Latvian companies. Several Latvian businesses have had extended success in the U.S., paving the way for others to follow in their footsteps.

COMPANY CASE STUDIES

Draugiem Group

The *Draugiem Group* is a technology company with over a dozen brands under its umbrella. The group's largest company is *Printful*, a print on demand service that is Latvia's first and only unicorn. In 2024, *Printful* merged with *Printify*, another Latvian print on demand company. *Printful's* products are produced in and shipped from fulfillment centers near the company's customer base. Since *Printful* does most of its business in the U.S., it has two fulfillment centers there: one in Charlotte, North Carolina, and another in Dallas, Texas. Other *Draugiem Group* brands do business with the U.S. as well. Cosmetics brand *Prime Prometics* and children's toys and equipment manufacturer *Iglu* follow a similar distribution model to *Printful* and sell their products in the U.S. Additionally, productivity software company *DeskTime* and coffee telemetry business *Vendon* sell their products and services to U.S. companies.

SAF Tehnika

SAF Tehnika is a Latvian company that produces microwave data transmission equipment. The company manufactures all its products in Latvia and exports them to the global market. The U.S. market comprises a significant portion of *SAF Tehnika's* business, and the company has its U.S. headquarters in Denver, Colorado, which handles warehousing, logistics, sales, marketing and technical support needs. *SAF Tehnika's* products have a high market share within specific niches of the U.S. market. For example, the company sells studio-to-transmitter links, a radio that transmits a signal from news studios to transmission towers, to many American news stations. *SAF Tehnika's* ultra-low-latency radios are popular among high-frequency traders who need data transmission networks to cover different stock exchanges. *SAF Tehnika* also makes wireless *Aranet* air quality sensors which have been purchased by California schools as part of the California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE).

TRADE NEGOTIATIONS

Since taking office in January 2025, U.S. President Donald Trump has announced a series of plans to enact tariffs on foreign goods. The Trump Administration's protectionist trade policies are designed to reduce the U.S. trade deficit and boost domestic manufacturing. Today, most goods the U.S. imports from other countries are subject to the U.S. baseline tariff on that country. Other goods fall under the Trump Administration's Section 232 investigation, which assess the impact of imports on the country's national security. For example, the U.S. introduced higher tariffs on steel and aluminum due to national security concerns.[15] Other products, including wood, are still under investigation and could face higher tariffs in the future.

Macroeconomic Theory Behind Tariffs

Tariffs are taxes levied on imported goods, designed to promote domestic industries and exports over foreign industries and imports. While importers technically pay the tariff, who ends up bearing the brunt of the tariff depends on the price elasticities of supply and demand—in other words, how sensitive supply and demand are to price. Tariffs can improve a country's trade balance by making domestic goods relatively cheaper than foreign ones, thus boosting exports and lowering imports. Furthermore, tariffs generate government revenue through import taxation.

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[15] O'Neil, S.K., Huesa, G., and G. Paz-Soldan. Jul. 10, 2025. A Guide to Trump's Section 232 Tariffs, in Nine Maps. Council on Foreign Relations. https://www.cfr.org/article/guide-trumps-section-232-tariffs-nine-maps

Tariffs can have a number of undesirable consequences on a country's economy. Introducing tariffs weakens the trust between countries and can lead to retaliatory measures. In the event of a trade war, exports will fall as they become more expensive to foreign consumers. Additionally, higher prices harm not only domestic consumers but also domestic industries that rely upon foreign inputs. Since tariffs are applied to specific products (unlike a sales tax, for example), they can cripple certain industries while leaving others unaffected. Furthermore, tariffs shift investment and labor toward protected industries, leaving others left to dry.[16] These large-scale economic distortions hamper productivity and can reduce growth and competitiveness in the long run.

Beginning in February 2025, the Trump administration engaged in a series of formal and informal negotiations with trade partners, often with the threat of high tariffs acting as a stick. The state of U.S. trade negotiations fluctuated frequently, with both Trump and the EU introducing threats before rescinding or pausing them. The volatile nature of these negotiations created a palpable sense of economic uncertainty across the globe.

The agreement struck between the U.S. and EU on July 27, which placed a baseline 15% tariff on EU goods and a 0% tariff on U.S. goods, was a framework, not a formal deal. Many of the details remain unresolved, and negotiators on both sides are likely to backfill the framework. Furthermore, the EU's pledges to invest in the U.S. and purchase American energy are not binding agreements but corporate pledges.[17] Some analysts see these pledges as unrealistic. For example, the U.S. exported $76 billion worth of energy to the EU in 2024; increasing this amount by more than threefold seems nearly impossible in such a short timeframe.[18]

The stability of this agreement remains unknown, and multiple interviewees expressed doubts that it would be the last U.S.–EU trade agreement during Trump's term. While the July 27 announcement provided some stability, the future of the trade relationship is far from certain. If EU companies fail to meet their ambitious pledges, the Trump administration might force the EU back to the bargaining table. At the same time, a return to negotiations would be an unlikely admission by the Trump administration that their own agreement was unsuccessful. The success and longevity of the July 27 framework depend not only upon U.S.–EU relations but also upon global dynamics and American politics. Nevertheless, it appears that U.S. tariffs are here to stay for the foreseeable future.

[16] K., S. Jul. 31, 2018. Why tariffs are bad taxes. The Economist. https://www.economist.com/the-economist-explains/2018/07/31/why-tariffs-are-bad-taxes
[17] Smialek, J. Jul. 29, 2025. How the E.U. Wooed Trump With Flashy but Flimsy Numbers. The New York Times. https://www.nytimes.com/2025/07/29/world/europe/europe-us-trade-deal-investments.html
[18] Abnett, K and A. Somasekhar. Jul. 29, 2025. EU's $250 billion-per-year spending on US energy is unrealistic. Reuters. https://www.reuters.com/sustainability/boards-policy-regulation/eus-250-billion-per-year-spending-us-energy-is-unrealistic-2025-07-28/

Trade Negotiation Timeline

2025

February 10

U.S. President Donald Trump reintroduced a 25% tariff on all steel and aluminum imports to the U.S.

February 14

Trump announced he would introduce tariffs on car imports on April 2.

March 12

The EU announced a plan for retaliatory tariffs against the U.S. They wouldn't take effect until April 1, allowing for time to negotiate.

March 13

In response to the EU's plans, Trump threatened to place a 200% tariff on all alcoholic products from the EU.

March 26

Trump announced he would place a 25% tariff on all cars and car parts.

April 2

Trump unveiled his "Liberation Day" plan for reciprocal tariffs designed to rebalance trade between the U.S. and foreign countries. All countries would face a baseline 10% tariff, while countries running a trade surplus with the U.S. would face higher tariffs. Under this plan, the EU would face a minimum 20% tariff on all goods.

April 9

The reciprocal tariffs briefly took effect, and the EU announced a set of retaliatory tariffs set to take effect one week later. Later in the day, Trump announced a 90-day pause and a return to the 10% baseline tariffs.

April 10

The EU paused its reciprocal tariffs.

April 29

Trump signed a pair of executive orders modifying the tariffs car manufacturers faced, so they wouldn't pay tariffs on both metal and car parts.

May 23

Trump suggested placing 50% tariffs on the EU staring June 1.

May 25

After a phone call between Trump and European Commission President Ursula von der Leyen, the U.S. President announced he would delay the introduction of 50% tariffs on the EU to permit trade negotiations.

June 4

The U.S. increased tariffs on steel and aluminum to 50%.

July 11

Trump announced the U.S. would place a 30% tariff on all EU goods starting August 1.

July 27

The U.S. and EU announced a trade agreement with a 15% base tariff on EU goods and 0% base tariff on U.S. goods. As part of the trade deal, the EU intends to invest $600 billion in the U.S. by 2029 and purchase $750 billion worth of American energy over the next three years.

August 21

The U.S. and EU revealed further details of their trade framework. Notably, the Trump administration announced it would cap Section 232 tariffs on lumber, semiconductors, and pharmaceuticals at the 15% rate.

INDUSTRY SENTIMENT

Nearly every interviewee, from the private sector to government to NGOs, identified uncertainty as the biggest challenge that Latvian businesses face, both when exporting and attracting investment. Many even stated that the economic uncertainty generated by tariffs was at least as great a threat to business as the tariffs themselves, at least on a macro level. Multiple company executives expressed the sentiment that, even if tariffs were to disappear tomorrow, they have already done irreparable damage to the transatlantic trade relationship between the U.S. and EU.

Exporters who were used to the free trade paradigm have been thrown into a brave new world of protectionism. According to one company executive, U.S. tax advisors have no advice for Latvian companies on how to approach the situation, since every announcement must be taken with a grain of salt. The situation has also introduced new administrative costs; one Latvian exporter had to reorganize its Canadian supply chain to avoid the U.S. and switch price lists for countries throughout the Americas to local currencies instead of the U.S. dollar.

Multiple interviewees also expressed concerns about how macroeconomic factors would affect Latvia's economic ties with the U.S. Company executives cited reduced consumption as a reason why they anticipated Latvian exports to the U.S. to fall in the coming years. A weak EU market pushed companies to look abroad, and many landed on selling their products in the U.S. Now, with the U.S. market weakening, some are stuck between a rock and a hard place.

The forest industry is a prime example of this dynamic. With EU demand for lumber low, the European lumber industry looked to the U.S., a trend evident in the Latvian lumber industry as well.[19] Now, demand in the U.S. is drying up without strong EU demand to supplement it. Since EU sales likely won't replace U.S. ones, companies are trying to prolong their existing economic relationships. One forestry industry executive even noted that Latvia's wood producers would likely export to the U.S. at a loss to maintain key relationships. If U.S. consumption further weakens, this saga could play out in more industries.

Company executives also expressed concerns about the impact of a weak dollar on Latvian exports. A strong U.S. dollar compared to the euro benefits Latvian exporters, as American consumers can afford to purchase more foreign goods. Unfortunately for Latvian exporters, U.S. tariffs have weakened demand for the dollar. Furthermore, the U.S. dollar's waning dominance as the global reserve currency (even if there is no viable alternative) will only serve to further weaken the dollar. The macroeconomic conditions—a strong U.S. dollar and high U.S. consumption—that powered Latvian exports in 2022 have quickly disappeared.

As a result of U.S. tariffs and broader economic conditions, companies have shifted business strategies. Many exporters have reached a saturation point in the U.S. market, finding it increasingly difficult to attract new customers amid weaker demand and higher trade barriers, according to one interviewee with an NGO. Having already captured the share of U.S. customers they can realistically secure under current economic conditions, companies are now maintaining existing relationships rather than expanding their customer base. While exporters hope to maintain a presence in the U.S., many are also exploring new markets as contingency plans. At the end of the day, Latvian business will cease to operate in the U.S. market if it becomes deeply unprofitable to do so.

[19] Malliris, P. and J. Pruski. Jul. 27, 2023. How European exports have become the lumber success story of 2023 so far. Fastmarkets. https://www.fastmarkets.com/insights/european-exports-become-lumber-success-story-2023/

3. OUTLOOK AND OPPORTUNITIES

EXPORTING TO THE U.S.

Current conditions present strong headwinds for Latvian exporters to the U.S. While tariffs impose a literal cost for businesses, uncertainty poses a threat to both established and new companies. Exporters with a longstanding presence in the U.S. will reassess their operations, and potential exporters sense it may not be an opportune time to enter the U.S. market. According to one NGO executive, Latvian businesses now feel less welcome in the U.S.

However, some Latvian exporters may gain an unanticipated advantage from tariffs. One company executive expects their U.S. sales to be strong despite the tariffs, since their main competitors import products to the U.S. from China. If China faces higher tariffs than the EU (which seems likely), this company could gain a competitive advantage by offering lower prices.

There's a slim possibility that the Latvian wood industry could also benefit from this scenario if Canada faces higher tariffs than the EU, since the U.S. imports most of its wood from Canada. However, this scenario would be irrelevant if the U.S. introduced Section 232 tariffs on wood. Furthermore, demand for Latvian wood is expected to fall regardless.

Latvian companies whose supply chains avoid the U.S. could also gain advantages versus select competitors. For example, a Canadian company's supply chain may cross the U.S.–Canada border multiple times, resulting in double or triple tariffs. In the end, comparative tariff levels may end up being a consequential factor that determine how U.S. tariffs affect Latvian exporters.

Service trade currently offers the most sustainable opportunities for growth of Latvian exports to the U.S. For one, services are not subject to tariffs and won't be directly impacted by the trade war, barring a significant further escalation. Second, Latvia's cheap labor costs compared to the U.S. enable Latvian companies to sell services at reasonable prices for the U.S. market.

The success of Estonia and Lithuania has demonstrated that Baltic countries can succeed and grow as service exporters. Lastly, Latvia's recent growth of computer service exports to the U.S. demonstrate that this trend already has momentum. Growing service exports, particularly within fields like IT or fintech, could expand Latvia's trade with the U.S. while powering an increasingly innovative economy—provided this growth is driven by the competitiveness of private companies, not subsidies or public policies.

ATTRACTING U.S. INVESTMENT

Latvia faces significant challenges attracting investment from the U.S. First, the global sense of economic uncertainty facilitates a poor investment environment. Investors seek to minimize risk, so rising uncertainty harms investment prospects across the board. Furthermore, one goal of the Trump Administration's tariffs is to spur more U.S. domestic rather than foreign investment, especially in the manufacturing industry. Overall, the global climate for soliciting American investment is poorer than in recent years.

On the national level, Latvia's investment climate also faces challenges. The U.S. Department of State's 2024 Investment Climate Statement identifies human capital as one of the main challenges investors encounter—for example, low availability of skilled labor.[20] In fact, all three Baltic countries face this challenge.[21] This is a result of

[20] U.S. Department of State. 2024. 2024 Investment Climate Statements: Latvia. https://www.state.gov/reports/2024-investment-climate-statements/latvia/

[21] Foreign Investors Council in Latvia (FICIL). May 2025. FICIL Sentiment Index 2024: The Baltic States Edition. https://www.ficil.lv/wp-content/uploads/2025/05/FICIL-Sentiment-Index-report_2024-1.pdf

Latvia's small size; a country of under two million people, no matter how developed, can only have so many skilled workers.

For these reasons, Latvia should target industries and ventures that are not labor-intensive, according to one respondent from FICIL's 2024 Investment Sentiment Index Report.[22] Despite this challenge, Latvia's low labor costs remain a key advantage for the country.[23] If U.S. investors can find the workers they need, they can employ them at a more affordable rate compared to U.S. workers.

Additionally, U.S. investors perceive high levels of risk within Latvia's geopolitical situation, according to multiple interviewees. The looming threat of Russia factors into every investor's assessment of risk. How and when the war in Ukraine ends could have wide-ranging implications for how U.S. investors see Latvia and the Baltics as a whole. Some Americans are only aware of Latvia within the context of NATO and Russian aggression.

Latvia must take steps to mitigate investors' unfamiliarity or perceptions of risk. According to one NGO executive, Baltic cooperation decreases investors' perception of geopolitical risks in the region. If investors notice the Baltic countries cooperating on issues ranging from defense to economic development, they will feel more confident in the region's ability to counter Russian threats.

Latvia contains many of the same investment advantages that are present in Estonia and Lithuania: cheap labor costs, a strong digital infrastructure, and access to the EU market. However, Latvia has not capitalized on opportunities to brand itself like its Baltic neighbors. While Estonia created e-Estonia and Lithuania converted Vilnius into a fintech hub, Latvia has become the third Baltic country stuck in the middle.

Cooperation with the Baltic states can also enable Latvia to capitalize on its branding potential. By tying itself to a Baltic brand of digitally advanced, business-friendly nations with little bureaucracy, Latvia improves its attractiveness as an investment destination. For example, the Baltic states could co-locate consuls with accelerators or think tanks in the United States to create innovation economies of scale. According to one interviewee, this model is already used by countries like the Netherlands, Denmark, and Switzerland. Lithuania's decision to co-locate its *InnoHub* with the Nordic Innovation House in Silicon Valley demonstrates the willingness of the other Baltic states to collaborate on this front. Pooling resources and collaborating would enable the Baltic states to operate more efficiently while developing a dynamic brand that could attract investment to all three countries.

Specific Latvian industries, like the defense sector, also demonstrate significant potential for American investment. Latvia's acute geopolitical situation, leading role in drone technology, and need to develop a larger defense industrial base combined with the U.S.' large and innovative defense industry make the space ripe for collaboration. Furthermore, private sector defense collaboration will advance the national security needs of Latvia, the U.S., and NATO as a whole.

Edge Autonomy, a Latvian drone company, is the perfect case study of how U.S. investment can catalyze the defense industry. *Edge Autonomy* began as UAV Factory before being acquired by U.S. private equity firm *AE Industrial Partners* in 2021.[24] In January 2025, U.S. aerospace company *Redwire* announced its acquisition of *Edge Autonomy*.[25] In June, shortly after its acquisition, *Edge Autonomy* announced a significant expansion of its Latvian manufacturing facilities which will enable the company to boost production and exports.[26] Other defense companies following the example of *Edge Autonomy* would reap simultaneous benefits for U.S. investors and the Latvian economy.

[22] Foreign Investors Council in Latvia (FICIL). May 2025. FICIL Sentiment Index 2024: The Baltic States Edition. https://www.ficil.lv/wp-content/uploads/2025/05/FICIL-Sentiment-Index-report_2024-1.pdf
[23] U.S. Department of State. 2024. 2024 Investment Climate Statements: Latvia. https://www.state.gov/reports/2024-investment-climate-statements/latvia/
[24] Asere, A. Mar. 4, 2025. Edge Autonomy Riga to have a new owner. LSM. https://eng.lsm.lv/article/economy/business/04.03.2025-edge-autonomy-riga-to-have-a-new-owner.a590184/
[25] Redwire. Jan. 20, 2025. Redwire Announces Acquisition of Edge Autonomy; Transformational Transaction Creates a Multi-Domain, Scaled and Profitable Space and Defense Tech Company. https://ir.redwirespace.com/news-events/press-releases/detail/153/redwire-announces-acquisition-of-edge-autonomy
[26] The Baltic Times. Jun. 6, 2025. Edge Autonomy opens a major manufacturing facility in Riga – operations in Latvia double in scale. https://www.baltictimes.com/edge_autonomy_opens_a_major_manufacturing_facility_in_riga___operations_in_latvia_double_in_scale/

Other sectors also exhibit potential for U.S. investment. One interviewee pointed to the energy industry as an area for investment growth as Latvia needs energy storage solutions given the country's intentions to onshore its strategic energy reserves and maintain enough grid supply after disconnecting from Russia and Belarus.[27] Latvia's Cabinet of Ministers recently appropriated nearly €60 million for battery storage systems in Rezekne, and *Latvenergo*, Latvia's state-owned energy company, recently announced that it plans to construct 250MW in battery storage by 2030.[28] Innovative U.S. companies operating in both the legacy and green energy storage sectors could invest in Latvia to help meet the demand for energy storage.

Latvia and the U.S. are already pursuing energy collaboration: the U.S. Department of Energy's National Renewable Energy Laboratory is conducting a study with *Latvenergo*, Latvia's state-owned energy company, on Latvia's energy future.[29] This study's findings could catalyze new energy partnerships between Latvia and the U.S.

The tech sector also shows potential for investment. Innovative Latvian tech companies exhibit strong synergies with many U.S. companies. Like the *Edge Autonomy* example, U.S. acquisitions of Latvian companies could benefit both sides. American companies could expand product offerings while Latvia would receive valuable investments. The acquisition of Latvian startups by American firms could also help boost Latvia's service exports to the U.S. in the future through new capital infusions and connections in the U.S. market. However, while acquisitions have benefits, they are not the best-case scenario for Latvia. Foreign investments and strategic partnerships that stop short of full buyouts offer Latvia a better chance of retaining local control and profits.

Lastly, educational partnerships would be a valuable catalyst for Latvia. Cuts to research funding in the U.S. could make European universities, including Latvian ones, more attractive destinations for research and innovation.[30] Attracting scholars and students from abroad could aid Latvian universities in further catalyzing the country's STEM sectors. Latvia's businesses can only continue to grow and innovate with a highly educated workforce.

[27] Patricolo, C. Jul. 17, 2024. Latvia allocates €134 million for biomethane production and battery energy storage. CEENERGYNEWS. https://ceenergynews.com/bioenergy/latvia-allocates-e134-million-for-biomethane-production-and-battery-energy-storage/
[28] Markosyan, M. Feb. 24, 2025. Latvenergo plans 250 MW of energy storage by 2030. Renewables Now. https://renewablesnow.com/news/latvenergo-plans-250-mw-of-energy-storage-by-2030-1271285/
[29] Ministry of Economics of the Republic of Latvia. Aug. 24, 2024. AS "Latvenergo" will collaborate with the U.S. National Renewable Energy Laboratory. https://www.em.gov.lv/en/article/latvenergo-will-collaborate-us-national-renewable-energy-laboratory
[30] Rīga Stradiņš University. May 20, 2025. "Latvijas formula": instability in the US opens up opportunities for Latvian research. https://www.rsu.lv/en/news/latvijas-formula-instability-us-opens-opportunities-latvian-research

CONCLUSION

Latvia's economic relationship with the U.S. is modest but growing. The current trade environment, defined by tariffs and uncertainty, poses real challenges while simultaneously highlighting where Latvian businesses can compete. Services and technology exports show the greatest potential for growth, while defense and energy offer significant potential for U.S. investment.

To capture this potential, Latvia should focus on developing a distinct Baltic brand that conveys stability and innovation through collaboration with Estonia and Lithuania. By improving both investor and consumer perceptions, Latvia can convert its modest market presence into a thriving, long-term economic relationship.

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Latvijas Stratēģijas un Ekonomikas Risinājumu Institūts

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