

Foreign investments

The government is seeking to encourage foreign direct investment to assist in the reconstruction of the economy. By the end of 1993, almost 3,000 joint ventures with foreign participation were established in Latvia. The majority are small and engaged in trade and services. The total value of foreign investment in Latvia by January 1994 was approximately USD\$140 million. Russia, Britain, Sweden, Germany and the U.S.A. are the largest investors.

Foreign investors have the following alternatives for establishing a company in Latvia. They may:

- invest in, or establish, a **limited liability company**,
- invest in, or establish, a **joint-stock company**,
- establish a **representative office**.

(For further details, see "Market Entry Strategy Alternatives".)

Foreign investors are prohibited from gaining "control" of an enterprise in the following sectors: defense, narcotics, currency emissions, mass media, national education, natural resource recovery from the continental shelf, fishing in internal waters, hunting and port management. However, it can be of economic interest to be a minority investor.

Specific permission by the *Latvian Development Agency* is required for investments in the following areas:

- an investment in a state enterprise prior to privatization
- an investment which would enable the investor to gain control of a company whose registered capital exceeds USD\$1million
- an investment which results in the formation of a new company whose registered capital exceeds USD\$1million or an equivalent sum in another convertible currency.

As of 1995, foreign companies will have the opportunity to participate in Latvia's privatization program (see "Privatization").