



Andrejs Limanskis  <https://orcid.org/0000-0002-3333-2111>

EKA University of Applied Sciences, Business Management, Riga, Latvia, andrejs.limanskis@riseba.lv

A Comparative Study of Direct Investments from France and the United Kingdom in Latvia

Abstract:

Topicality of comparative study in Foreign Direct Investments (FDI) is determined by the need to deepen analysis of economic activity challenges and opportunities related to cross-border investments. Research in FDI trends by countries of origin is becoming mainstream globally and regionally. 2024 witnessed a cut in global FDI. In Latvia, where accumulated FDI grew for the fifth year in a row in 2024, the number of enterprises shrank. A detailed understanding of FDI inflows from major European economies such as France and the United Kingdom (UK) is of great importance for securing progress in FDI attraction.

The aim of the study is to investigate the Direct Investments (DI) from France and the UK in Latvia in a comparative study and formulate conclusions on emerging trends, specifically focusing on their industrial structures. The hypothesis is 'the industrial structure of Direct Investments

Funding information: EKA University of Applied Sciences, Business Management, Riga, Latvia.

Declaration regarding the use of GAI tools: Not used.

Conflicts of interests: None.

Ethical considerations: The Author assures of no violations of publication ethics and takes full responsibility for the content of the publication.

Received: 2025-06-15. Revised: 2025-08-27. Accepted: 2026-02-24



© by the Author, licensee University of Lodz – Lodz University Press, Lodz, Poland.
This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution license CC-BY (<https://creativecommons.org/licenses/by/4.0/>)



This journal adheres to the COPE's Core Practices
<https://publicationethics.org/core-practices>

from France and the UK in Latvia reflects distinct strategic focuses, with UK investments historically being more diversified across a larger number of sectors, while French investments more concentrated in specific sectors, and these structural differences impact their respective resilience and growth trajectories.'

The research methods include both qualitative and quantitative ones. A literature review, case studies, websites content analysis, and interviews, all qualitative methods, are applied together with statistical ones, i.e. quantitative analysis. Yearly data prove insufficient and are supported by monthly data. Detailed structural analysis employs Nomenclature of Economic Activities (NACE) codes. MS EXCEL provides for proof and updates of calculations as well as visualisation of results of analysis.

UK DI in Latvia started in 1991 and reached an all-time peak on the eve of the BREXIT referendum only to shrink three times by 2025. French DI slowly increased and surpassed the UK ones in 2024. From February 2022 to February 2025, French DI grew while the UK ones went on declining. The structure of DI from France, encompassing 107 industries, is more concentrated on monetary services and wholesale while the DI from the UK operate in 155 industries, although dominated by trusts, funds and similar financial entities and monetary services. DI in real estate also matter in both structures. French computer facilities management investments combine with the UK wholesale of computers, computer peripheral equipment and software as well as computer programming activities and data processing, hosting and related activities with DI above EUR 1 million each. Three of French and UK DI industries in Latvia (communications, real estate and software) coincide with Global TOP 10 industries by FDI Intelligence. The hypothesis is proven.

Originality of the research is highlighted by pioneering methodologically sound analysis of trends in FDI in Latvia from France and the UK for the whole period of restored statehood of Latvia, 1991-nowadays, with particular focus on structural diversification patterns. For the first time, an analysis of the DI for the 3-year period of war in the Ukraine is done. The dynamics and NACE codes structure of DI from France and the UK in Latvia is new knowledge for scientific circulation. The research indicates methodology for FDI comparative studies in other states of the EU. Conclusions are addressed to stakeholders in the attraction of FDI in Latvia and academia. All calculations are verifiable and can be extended to the period to come. Further research directions justified.

Keywords: Foreign Direct Investment, France, the United Kingdom, Latvia, NACE code

JEL: E22, F15, F21, F23, M16, O52

1. Introduction and Importance

A comparative study of Foreign Direct Investments (FDI) proves extremely topical both at the global and countries' level.

In the context of Latvia, a detailed understanding of FDI inflows from major European economies such as France and the United Kingdom (UK) is of great importance in view of the declining number of enterprises with DI despite the fifth in a row increase of accumulated FDI in 2024. Historically, the DI from the UK in Latvia defined the mainstream in the cross-border movement of capital demonstrating spectacular growth. BREXIT, however, reversed this trend. In 2024, France overcame the UK, pushing the UK to the 18th rank on the list of 135 countries of origin of FDI in Latvia. According to Carril-Caccia and Pavlova (2018), FDI activity has important implications in terms of economic growth, productivity, wages and employment for both origin and destination countries. The problem is that stakeholders are unaware of this change and its consequences both in volume and structure while the attraction of FDI demands targeted proactive policy.

The purpose of this research is to investigate the Direct Investments (DI) from France and the UK in Latvia in a comparative study and formulate conclusions on emerging trends, specifically focusing on their industrial structures.

The research hypothesis is 'The industrial structure of Direct Investments from France and the UK in Latvia reflects distinct strategic focuses, with UK investments historically being more diversified across a larger number of sectors, while French investments more concentrated in specific sectors, and these structural differences impact their respective resilience and growth trajectories.'

The research methods include both qualitative and quantitative ones. A literature review, personal observations, case studies, websites content analysis, and interviews are applied together with statistical analysis. The EXCEL software provides for calculations, visualisation of results of analysis, monitoring current changes and reproducibility.

The research results include a pioneering rigorous analysis of emerging trends in FDI in Latvia from France and the UK for the whole period of restored statehood of Latvia, 1991-nowadays, with particular emphasis on structural diversification patterns. For the first time, the visualisation of DI for the 3-year period of war in the Ukraine is done. The dynamics and structure of DI from France and the UK in Latvia is new knowledge introduced in scientific circulation. Conclusions are addressed to a group of stakeholders in the area of FDI attraction in Latvia and academia. All calculations are verifiable and can be extended to the period to come.

2. Methods and Materials

A literature review on FDI in general and in Latvia in particular is a starting point for the methodological basis in this research to solve the research problem. Selection of literature is determined by certain criteria.

Firstly, definitions of FDI are introduced to put research on a solid theoretical foundation. Secondly, the literature on comparative study is referred to in order to arrive at scientifically justified lines and methods of research. Thirdly, the Latvian focus is adopted. The author uses the SCOPUS database of the most recent scientific publications alongside other relevant platforms.

Basic definitions of FDI can be found in globally recognised sources, starting with the UNCTAD – United Nations Conference on Trade and Development (2024): ‘FDI is an investment involving a long-term relationship and significant influence by a resident entity in one economy (the direct investor) in an enterprise resident in another economy (the direct investment enterprise).’ This definition highlights investments crossing national boundaries, long-term control and influence rather than short-term capital flows.

According to the International Monetary Fund (IMF, 2013), FDI reflects the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in another economy, typically involving at least 10% ownership of voting power. One can mark the 10% ownership rule introduced as a key threshold.

The globally esteemed club of the richest economies OECD – the Organisation for Economic Co-operation and Development (OECD, 2025) – defines FDI as a category of cross-border investment made by a resident in one economy with the objective of establishing a lasting interest in an enterprise in another economy. This definition focuses on cross-border nature and the concept of ‘lasting interest.’ Latvia is a member of all the above institutions and adheres to the common definition of FDI.

The presented study makes use of key economic and investment theories, including, first, Dunning’s Eclectic Paradigm (OLI Framework), which explains how firms make investment decisions based on Ownership, Location, and Internalisation advantages. According to Dunning and Lundan (2008), the OLI model belongs to a holistic approach to FDI. The second theory that proves instrumental is the Institutional Theory, which highlights the role of political stability, regulatory quality, and business environment in shaping investment flows. Choi, Furceri, and Yoon (2021) focused on policy uncertainty in FDI.

The third one, the Agglomeration Theory, which explores the benefits of clustering and regional advantages in attracting FDI, proves relevant, too. Under digitisation, clustering transcends physical proximity, enabling virtual networks where businesses collaborate and innovate online, unlike the sole location-based clusters of pre-Internet times. One more vector of theory, the Knowledge-Capital Model by Carr, Markusen, and Maskus (2001), integrates elements of both horizontal and vertical FDI, emphasising firms’ strategic decisions based

on knowledge assets and production factors. This model is of interest for DI in Latvia by considering how knowledge-intensive activities influence investment patterns. FDI in industries producing high value added and promoting exports are desirable.

According to the World Bank (2025), FDI refers to investments made to acquire lasting interest in enterprises operating outside the economy of the investor, where the investor's purpose is to gain an effective voice in management. Authoritative emphasis on managerial influence across the borders as a distinguishing feature of FDI deserves to be honoured in research.

Influential research publications on Foreign Direct Investment (FDI) in the EU during 2024–2025 include the EY Europe Attractiveness Survey (Teigland, Palanee, Lhermitte, 2025) and the European Investment Bank's Investment Report 2024/25. The EY survey provides insights into FDI trends, project numbers, and job creation. The European Investment Bank's report focuses on innovation, integration, and simplification as key drivers for FDI in Europe. Kosztowniak (2022) investigated the optimal financial structure of FDI inflows to Poland in stimulating growth processes.

While focusing on the Baltic States in the European Union with Latvia as a member since 2004, the definition by European Central Bank (2025) is relevant for the research: 'FDI is an international investment made by an entity in one economy in an enterprise in another economy, undertaken with the objective of a strategic long-term relationship.' This definition highlights the international strategic and long-term perspective of FDI. The 10% ownership benchmark is presupposed or mentioned in all publications.

Tvaronavičienė and Burinskas (2022) published a review of studies on FDI: The case of Baltic States. The article provides an impressive number of directions of studies done and deserving to be conducted.

To generalise, the author of this research makes use of basic features presented in the above definitions, including the 10% ownership rule without being dogmatic since some influential investors found in the cases of French DI in Latvia had 9.9% ownership.

Conducting a comparative study in economics requires adherence to fundamental methodological principles to ensure the validity and reliability of the analysis. A literature review singled out the following ones:

Homogeneity of Compared Entities: Ensuring that the entities under comparison belong to the same category or class according to Blonigen (2005) is crucial for meaningful analysis. Comparing like with like allows for accurate assessments and valid conclusions. FDI in Latvia from France and the UK belong to the same class, which makes it justified to compare them.

Consistency in Data Measurement: Utilising uniform metrics and measurement standards across all entities ensures that comparisons are based on equivalent data, thereby enhancing the study's credibility. Both non-financial and financial DI indicators are to be investigated on the basis of Latvian statistics. Non-financial indicators are the number of deals, investors and enterprises with French and UK direct investments, and their distribution by industries defined through NACE codes. Financial indicators are the volumes of inflows and outflows of French and UK capital in enterprises in Latvia, the cumulative balances per month and per year.

Consideration of Contextual Factors: Accounting for the unique environmental, cultural, and institutional contexts of each entity provides depth to the analysis and helps explain observed differences or similarities. In the case of French and UK direct investments in Latvia, the contextual factors matter. For example, the author refers to BREXIT as a significant contextual factor in FDI.

Application of Robust Analytical Frameworks: Employing well-established theoretical models and analytical tools ensures that the comparative study is grounded in sound economic theory, facilitating credible and generalisable findings. Visualisations bridge the gap between analytical frameworks and specific cases and sets of data.

Replication and Validation of Findings: Ensuring that the study's results can be replicated and validated by other researchers is essential for establishing the reliability and scientific merit of the comparative analysis. The author intends to make own tables of indicators updatable. In perspective, the Artificial Intelligence (AI) facilitates it for the open data FDI statistics. However, at present, big databases tend to cut access for non-authorised customers and introduce payments for a part of data.

Adhering to the principles above enhances the rigor and validity of comparative economic studies, leading to more accurate and insightful conclusions.

SCOPUS literature search revealed a variety of research directions. The findings by Yeboah (2024) show that FDI in Latvia negatively impacts economic growth in the long term, although it has a positive effect in the short term. Burlea-Shipolu, Brostescu, and Popescu (2023) aimed to evaluate the impact of a set of economic and social indicators on FDI and net income (% GDP – Gross Domestic Product) and concluded that Latvia had reacted to a better GDP per capita.

To secure the Latvian focus, the author singles out scientific publications by local academics. The most renowned researcher in Latvia in the area of FDI is professor Sauka, who created a Sentiment Index on the basis of regular surveys of foreign investors represented by the Foreign Investors' Council (FICIL). The scientific input of the Index is great as well as the influence of nine consecutive publications on the stakeholders. The tenth FICIL Sentiment Index (FICIL, 2024) is expected in 2025 to foster evidence-based policy making, review implemented policies, and suggest solutions that could improve the investment climate in the country.

Saksonova, Konovalova, and Savchina (2024) determined and evaluated the effect of FDI stock on the Gross Domestic Product per capita and on labour productivity per person in Latvia. The authors conclude that in order to improve the welfare level of Latvian residents, the able-bodied population should improve their productivity, aside from attracting additional foreign investment.

Research in trends of FDI in Latvia is gaining momentum with publications based on statistics of the Register of Enterprises (Lursoft, 2025). Foreign Direct Investment in statutory capital at the end of 2024 was recorded in 17.3 thousand enterprises. During 2024, the number of such enterprises decreased by 0.17%, over the past five years it decreased by 18.47%. However, the volume measured in Euro is growing.

A publication based on Master degree research by Jurša (2021) noticeably investigated the activity of foreign direct investors in Latvia and their source of financing. However, characteristics of DI from specific states in Latvia was not under scrutiny.

The study by Kastratovic, Krivins, and Veiksa (2024) involved economic and legal aspects of Foreign Direct Investment patterns in Serbia and Latvia. The structuring of inflows from countries of origin was not attempted. Hofbauer and Limanskis (2022) surveyed the sustainability of Foreign Direct Investments (FDI) of German companies in Latvia as an emerging trend. Simelyte and Tvaronaviciene (2022) concluded that to gain a competitive advantage, Latvia should attract more innovative FDI into the service business area, followed by manufacturing.

The author found in the literature neither attempts of comparative study of FDI in Latvia by countries of origin nor the fact that France overcame the UK by the accrued investments in Latvia in 2024. No indications of the dramatic decline in the DI from the UK in 2015–2024 can be found in the literature, either.

To generalise the review of literature on FDI in Latvia, a sound foundation exists for developing comparative investigations in the area. However, shifts in the business environment, including geopolitical risks, the emergence of AI, the change of a liberal paradigm for a conservative one launched by presidency of D. Trump in 2025 and others mean that stakeholders are facing unexpected new trends in the FDI in Latvia. Research needs to be intensified.

A research methodology, according to www.indeed.com (Indeed, 2025), is a way of explaining how a researcher intends to carry out their own research. It is a logical, systematic plan to resolve a research problem. A methodology details a researcher's approach to the research to ensure reliable, valid results that address the set aims or objectives. It encompasses what data they are going to collect and where from, as well as how the data will be collected and analysed.

Most analyses rely on aggregated FDI statistics without distinguishing the specific contributions of individual investor countries or their industrial structure.

A research methodology may incorporate multiple research methods.

Our research on FDI in Latvia combines qualitative and quantitative methods, as well as primary and secondary data. A literature review, personal observations, case studies, websites content analysis, and interviews are applied together with statistical analysis. Time series analysis is a proven statistical method that examines data points collected at regular intervals to uncover underlying patterns and trends. Structural analysis involves examining the composition. Visualisation strengthens modern research.

Special reference should be made to the big data base lursoft.lv that granted the author a permission to use FDI statistics and other data of [lursoft](http://lursoft.lv) for scientific research.

Research questions (RQs) are as follows: 1. What is the volume and dynamics of DI from France and the UK in Latvia? 2. What is the industrial structure of Direct Investments from France and the UK in Latvia in general and in terms of how these structural differences impact their resilience and growth trajectories?

Answering the RQ1 involves statistical analysis of corresponding time series in combination with qualitative methods listed above. Primary data come from personal observations, case studies, websites content analysis, and interviews. The effects of such important events as joining the EU and the Eurozone by Latvia should be investigated by the inflows of FDI by years and for special purposes also by months. The one-period-forward forecasting of trends visualised on a linear trendline is relevant. It includes displaying linear equation as well as R-squared value in a chart. Case study analysis, experts' opinions as well as an analysis of websites will be employed for answering the RQ1 as well.

Answering the RQ2 involves structural analysis of corresponding DI in accordance with the Nomenclature of Economic Activities (NACE), Rev. 2.1, in force since 2025 as an official classification in the EU (European Commission, 2025). NACE codes are two digits after dots, for example 62.03 defines Computer facilities management. Plotting a table of DI from France and the UK by NACE codes facilitates structural analysis.

The research methodology used in the FDI structure analysis is enriched by recent FDI Intelligence FDI Matrix (Irwin-Hunt, 2025) two-fold. Firstly, the 2024 investment matrix introduces an innovative chart. Instead of pie-type charts, the treemap becomes the leading visualisation of the structure of FDI. Secondly, publishing the global FDI TOP 10 sectors provides a benchmark for analysis by countries. It will be employed in the research that follows.

Annual reports by corresponding enterprises provide official financial data for in-depth analysis of each DI deal by French and UK investor in Latvia. Abbreviations UK and GB are synonyms in this article. Latvian big databases use the abbreviation UK.

3. Research Results and Discussion

Research results refer to the outcomes and findings obtained from scientific investigations which are intended for publication. The author follows up on the two research questions posed discussing the obtained results.

RQ1 (what is the volume and dynamics of DI from France and the UK in Latvia) was researched with the balance as the basic piece of terminology, i.e. inflow cleared of outflow of DI in a specified period. To have precise data, the author plotted corresponding linear charts for French and UK DI in Latvia on a monthly and yearly basis. The research covered the whole period from the first DI in 1991 to nowadays (see Figure 1).

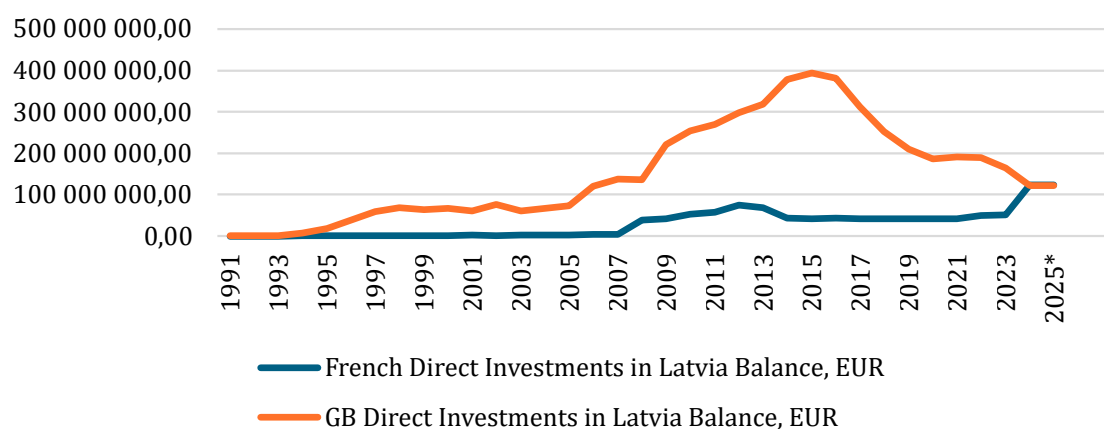


Figure 1. The volumes of DI from France and the UK in Latvia 1991–2025*, EUR

* Data for 2025 assessed on 30.06.2025.

Source: the author's own elaboration based on Lursoft, 2025.

The conducted research revealed a very specific character of DI flows from the UK. After a rapid start in March 1991, a peak in July 2015 was reached, making the UK one of the top 5 countries of origin in the DI in Latvia. However, the barrage of investment proved weak. The author discovered by studying monthly data that immediately after the BREXIT referendum, the outflow of DI from the UK in Latvia became higher than inflow. Unfortunately, this phenomenon proved to be a long-term one. In 10 years, the volume decreased three times from EUR 394 million (m) to mere EUR 121 m. Both French and UK experts interviewed missed the specific moment of intersection of the curves of accumulated DI from France and the UK in Latvia as they were focused on consulting national firms.

Inflow of DI from the UK in Latvia reacted positively to the EU entry in 2004 and joining the Eurozone. However, the increase of accrued UK investments after the 2014 proved short-lived. The peak of EUR 394 m in 2015 was changed by lasting outflow. Finally, the UK has fallen to the 18th place among all 135 countries of origin of FDI in Latvia, behind France and followed by Austria.

DI from France in Latvia started with a 3-month delay and were insignificant until recently despite Latvia gaining the EU membership in May 2004. A wave number one occurred in 2008 under opportunities for FDI provided by a global economic crisis that hit Latvia severely, among others, cutting real estate prices and making real estate attractive for foreigners.

Unfortunately, the impetus of wave one was exhausted by 2014, the year Latvia entered the Eurozone. As experts (Eglitis et al., 2014) noted: 'The initial positive momentum from improved economic sentiment has not, however, been fully reflected in investment growth.' The second wave started in 2023 to accelerate especially in 2024 so that France pushed the UK aside among the top investors in Latvia.

Case study analysis sharpened the view of two opposite trends in dynamics of DI from France and the UK in Latvia. The author studied two enterprises established in the same year with DI above one million euro each.

The first case, French DI, concerned SAINT-GOBAIN CELTNIECĪBAS PRODUKTI, SIA, established in 1997 as a Limited Liability Company, ranked as an average company by Firmas.lv (n.d., *Saint-Gobain...*) in Wholesale of wood, construction materials and sanitary equipment (NACE 46.73). The place in the branch of industry was 5 by turnover, 3 by profit, 4 by paid taxes, 8 by employees. Statutory capital EUR 29 295 594 payment was registered on 25.06.2014. Important facts include no active pledges, no security means, no economic activity cessation, no insolvency registrations, and no liquidations. The enterprise performs with profit and has positive own capital. All tax payments demonstrate healthy growth (see Figure 2).

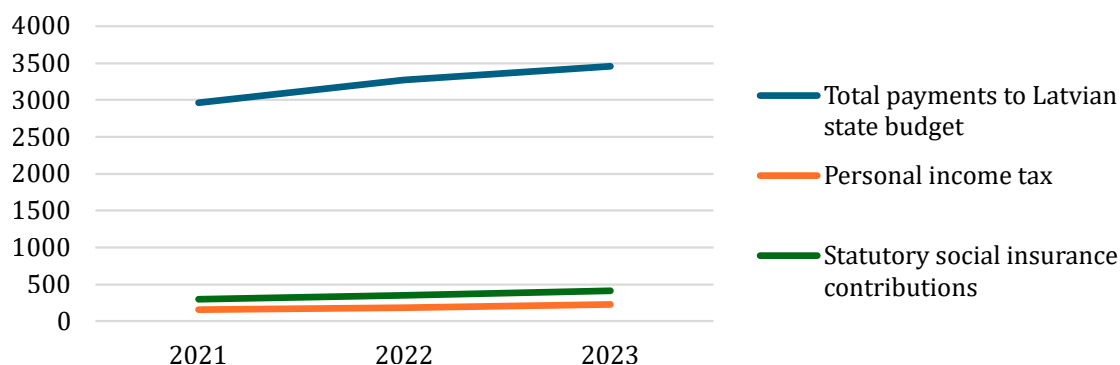


Figure 2. Tax payments by SAINT-GOBAIN CELTNIECĪBAS PRODUKTI, Ltd in Latvia, EUR thousand, 2021–2023

Source: the author's own elaboration based on Firmas.lv, n.d., *Saint-Gobain...*

The case SAINT-GOBAIN CELTNIECĪBAS PRODUKTI demonstrates that French DI in Latvia can bring expected benefits to all stakeholders. The conducted analysis of the website of this company revealed a mission statement, sustainability awareness, and a full range of relevant materials including a video-clip in English (Saint Gobain, 2025). The French interviewee added that over the years the number of employees remained at 70.

The second case, UK DI, concerned BSW LATVIA, SIA, a Limited Liability Company, established in the same 1997 in Wood processing and finishing (NACE 16.10), ranked as a large company by Firmas.lv (n.d., *BSW Latvia...*). The place in the branch of industry was 6 by turnover, 7 by profit, 15 by paid taxes, 12 by employees. Statutory capital EUR 9 715 219 payment was registered on 16.04.2015. Important facts include no active pledges, no security means, no economic activity cessation, no insolvency registrations, no liquidations. The enterprise performs with profit and has positive own capital. Tax payments demonstrate contradictory trends (see Figure 3).

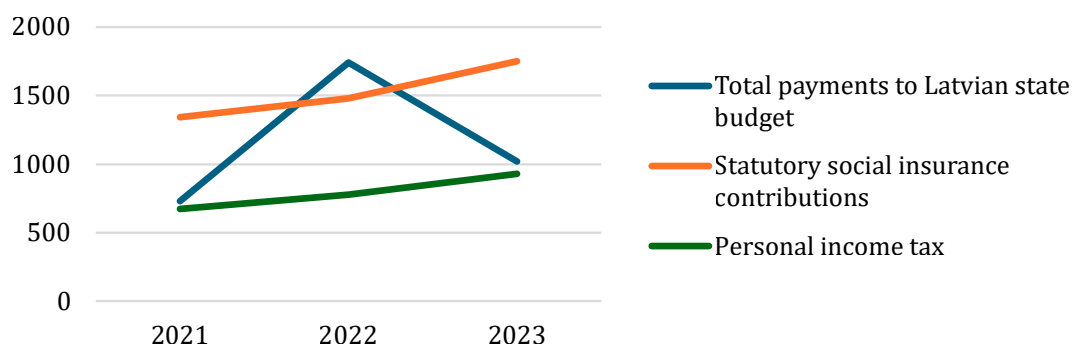


Figure 3. Tax payments by BSW LATVIA, Ltd in Latvia, EUR thousand, 2021–2023

Source: the author's own elaboration based on Firmas.lv, n.d., *BSW Latvia...*

One can notice a recent decline in total payments to the Latvian state budget, while two other indicators grew. To deepen the conducted research, the author investigated BSW LATVIA value figures published by Firmas.lv (n.d., *BSW Latvia...*): EUR 142.6 m in 2022 and 88.2 m in 2023, i.e. –38% (the calculation uses results from the previous accounting period). 37.6 % of income came from the UK and 27.1% from the USA markets. BREXIT made it more difficult for BSW to export to the UK.

On 5 January, 2022, the German company 'Binder Beteiligungsverwaltung,' which is fully owned by 'Binder Beteiligungs,' acquired 100% of the share capital of the British company 'BSW Timber Limited,' as a result of which 'BSW Latvia' became part of the 'Binderholz' group.

An analysis of the website (BSW, 2025) shows BSW Timber is now the largest sawmilling company in the UK. With 11 manufacturing sites across the UK and Latvia, BSW Timber is a large-scale producer of certified timber products for various industries and applications, including fencing, landscaping, decking, cladding, construction, joinery, and pallet production. However, 'BSW Latvia' ceased to be a UK investment. The UK interviewee expressed an opinion that statistics should be corrected in Latvia.

The outcome of the two case studies is evidence of diminishing DI from the UK in Latvia although the process is controversial.

The author made an additional step in answering the RQ1 by investigating the DI flows in the 37 months of the war in Ukraine (see Figure 4).

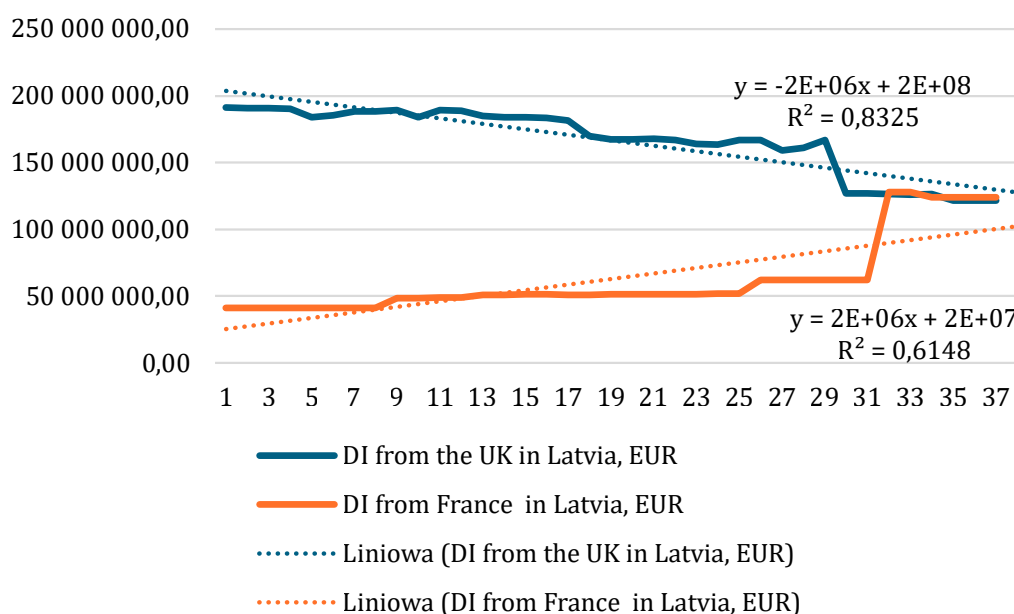


Figure 4. The volumes of DI from France and the UK in Latvia, February 2021 – February 2025, EUR

Source: the author's own elaboration based on Lursoft, 2025.

One can observe a declining linear trend for the DI from the UK and a growing one for the DI from France in Latvia in the 3-year period of war in Ukraine that started in February 2022 (Month 1 on the horizontal axis). A more in-depth analysis seems to be called for after the peace deal initiated by the US President Trump in 2025 hopefully comes true in the Ukraine. However, the author's research is a novel contribution in terms of research perspectives.

RQ2 (what is the industrial structure of DI from France and the UK in Latvia in general and in terms of how these structural differences impact their resilience and growth trajectories) was answered by structural analysis. Industries with above 1-million-euro statutory capital each from France and the UK were singled out by NACE codes and investigated.

The first discovery derived from the analysis is a much broader industrial structure of the DI from the UK (152 NACE industries against 108 from France). It emerged historically because investors from the UK proved much more active in the initial years of DI in Latvia. This broader diversification historically provided UK investments with greater resilience across different sectors, though this advantage diminished post-BREXIT.

The second result of analysis is higher concentration of capital by industries with French investments. The two biggest industries with three active companies constituted 76.58% of all French DI in Latvia, while for the UK the share was 41.96%. This concentration strategy has proven effective for French investments, particularly in monetary services, contributing to their recent growth trajectory and surpassing UK investments in 2024. It can be recommended for French investors to penetrate a broader range of industries, while for UK investors to re-open Latvia.

The third result of the structural analysis is singling out the dominating industries for the compared DI flows (see Figures 5 and 6).

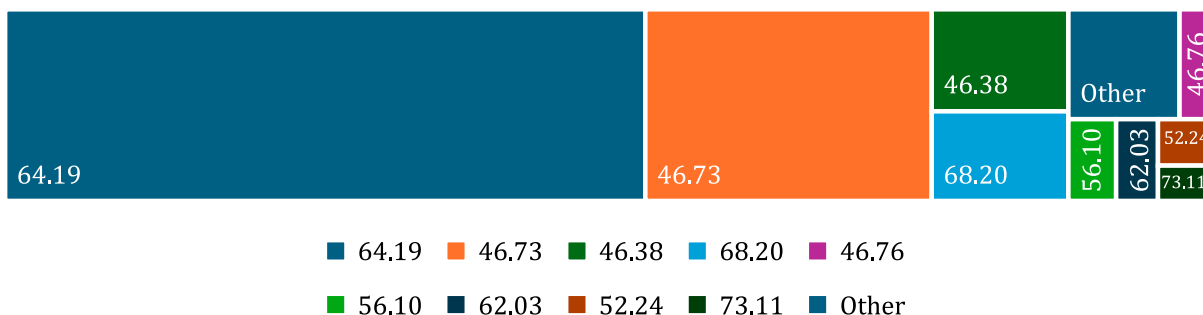


Figure 5. Structure of French DI in Latvia by NACE codes

Source: the author’s own elaboration based on Lursoft, 2025.

One can observe the domination of monetary intermediation (53% of total) followed by wholesale.

The following table is decoding each position for French DI (see Table 1).

Table 1. Top 7 in the structure of DI from France in Latvia 2025

NACE code	Name in NACE	Direct Investors	Investment, EUR	Active companies
64.19	Other monetary intermediation	5	65 485 500.00	1
46.73	Wholesale of wood, construction materials and sanitary equipment	2	29 298 394.00	2
46.38	Wholesale of other food, including fish, crustaceans and mollusks	3	7 434 301.00	3
68.20	Renting and operating of own or leased real estate	13	6 552 809.74	12
46.76	Wholesale of other intermediate products	2	2 102 113.80	2
56.10	Restaurants and mobile food service activities	6	2 075 027.87	6
62.03	Computer facilities management activities	1	1 816 130.00	1

Source: the author’s own elaboration based on Lursoft, 2025.

The table is representative since it covers 94.75% of DI from France in Latvia. However, in terms of number of enterprises with French capital, corresponding top 33 of 245 active enterprises constitute a mere 13.47%.

DI from France in NACE 64.19 industry in 2024 were made by five French nationals acquiring 9.99% share each in PNB Banka. The Financial and Capital Market Commission of Latvia as of 15 August 2019 prohibited PNB Banka from providing financial services, namely, any debit and credit operations on customers’ accounts. An insolvency administrator was appointed to settle current liabilities. French DI are comparable to the costs of insolvency administration,

EUR 45.2 million in five years (PNB Banka, 2024). By the French expert’s opinion, the insolvency procedure of PNB Banka may take three more years. Hence, this concentrated French DI structure in monetary services also creates vulnerability.

New case studies are possible to deepen knowledge of the subject. This kind of research, however, goes beyond the framework of this article.

The structure of UK DI in Latvia is given below based on the same criteria of above 1-million-euro DI in each of 18 NACE industries (see Figure 6).

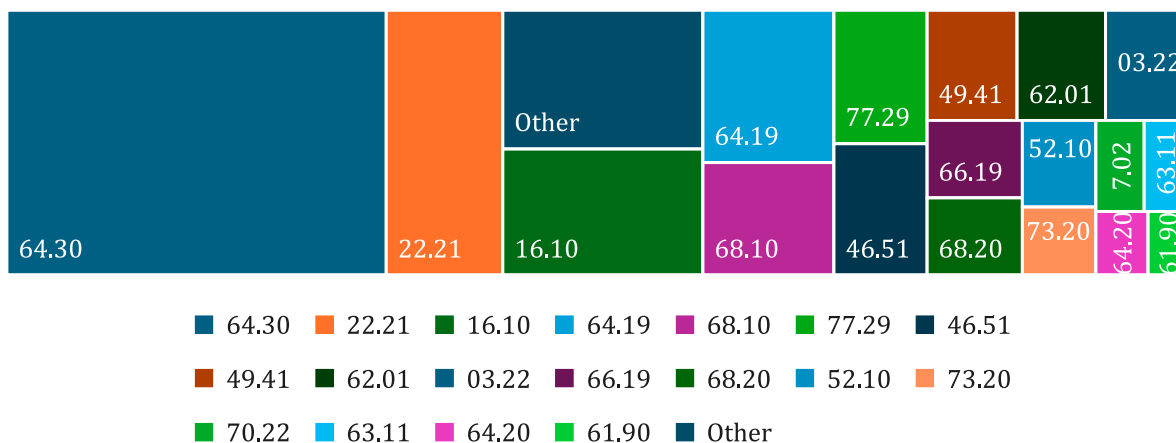


Figure 6. Structure of UK DI in Latvia by NACE codes

Source: the author’s own elaboration based on Lursoft, 2025.

One can observe, first, the leading role of DI in trusts, funds and similar financial entities with 32% of total followed by manufacture in two industries, other monetary intermediation, and real estate. The chart covers 91.13% of UK DI in Latvia. However, in terms of number of enterprises with UK capital, top 184 of 515 active enterprises represent a mere 35.73%.

This broader but less concentrated structure historically provided UK investments with diversification advantages, though the analysis reveals that this diversification did not translate into sustained growth resilience, particularly in the face of BREXIT.

The following table provides decoding of each position for the seven leading UK DI for the sake of comparison with the top 7 French DI (see Table 2).

Table 2. Top 7 in the structure of DI from the UK in Latvia 2025

NACE code	Name in NACE	Direct Investors	Investment	Active companies
64.30	Trusts, funds and similar financial entities	2	38 732 822.50	3
22.21	Manufacture of plastic plates, sheets, tubes and profiles	1	11 886 400.00	1
16.10	Sawmilling and planning of wood	4	9 722 127.00	4
64.19	Other monetary intermediation	4	7 708 317.40	1
68.10	Buying and selling of own real estate	21	5 672 277.78	29

NACE code	Name in NACE	Direct Investors	Investment	Active companies
77.29	Renting and leasing of other personal and household goods	1	4 785 800.00	1
46.51	Wholesale of computers, computer peripheral equipment and software	2	4 693 087.00	1

Source: the author's own elaboration based on Lursoft, 2025.

The table is representative since it covers 75.26% of DI from the UK in Latvia. However, in terms of numbers of enterprises with UK capital, corresponding 83 of 515 active enterprises constitute 35.73%. The following 11 lines are of less value and not analysed in this article.

From the point of view of Information Technologies (IT) and digitisation, French Computer facilities management activities DI in Latvia coexist with UK Wholesale of computers, computer peripheral equipment and software DI, although this UK DI is 2.5 times more voluminous. Both interviewees hope for the best in these industries for foreign investors.

The London–Paris tech rivalry in Europe gains in importance. London has long been the dominant European start-up hub. Even when it comes to AI, few other countries can boast the UK's cutting-edge research and talent – France is hardly among them. And yet, there are two things that may turn the table upside down according to Pugsley (2025). France's surplus of electricity is big enough to accommodate ambitious plans for new data centre capacity, a must-have for the development and deployment of AI models. A French large language model maker, Mistral, can act as a catalyst of the national AI ecosystem. On top of that, President Macron has repeatedly shown steady commitment to developing it, championing a €109 bn AI investment plan launched in February 2025. Will this be enough for Paris to challenge London's European tech crown? Indirectly, the outcome can affect FDI in Latvia.

A comparison with Global TOP 10 industries by FDI Intelligence 2024 investment matrix revealed three coinciding (communications, real estate and software) industries among French and UK DI in Latvia.

The structural analysis indicates that the UK's historically broader diversification strategy provided initial advantages but proved less resilient in the long term, particularly when facing external shocks such as BREXIT. In contrast, France's more concentrated approach in specific sectors has demonstrated stronger growth, enabling French investments to surpass UK investments in 2024.

Risks to DI in Latvia deserve special research. However, the prospect of liquidation of PNB Banka in the coming years can dramatically cut the volume of French DI, as well as the exclusion of the initially the UK company BSW Latvia from the statistics since the company became German.

New case studies including sustainability progress are possible to deepen knowledge of the subject. Both experts interviewed did not disclose details because of professional engagement.

The UK interviewee evaluated the probability of decline in UK DI in Latvia in the short run. The major factor is the end of the BSW deal mentioned above that will officially document the exclusion of the third UK DI (EUR 9 715 219.00) from the NACE 16.10 industry in Latvia after a German investor replaces the UK one, with Germany ranking fourth among all countries of origin of FDI in Latvia. However, in the long run, Latvia can attract more DI from France and the UK. Both interviewees expressed cautious optimism. The last update of FDI monthly statistics covered June 2025. French DI in Latvia surpassed UK DI by EUR 4 698 591.95 (Lursoft, 2025).

Results derived from answering the RQ2 have implications for current thinking and practice in DI in Latvia. Firstly, no DI is eternal. Growth can be followed by decline irrespective of long-term cooperation tradition. Secondly, the policy of attraction of DI should be differentiated for each country of origin, taking into account their distinct structural strategies and how these impact resilience and growth.

Among limitations of this research are: excluding the research of failures and withdrawals of DI, which constitutes an area for special investigations with tailored methodology; possible biases in opinions of experts; focusing on a selected set of financial indicators in analysis of active enterprises with French and UK capital. All these limitations can be overcome in further research the perspectives for which include longitudinal analysis of the structure of UK and French DI in Latvia, a comparative study of major DI flows in Latvia as well as between the Baltic States. The methodology of using NACE codes for research in FDI as well as involving monthly data in analysis to support the still common yearly data is to be developed and promoted to become standard.

4. Conclusions

1. French DI in Latvia successfully challenged the historical UK DI prevalence
French DI has steadily grown and surpassed UK DI in 2024, reversing the historical dominance of British investments, which peaked in 2015 but declined sharply after the Brexit referendum. Despite this, UK investors still operate more than twice as many enterprises in Latvia. The difference between balances of French and UK DI in Latvia is too small to exclude the return of UK dominance, e.g., a new big UK project.
2. Structural divergence and resilience
The UK maintains a broader but less concentrated industrial presence (152 industries), while France focuses on fewer sectors (107 industries), especially monetary services. The French model has recently proven more resilient to shocks, while the UK model has shown longterm vulnerability. However, French DI are not without elements with higher risk exposure. The liquidation of the bank (PNB) with significant French DI can question the resilience demonstrated by French DI practice. NACE 68 Real Estate emerging after aggregating NACE industries as No. 3 investment for both French and UK DI can be regarded as a resilience factor.

3. Sectoral differences, similarities and growth trajectories

Sectoral differences between French and UK DI are clearly seen in NACE 56 Restaurants as a unique position in French DI. Manufacturing sectors are unpopular among French investors. In contrast, these sectors are popular among UK ones investing in producing plastic profiles, sawmilling, etc. There are, however, some similarities. NACE 64.30 and 64.19 belong to one class 64 Financial services. NACE 46 Wholesale covers key DI volumes both for France and the UK. These differences shape each country's economic impact and future potential in Latvia. Growth perspectives are in IT, hightech, renewable energy and the like projects.

4. Geopolitical events as key determinants

Events such as Brexit, Latvia's EU and Eurozone accession, and the war in Ukraine have heavily influenced DI dynamics. The UK faced steep declines after Brexit, while France benefited from opportunities during economic crises and regional instability.

5. Enterpriselevel outcomes

Case studies illustrate both positive behaviour of French firms, such as SAINTGOBAIN with stable contributions to Latvia's economy, and toxic assets such as PNB bank, slowly going into liquidation. Britishbacked firms, such as BSW LATVIA, faced instability and ownership change amid positive results of other firms.

6. Future prospects and risks

France's high concentration strategy has fuelled growth but carries risks, such as potential setbacks from singleindustry shocks. The UK, facing continued decline and structural challenges, risks further replacement by other investors (e.g., Germany). However, both countries retain potential in sectors such as IT, digitalisation, sustainability, etc. which may shape future FDI trends in Latvia.

The general trend towards growth has resulted in the total volume of FDI in Latvia beyond EUR 12 billion triggered among others by the pioneering DI from the UK and France in 1991. France and the UK are among top 20 of 135 countries of origin; however, both follow Ukraine that is 16th in the ranking.

The contribution of this research to the current state of the art in FDI analysis has good prospects to be continued, particularly in examining how structural diversification strategies adapt to emerging digital and sustainability vectors.

Recommendations for the economic practice in Latvia to attract and manage French and UK direct investments are as follows:

1. Differentiate attraction strategies: develop distinct, targeted strategies for attracting French and UK investors, recognising their different structural focuses and risk profiles. Tailor promotional materials and engagement efforts to highlight opportunities relevant to each country's historical investment patterns (e.g., financial services for the UK, specific sectors such as construction materials for France).
2. Leverage structural concentration for French investors: capitalise on the tendency of French investments to concentrate in specific sectors (first of all AI infrastructure). Create sector-specific support packages or clusters to attract more French companies to these areas and encourage deeper investment within established niches.

3. Address UK investor diversification challenges: acknowledge the historically broader but now declining UK investment base. Develop initiatives to rebuild confidence and re-engage UK investors, simplifying administrative procedures or offering incentives to encourage new UK ventures across a wider range of sectors, learning from past diversification.
4. Enhance resilience in key sectors: monitor and support the stability of sectors heavily reliant on concentrated investments, particularly French investments in real estate, and soften potential vulnerabilities (e.g., PNB Bank insolvency procedure). Implement policies to diversify the investor base within key sectors to mitigate risks.
5. Capitalise on technology and IT interests: actively promote Latvia as an attractive destination for investments in IT, noting the presence and potential in areas such as computer facilities management (French) and wholesale of computer equipment (UK). Develop supportive ecosystems for foreign tech startups.
6. Monitor and adapt to geopolitical shifts: continuously assess the impact of major geopolitical events (such as Brexit, EU policies, or regional conflicts) on investment flows from both countries. Develop contingency plans and adaptive policies to reassure existing investors and maintain Latvia's attractiveness in a changing European investment landscape.
7. Get prepared for AI breakthrough in the FDI registration daily statistics which facilitates moving analysis of FDI structure by each country of origin. Improve data granularity and analysis. Continue utilising detailed monthly data and NACE code classifications for FDI analysis, as demonstrated in the study. This allows for more responsive policy-making and a clearer understanding of emerging trends from specific investor countries, enabling proactive adjustments to investment attraction strategies.
8. All stakeholders of FDI attraction in Latvia are advised to study the NACE structure of French and UK DI as well as of the total balance of FDI originating from 135 countries.

References

- Blonigen B.A. (2005), *A Review of the Empirical Literature on FDI Determinants*, "Atlantic Economic Journal", vol. 33, pp. 383–403, <https://doi.org/10.1007/s11293-005-2868-9>
- BSW (2025), *About Us*, <https://www.bsw.co.uk/about-us/> [accessed: 16.02.2025].
- Burlea-Schiopoiu A., Brostescu S., Popescu L. (2023), *The impact of foreign direct investment on the economic development of emerging countries of the European Union*, "International Journal of Finance and Economics", vol. 28(2), pp. 2148–2177, <https://doi.org/10.1002/ijfe.2530>
- Carr D.L., Markusen J.R., Maskus K.E. (2001), *Estimating the Knowledge-Capital Model of the Multinational Enterprise*, "American Economic Review", vol. 91(3), pp. 693–708, <https://doi.org/10.1257/aer.91.3.693>
- Carril-Caccia F., Pavlova E. (2018), *Foreign direct investment and its drivers: a global and EU perspective*, https://www.ecb.europa.eu/press/economic-bulletin/articles/2018/html/ecb.ebart201804_01.en.html [accessed: 3.06.2025].
- Choi S., Furceri D., Yoon C. (2021), *Policy uncertainty and foreign direct investment*, "Review of International Economics", vol. 29(2), pp. 195–227, <https://doi.org/10.1111/roie.12495>
- Dunning J.H., Lundan, S.M. (2008), *Multinational Enterprises and the Global Economy*, Edward Elgar Publishing, Cheltenham.

- Eglitis G., Krastev R., Weise C. (2014), *Latvia: benefiting from the euro, facing new challenges*, “ECFIN Country Focus”, vol. 11(12), https://ec.europa.eu/economy_finance/publications/country_focus/2014/pdf/cf_vol11_issue12_en.pdf [accessed: 16.02.2025].
- European Central Bank (2025), *Economic Research*, <https://www.ecb.europa.eu/pub/economic-research/html/index.en.html> [accessed: 17.02.2025].
- European Commission (2025), *NACE Rev. 2.1 classification is now official*, <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/wdn-20230210-1> [accessed: 16.02.2025].
- FICIL (2024), *Sentiment Index*, <https://www.ficil.lv/sentiment-index/> [accessed: 18.02.2025].
- Firmas.lv (n.d.), *BSW Latvia, SIA*, <https://www.firmas.lv/en/companies/bsw-latvia/40003348285> [accessed: 17.02.2025].
- Firmas.lv (n.d.), *Saint-Gobain celtniecības produkti, SIA*, <https://www.firmas.lv/en/companies/saint-gobain-celtniecibas-produkti/40003350896> [accessed: 17.02.2025].
- Hofbauer G., Limanskis A. (2022), *An assessment of the level of sustainability of Foreign Direct Investments of German companies in Latvia*, “Forum Scientiae Oeconomia”, vol. 10(1), pp. 97–116, https://doi.org/10.23762/FSO_VOL10_NO1_6
- IMF (2013), *Balance of Payments and International Investment Position Manual Six*, <https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm> [accessed: 20.02.2025].
- Indeed (2025), *What Is Research Methodology? (Why It's Important and Types)*, <https://www.indeed.com/career-advice/career-development/research-methodology> [accessed: 16.02.2025].
- Irwin-Hunt A. (2025) *The 2024 investment matrix*, <https://www.fdiintelligence.com/content/9d6e552e-f390-5d39-b42c-507feda69446> [accessed: 24.02.2025].
- Jurša A. (2021), *Structural Analysis of Inward Foreign Direct Investment in Latvia*, <https://doi.org/10.22364/hssl.29.1.05>
- Kastratovic R., Krivins A., Veiksa I. (2024), *Economic and legal aspects of foreign direct investment patterns in Serbia and Latvia*, “Access Science Journals”, vol. 5(3), pp. 440–458, [https://doi.org/10.46656/access.2024.5.3\(4\)](https://doi.org/10.46656/access.2024.5.3(4))
- Kosztowniak A. (2022), *What should be the optimal financial structure of the FDI inflows to Poland in stimulating growth processes?*, https://www.bis.org/ifc/publ/ifcb59_40.pdf [accessed: 24.07.2025].
- Lursoft (2025), *Foreign investments*, <https://statistika.lursoft.lv/en/statistics/foreign-investments/> [accessed: 16.02.2015].
- OECD (2025), *Data. Trusted statistics supporting evidence-based policy*, <https://www.oecd.org/en/data/insights.html?orderBy=mostRelevant&page=0> [accessed: 1.02.2025].
- PNB Banka (2024), *Insolvency administrator report*, [https://static.pnbbanka.eu/media/20240912171330/lkgadejais-Parskats%20\(12.09.2023%20-%2011.09.2024\).pdf](https://static.pnbbanka.eu/media/20240912171330/lkgadejais-Parskats%20(12.09.2023%20-%2011.09.2024).pdf) [accessed: 30.06.2025].
- Pugsley J. (2025), *Will AI tilt the balance in the London-Paris tech rivalry?*, https://www.fdiintelligence.com/content//df0d0380-197d-4333-82fe-b61136360239?xnpe_tifc=4DnlOI174IV7bd4Nb.HJb9p safeWaeiWhFWLauQZhfWDtupWafecVdAWVIBZRM4sbuYcayhSbIo7hFeuOFEub.HXxd4NbzTT&utm_source=exponea&utm_campaign=fDi%20-%20Beyond%20Borders%20-%20Newsletter%2031.07.25&utm_medium=email [accessed: 31.07.2025].
- Saint-Gobain (2025), *Ilgtspēja*, <https://www.saint-gobain.lv/ilgtspeja> [accessed: 16.02.2025].
- Saksonova S., Konovalova N., Savchina O. (2024), *Effect of foreign direct investment on the economy of developing countries: Case of Latvia*, “International Journal of Advanced and Applied Sciences”, vol. 10(3), pp. 26–36, <https://doi.org/10.21833/ijaas.2023.03.004>
- Simelyte A., Tvaronaviciene M. (2022), *Innovative Foreign Direct Investment Policy: Latvia's Case*, “Marketing and Management of Innovations”, vol. 3, pp. 139–148, <https://doi.org/10.21272/mmi.2022.3-12>

- Teigland J., Palanee S., Lhermitte M. (2025), *How can Europe act now to create advantage from adversity?*, https://www.ey.com/en_gl/foreign-direct-investment-surveys/ey-europe-attractiveness-survey [accessed: 28.05.2025].
- Tvaronavičienė M., Burinskas A. (2022), *Review of studies on FDI: The case of Baltic States*, "Journal of International Studies", vol. 15(2), pp. 210–225, <https://doi.org/10.14254/2071-8330.2022/15-2/14>
- UNCTAD (2024), *World investment report 2024*, https://unctad.org/system/files/official-document/wir2024_overview_en.pdf [accessed: 20.02.2025].
- World Bank (2025), *Global Economic Prospects. January 2025*, <https://openknowledge.worldbank.org/server/api/core/bitstreams/f983c12d-d43c-4e41-997e-252ec6b87dbd/content> [accessed: 20.02.2025].
- Yeboah E. (2024), *The Effect of Foreign Direct Investment, Domestic Investment, and Trade on Economic Growth: Evidence from the Baltic Countries*, "Ekonomika", vol. 103(4), pp. 129–150, <https://doi.org/10.15388/Ekon.2024.103.4.8>

Studium porównawcze inwestycji bezpośrednich z Francji i Wielkiej Brytanii na Łotwie

Streszczenie:

Aktualność tematyki badań porównawczych w dziedzinie bezpośrednich inwestycji zagranicznych (BIZ) wynika z potrzeby pogłębienia analizy wyzwań i szans związanych z działalnością gospodarczą w sferze inwestycji transgranicznych. Badania trendów w zakresie BIZ według krajów pochodzenia stają się coraz bardziej powszechne na poziomie globalnym i regionalnym. Rok 2024 przyniósł spadek globalnych BIZ. Na Łotwie, gdzie skumulowane BIZ wzrosły piąty rok z rzędu w 2024 r., liczba przedsiębiorstw spadła. Szczegółowe zrozumienie napływu BIZ z głównych gospodarek europejskich, takich jak Francja i Wielka Brytania, ma ogromne znaczenie dla dokonania postępu w pozyskiwaniu BIZ.

Celem analizy było zbadanie inwestycji bezpośrednich (BI) z Francji i Wielkiej Brytanii na Łotwie w badaniu porównawczym oraz sformułowanie wniosków dotyczących pojawiających się trendów, ze szczególnym uwzględnieniem ich struktur przemysłowych. Hipoteza brzmi: „struktura przemysłowa inwestycji bezpośrednich z Francji i Wielkiej Brytanii na Łotwie odzwierciedla odmienne kierunki strategiczne, przy czym inwestycje w Wielkiej Brytanii historycznie były bardziej zdywersyfikowane, obejmując większą liczbę sektorów, podczas gdy inwestycje francuskie były bardziej skoncentrowane w pewnych sektorach. Te różnice strukturalne wpływają na ich odporność i trajektorie wzrostu”.

Metody badawcze objęły zarówno metody jakościowe, jak i ilościowe. Przegląd literatury, studia przypadków, analiza treści stron internetowych i wywiady – wszystkie te metody jakościowe były stosowane łącznie z metodami statystycznymi, czyli analizą ilościową. Dane roczne okazały się niewystarczające i zostały poparte danymi miesięcznymi. Szczegółowa

analiza strukturalna wykorzystuje kody Nomenklatury Działalności Gospodarczej we Wspólnocie Europejskiej. Program MS Excel umożliwia weryfikację i aktualizację obliczeń, a także wizualizację wyników analizy.

Brytyjskie BI na Łotwie rozpoczęły się w 1991 r. i osiągnęły rekordowy poziom w przededniu referendum w sprawie brexitu, do 2025 r. jednakże zmniejszyły się trzykrotnie. Francuskie BI powoli rosły i prześcignęły brytyjskie w 2024 r. Od lutego 2022 r. do lutego 2025 r. francuskie BI rosły, podczas gdy brytyjskie nadal spadały. Struktura BI z Francji, obejmująca 107 branż, jest bardziej skoncentrowana na usługach finansowych i hurtowych, podczas gdy BI z Wielkiej Brytanii obecne są 155 branżach, a dominują w nich fundusze powiernicze, fundusze inwestycyjne i podobne podmioty oraz usługi finansowe. Inwestycje w nieruchomości mają również znaczenie w obu strukturach inwestycyjnych. Francuskie inwestycje w zarządzanie infrastrukturą komputerową łączą się z brytyjską sprzedażą hurtową komputerów, urządzeń peryferyjnych i oprogramowania, a także z działalnością programistyczną, przetwarzaniem danych, hostingiem i powiązаныmi działaniami, z BI przekraczającymi 1 mln EUR. Trzy z francuskich i brytyjskich branż BI na Łotwie (komunikacja, nieruchomości i oprogramowanie) pokrywają się z 10 globalnymi branżami TOP 10 według FDI Intelligence. Hipoteza została udowodniona.

Oryginalność badań podkreśla pionierska, metodologicznie rzetelna analiza trendów w zakresie bezpośrednich inwestycji zagranicznych (BIZ) na Łotwie, pochodzących z Francji i Wielkiej Brytanii w całym okresie odbudowy państwowości Łotwy, od 1991 r. do chwili obecnej, ze szczególnym uwzględnieniem strukturalnych wzorców dywersyfikacji. Po raz pierwszy przeprowadzono analizę BIZ w trzyletnim okresie wojny w Ukrainie. Informacje o dynamice i strukturze kodów Nomenklatury Działalności Gospodarczej BIZ pochodzących z Francji i Wielkiej Brytanii na Łotwie stanowią nową wiedzę naukową. Przeprowadzone badanie wskazuje na metodologię badań porównawczych BIZ, mogącą mieć zastosowanie w innych państwach UE. Wnioski są skierowane do interesariuszy zaangażowanych w przyciąganie BIZ na Łotwę oraz do środowiska akademickiego. Ważne jest wykorzystanie zweryfikowanych danych w przyszłych badaniach porównawczych. Uzasadniono też dalsze kierunki badań.

Słowa kluczowe: bezpośrednie inwestycje zagraniczne, Francja, Wielka Brytania, Łotwa, kod Nomenklatury Działalności Gospodarczej we Wspólnocie Europejskiej