EASYLINK BUSINESS SERVICES

VEDP International Trade ExportVirginia.org

MARKET OPPORTUNITIES

"The BALTICS"

~

Estonia

Latvia

Lithuania

Report Date: July 2025

CONTENTS

THE BALTIC STATES

OVERVIEW

Lithuania, Latvia, and Estonia, often referred to as the Baltic States or the Baltics, together cover an area of 175,228 square km (roughly the size of Florida) and represent a market of approximately 6.1 million people. Located in northeastern Europe, they all share borders with Russia to the east and are surrounded by the Baltic Sea to the west and north. Although they are independent nation states with their own languages, cultures, and economic and national policies, they bear similarities in size, geography, demography, economic development, and structure, and are often perceived and approached as a single territory—the Baltics.

COMMON CHARACTERISTICS

- Similar economic structure
- Relatively small government sectors
- Excellent digital infrastructure—especially in Estonia
- Liberal economic policies
- Use of the euro as official currency
- Openness to foreign trade
- Population decline over past decades

All three former Soviet republics gained independence in 1991 and have since built close political and economic ties with Western nations, especially through their accession to both the EU and NATO in 2004. In the early 2000s, they experienced rapid economic growth which gained them the nickname of "Baltic tigers", with an average annual GDP growth rate of 8-10% (between 2000-2007). The 2008 economic crisis hit all of them hard but they were able to recover relatively quickly by adopting strict austerity measures and structural reforms. They all managed to join the so-called Eurozone (i.e. switch to the Euro currency): Estonia in 2011, Latvia in 2014, and Lithuania in 2015.

Key economic indicators

	Estonia	Latvia	Lithuania
GDP nominal	USD 45.1 billion	USD 46 billion	USD 89.5 billion
GDP per capita in PPP	USD 49,670	USD 44,560	USD 57,200
GDP growth (%, yoy)	2025: +1.1%	2025: +0.5%	2025: +2.8%
	2026: +2.3%	2026: +2.0%	2026: +3.1%
Inflation	2025: 3.8%	2025: 3.0%	2025: 2.6%
	2026: 2.3%	2026: 1.7%	2026: 1.2%
Unemployment	2025: 7.6%	2025: 6.8%	2025: 6.8%

Since 1991, all three Baltic economies generally grew at a similar pace and in synchronized economic cycles, but over the past five years their growth trajectories have slightly diverged. Economic forecasts for 2025 and 2026 predict stronger GDP growth for Lithuania (3.1% in 2026), followed by Estonia (2.3% in 2026), and Latvia

(2.0% in 2026). Estonia's inflation remains elevated (3.8%), largely due to tax increases, compared to Latvia (3.0%) and Lithuania (2.6%) levels, where inflation is predicted to fall below 2.0% in 2026.

In terms of foreign trade partnerships, Lithuania maintains a more diversified range of trade markets compared to its Baltic neighbors. Estonia's key trading partners include Finland and Sweden, reflecting its close integration with the Nordic economies, while Lithuania and Latvia maintain stronger trade ties with Poland and Germany. The war in Ukraine and the imposition of EU-wide and national sanctions on Russia and Belarus have caused disruptions to the Baltic States' traditional trade routes and partner networks. Trade with Russia and Belarus declined sharply, forcing the countries to seek and enhance alternative markets. Their focus has shifted to Western and Northern Europe, as well as the United States, which is deemed as an important partner for the Baltic countries, especially in the **energy, defense, and security-related sectors.**

Estonia
The northernmost, stands out for digital innovation and technological development.

Latvia
Centrally located, serves as a key transit and logistics hub as well as an ideal entry point for doing business in the Baltics.

Lithuania
The largest and southernmost country, with a population of 2.7 million, leads the Baltics with strong manufacturing and exports.

Key opportunities for U.S. exporters in the Baltics:

Defense
Healthcare
Power sector transformation & decarbonization
ICT and cybersecurity
Agricultural and food sector
Transport and logistics

ROUTE TO MARKET

Estonia, Latvia, and Lithuania are all members of the European Union (EU), OECD, and WTO, and fully adhere to international regulations and standards of these organizations, ensuring stability and access to broader markets.

U.S. companies can approach the Baltic markets using the same business principles and compliance frameworks as in other EU member states. The business environment in the Baltics is generally favorable to foreign businesses, with transparent legal frameworks, low levels of corruption (particularly in Estonia), and English widely spoken in the business community.

Although Estonia, Latvia, and Lithuania are independent countries, in practical terms, foreign investors tend to view the Baltics as a single market and often have a single regional headquarters and sales policy for all three countries.

Market entry in the Baltics generally follows similar practices to those in other EU countries. The most convenient and cost-effective way to enter the market is to find a local distributor or agent who is familiar with the local market and can navigate regulatory requirements, cultural nuances, and public procurement procedures as well as provide after-sales support.

Estonia, through its e-residency program, allows a business entity to be established fully online and within a day. However, real operations on the ground may require hiring local staff to be able to operate effectively.

It is a common objective and frequent practice to have one distributor that covers all three Baltic countries. However, each country also presents distinct opportunities and challenges that should be carefully considered when planning market entry. It is therefore advisable to verify whether a potential partner headquartered in one of the three markets has sufficiently strong business relationships or presence in the other two countries to qualify as a distributor for the whole region.

COUNTRY PROFILES

ESTONIA

A small and heavily forested country with 4,000 km of coastline
Hub for tech startups and a global leader in cybersecurity solutions

Overview

- The northernmost and least densely populated country in the Baltics
- Forest covers nearly 55% of the territory
- Leadership in e-governance
- Provider of e-residency
- Famous for its start-up ecosystem
- No corporate income tax on retained and reinvested profits
- 5th in Europe in the Index of Economic Freedom

Total area: 45,228 sq km (17,462 sq mi) (40% of the area of Virginia)
Population: 1.37 million
Government type: Parliamentary democracy
Language: Estonian (official) 67.2%, Russian 28.5%
Capital + major cities: Tallinn (441,000) + Tartu (93,700), Narva (58,400), Pärnu (41,200)
Currency: Euro

Estonia is the northernmost of the Baltic countries, located just a two-hour ferry ride from Finland, with which it shares linguistic similarities. Following the collapse of the Soviet Union in 1991, Estonia began building a new modern national identity inspired by the model of its Nordic neighbor - from the development of mobile phone use and the digitization of public administration to a strong focus on English language proficiency. Today, Estonia is often touted as **the most digitally advanced society in the world** and was the first country to allow its citizens to vote online as early as 2005.

Estonia is known for its business-friendly environment, which is reflected in the digitization of 100% of public administration. The country also offers a unique **e-residency program** that allows non-residents to establish and manage a company online from anywhere in the world. E-residents receive a government-issued digital identity, enabling them to sign documents, open bank accounts, process payments, and manage taxes online. This initiative has significantly contributed to Estonia's vibrant start-up ecosystem - the country boasts the **highest number of start-ups per capita** in Europe, with e-residents accounting for 38% of them.

Estonia's economy successfully combines both traditional and innovative sectors. While established industries such as **food processing, wood, and metal manufacturing** continue to make substantial contributions to the country's GDP, modern sectors such **as ICT and tech start-ups** are playing an increasingly vital role. As of 2023, the ICT sector alone accounted for 8.9% of Estonia's GDP. Estonia is also the leading exporter of wooden houses in Europe and ranks among the top global producers of **shale oil.**

The 2010s were a period of steady recovery after the 2008 global financial crisis, with growth averaging 2-4% annually. After the Covid pandemic, the country has experienced a series of external shocks such as energy price spikes, interest rate hikes, inflation reaching as high as 19.45% in 2022, and geopolitical uncertainties 6

that have slowed the country's economic trajectory. However, Estonia has recently returned to its pre-pandemic economic output levels. Modest recovery is expected, with GDP growth projected at 1.5% in 2025 and 2.3% in 2026. To address a growing fiscal deficit and rising defense expenditures, the government adopted fiscal consolidation measures by increasing VAT, income, and dividend taxes. These measures have affected consumption and contributed to inflation levels slightly higher than those seen in other Baltic countries.

Key economic indicators, Estonia

GDP nominal	USD 45.1 billion
GDP growth (%, yoy)	2024: -0.3% 2025: 1.1% 2026: 2.3%
GDP per capita in PPP (worldwide ranking), 2025	USD 49,670
Inflation	2024: 3.7% 2025: 3.8% 2026: 2.3%
Unemployment	2025: 7.6% 2026: 7.3%

Source: Eurostat, 2025

Estonia is strongly export-oriented with exports of goods and services accounting for 77% of GDP. The United States is Estonia's 6th largest export destination and its 15th-largest import partner. In 2024, Estonia imported goods worth EUR 315 million from the U.S. The main import categories included communication equipment (23%), as well as transmission apparatus for radio broadcasting and related technologies (22.7%).

LATVIA

An important logistics hub featuring three of Europe's northernmost ice-free ports: Riga, Ventspils, and Liepāja.

Overview

- More than half of the territory is covered in forest
- Second largest peat exporter in the world
- Strong woodworking sector
- Baltic leader in biomedicine
- Over a third of the population lives in the capital
- Linguistic links with Lithuania
- The highest Russian population among the Baltic states – half of the population in the capital are native Russian speakers
- Flat and low-lying landscape ideal for agriculture and infrastructure

Total area: 64,589 sq km (24,938 sq mi) (slightly larger than West Virginia)
Population: 1.8 million
Government type: Parliamentary democracy
Language: Latvian (official) 56.3%, Russian 33.8%
Capital + major cities: Riga (592,000) + Daugavpils (78,000), Liepāja (67,400), Jelgava (55,000)
Currency: Euro

Latvia is a small open economy conveniently located in the center of the Baltic region on the Eastern coast of the Baltic Sea, which makes it an important **transit and logistical hub** and a good starting point for business. The country borders Estonia, Lithuania, Russia, and Belarus. Latvia has played an important role as **a transit corridor** between Western Europe and Russia. Its transportation and storage sector currently accounts for 6.1% of the GDP. The war in Ukraine and disruptions in traditional trade routes led to a significant decline in the logistics sector in terms of freight transported by all modes of transport. Nevertheless, the sector is actively transitioning to new markets and strategically reducing dependency on Russia.

The services sector is the dominant driver in the economy, contributing over 70 % to the GDP, followed by the industrial (21.3% of GDP) and agricultural sectors. The agricultural sector is quite large, particularly in terms of employment and exports, accounting for 3.8% of GDP share and employing 6.8% of workforce.

The leading manufacturing sectors are **woodworking,** which provides 31% of total manufacturing turnover, followed by **mechanical engineering** and **metalworking** (19%) and **food production** (18%). The **ICT** sector has experienced steady growth in recent years. Latvia prioritizes five innovation-driven sectors that align with its scientific capabilities and global market demands: ICT, smart materials & photonics, biomedicine, smart energy, and a knowledge-intensive bioeconomy. These areas are boosted by a strong research base, industry partnerships, and supportive investment policies.

Forecasts for GDP growth in 2025 are between 0.5% (Eurostat) and 1.1% (OECD). Such weak growth can be attributed to low private consumption and decline in foreign trade and investment in 2024, from which the economy has been recovering slowly. Lower inflation coupled with an increase in wages should boost private consumption in 2025 and 2026. Public consumption remains strong. The outlook for 2026 will depend on the geopolitical situation, tariff levels, and implementation of national reforms. The labor market has remained resilient - Latvia currently has the lowest unemployment rate among the Baltic States.

In 2024, the government announced an ambitious growth strategy aiming to double the country's GDP from USD 46 billion to USD 96 billion by 2035. However, to achieve this target, the economy would need to grow at an average annual rate of 4–5%.

Key economic indicators, Latvia

GDP nominal	USD 46 billion
GDP growth	2024: -0.4% 2025: +0.5% 2026: 2.0%
GDP per capita PPP (worldwide ranking), 2025	USD 44,560
Inflation	2024: 1.3% 2025: 3.0% 2026: 1.7%
Unemployment	2025: 6.8% 2026: 6.6%

Source: Eurostat, 2025

Key import partners for Latvia include Lithuania, Germany, Poland, Estonia, and Finland. The United States ranks as Latvia's 11th largest export destination and 20th-largest import partner. In 2024, the U.S. exports to Latvia totaled USD 199.7 million. The main imported goods from the U.S. include **machinery and mechanical appliances**, **electrical equipment**, **mineral products**, **transport vehicles**, and **optical instruments**.

LITHUANIA

The biggest among the Baltic economies, with best-educated workforce in the EU

Overview

- Best-educated workforce in the EU (in terms of educational attainment)
- Global leader in laser technologies
- Large manufacturing sector
- Growing ICT and fintech sectors
- Strong economic ties with neighboring Poland
- Last Baltic country to adopt the euro (January 2015)
- Significant player in petroleum processing due to its strategic refinery

Total area: 65,300 sq km (slightly larger than West Virginia)
Population: 2.7 million
Government type: Parliamentary democracy
Language: Lithuanian (official) 85.3%, Russian 6.8%, Polish 5.1%
Capital + major cities: Vilnius (600,000) + Kaunas (304,000), Klaipeda (159,000), Šiaulilai (110,000)
Currency: Euro

Lithuania is the largest and most populated of the three Baltic countries with an innovative and export-oriented economy. The service sector accounts for 67.3% of the country's GDP, followed by the industrial (29.5%) and agricultural sectors (3.2%). Lithuania has a much **larger manufacturing sector** share in the economy's structure than the other Baltic countries. It is a key pillar of the Lithuanian economy, generating approximately 23% of total GDP.

The most important manufacturing subsectors with the largest share of economic output include traditional sectors such as **refined petroleum processing** (21%), **wood products and furniture** (15.7%), the **food processing sector** (13.6%), and the **chemical sector** (12.1%). Lithuania plays a significant role in petroleum processing thanks to its strategic refinery in Mažeikiai, strong infrastructure, and an export-oriented petrochemical cluster.

The country has also successfully transitioned toward a more advanced, high-tech economic structure, recording **significant growth in ICT, fintech, and life sciences**. The life sciences sector, in particular, has experienced impressive growth of 170% over the past three years and, with more than 15,000 specialists, now accounts for 2.7% of Lithuania's GDP. Lithuania is a **global leader in laser technologies**, exporting more than 90% of its production to 80 countries worldwide. The country holds over 50% of the global market share for scientific ultrashort-pulse lasers.

In 2023, fintech companies licensed in Lithuania served over 27 million customers, solidifying the country's position as **the EU's leading Fintech Hub**. The government's efforts to streamline financial regulations and attract foreign start-ups, alongside the development of local enterprises, have successfully transformed Vilnius into a regional center for innovative digital finance.

Lithuania's economy is projected to grow by 3.1% in 2026, supported by strong private consumption, exports, and investment development. Lithuania's industrial sector demonstrated notable resilience during the pandemic, thanks to its flexibility and lower dependence on disrupted global supply chains. Despite the

ongoing challenging geopolitical environment, the economy continues to show resilience. Inflation remains the lowest among the three Baltic countries and is expected to slow further in 2026, falling below 2%. Steadily growing wages, combined with increasing consumer confidence, should boost purchasing power and increase private consumption. The labor market remains strong; however, the economy faces challenges related to aging-related costs.

Key economic indicators, Lithuania

GDP nominal	USD 89.5 billion
GDP growth	2024: 2.8% 2025: +2.8% 2026: 3.1%
GDP per capita PPP (worldwide ranking), 2025	USD 57,200
Inflation	2024: 0.9% 2025: 2.6% 2026: 1.2%
Unemployment	2025: 6.8% 2026: 6.6%

Source: Eurostat, 2025

U.S. exports to Lithuania reached approximately USD 1.93 billion in 2024, making the United States Lithuania's 6th largest supplier by import value. The U.S. is Lithuania's 9th largest export market with Lithuanian exports to the U.S. reaching around USD 2.01 billion in 2024. Lithuania primarily imports high-value industrial and technological goods from the U.S., including **motor vehicles, mineral fuels** and **oils, seafood, aircraft parts, fruits**, and **electronic and electrical equipment.**

KEY SECTORS IN THE BALTICS

The Baltic States offer an increasingly attractive environment for U.S. exporters seeking new opportunities in Europe. All three countries share a reputation for transparent regulatory frameworks and a strong commitment to innovation, sustainability, and national security. Governments across the region are planning substantial investments in energy transition, transport infrastructure, digitalization, and the green transformation of industry. In response to geopolitical challenges, the Baltics are also prioritizing defense modernization and cybersecurity, creating business opportunities for companies with expertise in defense & security innovation.

DEFENSE

The defense sector is currently the fastest-growing industry in the Baltic region, driven by heightened security threats and the ongoing war in Ukraine. As part of **NATO's Eastern Flank**, the Baltic States play a critical role in NATO's defense and deterrence strategy due to their proximity to Russia. NATO maintains a strong military presence in the region through multinational battlegroups.

The Baltic States themselves are proactively strengthening their national defense capabilities and civil preparedness through increased defense spending, enhanced regional coordination, and long-term investments in infrastructure, equipment, and innovation. This effort is clearly demonstrated by the joint construction of the **Baltic Defense Line** (BDL) along their eastern borders with Russia and Belarus. Approved in January 2024 by the defense ministers of Estonia, Latvia, and Lithuania, construction of the Defense Line is already underway. The fortifications will include various elements, from anti-tank ditches, bunkers, and concrete obstacles to anti-tank mines. The project is being financed by each participating country, with potential co-funding from the European Union.

Each Baltic country has committed to reaching 5% of GDP in defense spending starting in 2026. **Estonia**'s government has doubled its defense budget since 2022 and in April 2025 approved a new plan to allocate an additional EUR 2.9 billion for defense investments. Average defense spending will thus reach 5.4% of GDP through 2029, positioning Estonia among the leading NATO members in terms of defense commitment.

The investments will be earmarked for defense equipment with a focus on armored vehicles, artillery systems, air surveillance and air defense capabilities (EUR 2.5 billion), ammunition stockpiling (EUR 350 million), and infrastructure (EUR 442 million). Estonia will also significantly invest in cybersecurity, radar systems, command and control technologies, UAVs, maritime surveillance systems, and strategic network upgrades over the next five years. Procurement is managed by the Estonian Centre for Defense Investments, in cooperation with NATO and EU defense agencies.

The country's dynamic startup ecosystem has emerged as a valuable contributor to defense innovation. Over the past three years, more than 50 defense-focused startups have been founded, developing technologies such as autonomous armored vehicles, AI-powered targeting systems, electronic jammers, and underwater drones. This rapid growth has been accelerated by the war in Ukraine, which highlighted the value of agile, small companies that can often deliver effective and affordable solutions faster than traditional contractors.

Additionally, Estonia plans to open a new defense industry park in Pärnu County, focused on the production of combat ammunition, munitions, and explosives. The country is inviting global defense companies to participate in production. Given the environmental impact of explosives production, Estonian investors are also seeking technologies for water purification, waste recycling, and energy efficiency.

Latvia's defense budget for 2025 is set at 3.65% of GDP, with 42% earmarked for enhancing military capabilities. In 2026, this figure is expected to rise to 4.35% of GDP. Key priorities include air and coastal defense, increased firepower, procurement of infantry fighting vehicles, ammunition production, and the development of drone and counter-drone systems. The Ministry of Defense is also testing several new technologies such as maritime drones and unmanned ground systems, and plans to begin construction of a new modular ammunition plant, scheduled for completion by 2026.

In recent years, Latvia has demonstrated a growing emphasis **on drone-related initiatives and technologies**. In 2024, in cooperation with the United Kingdom, Latvia launched the *Drone Coalition* to support Ukraine. For 2025, the country allocated EUR 20 million to this initiative. Additionally, the *Military Technology, Drone, and Robotics Association (MilTech)* was recently founded by a former Minister of Defense to unite domestic drone manufacturers and strengthen collaboration with international partners. In May 2025, Latvia hosted the international Drone Summit in Riga, further highlighting its active role in this field. The country's participation and leading position in the Drone Coalition, combined with the establishment of MilTech and broader industry cooperation, have significantly expanded its knowledge base and contributed to a notable increase in local drone production.

DEFENSE INVESTMENT PLANS		
ESTONIA	LATVIA	LITHUANIA
armored vehicles artillery systems air surveillance ammunition stockpiling cybersecurity radar systems command and control technologies UAVs maritime surveillance systems strategic network upgrades infrastructure	air and coastal defense systems increased firepower infantry fighting vehicles ammunition development of drone and counter-drone systems	acquisition of tanks infantry fighting vehicles air defense systems utility helicopter platform radars ammunition CBRN gear electronic warfare cybersecurity

Lithuania is leading the Baltics in defense spending. The State Defense Council (VGT) has committed to defense expenditures of 5.5% of GDP over the next five years. For 2025, the defense budget stands at USD 3.5 billion, representing 3.9% of GDP. Lithuania is prioritizing the acquisition of tanks, infantry fighting vehicles, air defense systems, utility helicopter platform, radars, ammunition, CBRN gear, electronic warfare (EW) tools, and cybersecurity solutions. Procurement of Leopard 2A8 tanks is already underway, and Lithuania is working with Estonia and other Nordic countries on a joint procurement of CV90 infantry fighting vehicles.

The country is also actively seeking to attract foreign partners and investors to help develop its own defense industry. Key initiatives include creating a business-friendly legal framework and establishing free economic zones offering reduced tax rates. The launch of a 155 mm artillery ammunition plant has been announced for 2026. Additionally, the government has **eased public procurement requirements for UAVs, anti-drone systems, optical equipment and laser target designators**, provided that the equipment is manufactured or at least finally assembled in Lithuania.

The U.S. is regarded as a long-standing strategic partner. Due to the small size of their domestic market, the Baltic states have limited defense manufacturing capabilities and therefore rely heavily on foreign suppliers whose products and services meet NATO standards.

HEALTHCARE

All three Baltic countries offer similar universal healthcare coverage, funded through general taxation and social insurance contributions. Healthcare expenditures are relatively modest compared to other European countries, typically ranging between 6 and 7% of GDP. According to Eurostat, general government expenditure on health in 2023 was 6.5% of GDP in Estonia and 5.3% in both Latvia and Lithuania. Spending on medical products, appliances, and equipment accounted for approximately 0.7 to 0.9% of GDP.

The Baltic states face similar challenges in their healthcare systems, including limited accessibility and shortages of healthcare professionals, particularly in rural areas. These issues are compounded by aging populations as well as rising prevalence of chronic diseases. Due to their relatively small markets, domestic production of medical devices is limited, and all three countries rely heavily on imports of medical products and equipment.

Estonia has made significant investments in digital healthcare services, including electronic health records and telemedicine. Over 99% of hospital and physician-generated data is digitized, and e-prescriptions now cover 100% of prescribed medications. To ensure the protection of sensitive health data, Estonia uses KSI Blockchain technology. Another focus is automation and robotization in the healthcare system and hospitals, aiming to enhance efficiency.

Lack of healthcare professionals, especially in rural areas, poses an ongoing challenge for the government to ensure accessible healthcare for the entire population. Telemedicine offers a potential solution, enabling remote consultations and easing access to care. Estonia is also advancing in biotechnology and personalized medicine, supported by the establishment of a national biobank and genomics center. The government aims for Estonia to become a European leader in personalized medicine. The Estonian Biobank currently contains samples and health data from 20% of the adult population. This data facilitates research into disease risks and individual responses to treatments and can serve as the basis for the application of personalized medicine in Estonia.

Estonian Biobank holds genetic data from over 210,000 individuals

In late 2024, the Estonian government approved a major legislative change allowing hospital pharmacies to independently **purchase and import medicines directly from abroad** without intermediaries. This reform opens new opportunities for foreign pharmaceutical companies, including those from the U.S. This change aims to increase competition among suppliers and improve availability and affordability of medications. According to the Estonian State Agency of Medicines, the country has 24 hospital pharmacies, which account for 28%, or nearly EUR 129 million, of the total wholesale pharmaceutical market.

There is growing demand in Estonia for medical devices such as **cardiology devices**, **diagnostic imaging equipment**, **surgical instruments**, and **patient monitoring technologies**. Business opportunities also exist for

companies specializing in **digital health solutions**, **generic pharmaceuticals**, and **clinical research**. Estonia's well-developed healthcare system and the government's strong focus on e-health, combined with a highly skilled workforce, create an attractive environment for the development and implementation of cutting-edge medical innovations.

In **Latvia,** The Latvian National Health System provides universal coverage, primarily funded through general taxation and supplemented by social security contributions. The country has a relatively well-established pharmaceutical industry, consisting of both international and domestic firms. Latvia's Smart Specialization Strategy highlights healthcare, particularly biomedicine and medical technologies, as a strategic priority and the country is the Baltic leader in biomedicine.

Another growing segment is medical tourism, supported by Latvia's long-standing reputation as a spa and wellness destination. In 2022, more than 42,000 international visitors came to Latvia to seek medical services such as cosmetic procedures, fertility treatments, and dental care.

Nevertheless, many public and private hospitals and clinics suffer from outdated infrastructure, a result of decades of underinvestment. This has created significant demand for modern medical equipment including **specialized hospital beds** and **advanced diagnostic tools**, driving investment in healthcare facilities and services. Out-of-pocket (OOP) healthcare expenditure remains among the highest in the EU at 27%, particularly for pharmaceuticals.

Lithuania's healthcare sector has shown steady improvement in both quality and infrastructure in recent years. Ongoing healthcare reforms, investments in medical technologies, and support from EU structural and recovery funds have contributed to the modernization of facilities and the expansion of healthcare services. Nevertheless, high demand and limited resources in some regions have resulted in long waiting times and restricted access to care, particularly in rural areas. Another notable trend in the market is the growing focus on personalized medicine.

Private healthcare has been playing an increasingly important role in Lithuania in recent years, driven by demand for faster services and well-equipped facilities. Telemedicine services such as remote consultations and e-prescriptions are also gaining traction in line with Lithuania's broader **digital transformation goals**. Additionally, there is rising **demand for elderly care**, **long-term treatment** services, and **modern diagnostic devices** to improve healthcare outcomes.

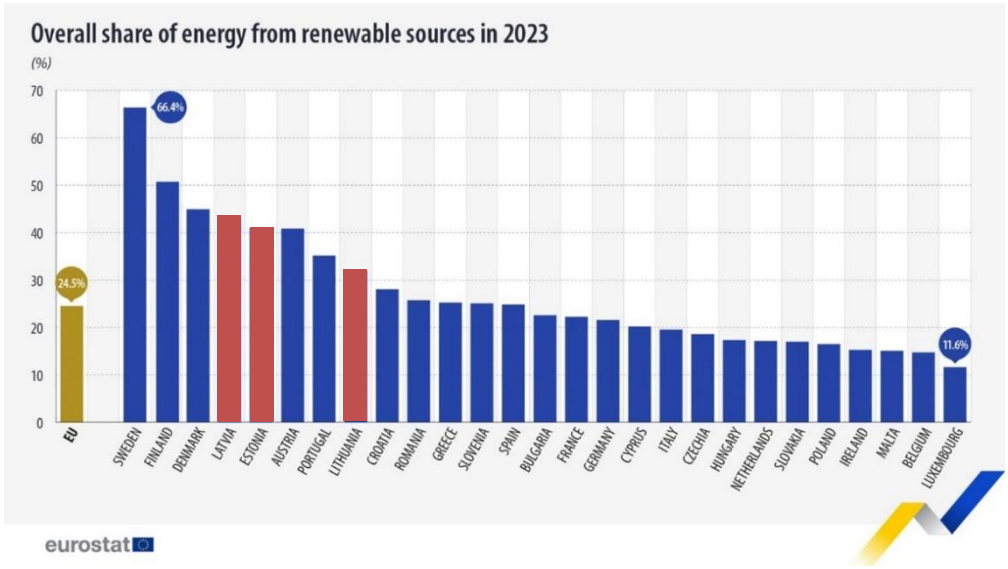
Lithuania's government and players across biotech, med-tech, and bio-pharma have endorsed a formal target of 5% GDP from the life sciences sector by 2030. These efforts aim to strengthen Lithuania's position as a competitive **hub for life sciences** in Europe.

QUICK OVERVIEW		
ESTONIA	LATVIA	LITHUANIA
Leader in digital health and e-health systems	Strong pharmaceutical industry	Leader in life sciences and biomedical R&D
Limited domestic production of medical devices	Healthcare innovation through start-ups and academic collaboration	Biotech and medical innovation hub

-

POWER SECTOR TRANSFORMATION & DECARBONIZATION

The Baltic States are undergoing a fundamental transformation of their energy systems, driven by the shared goals of achieving energy independence, climate neutrality, and enhanced security. A major regional milestone was the 2025 synchronization of their electricity grids with continental Europe, severing ties with the Russian-dominated BRELL system. This achievement, combined with significant investments in renewable energy, grid modernization, and cyber resilience, positions Estonia, Latvia, and Lithuania **at the forefront of Europe's green energy transition**. Latvia and Estonia currently rank among the top 5 EU countries with a share of energy from renewable sources over 40%. All three countries are actively expanding their solar, wind, and hydrogen capabilities, creating a unified regional trend toward cleaner energy and improved infrastructure security.



Source: Eurostat, 2025

Estonia is transitioning away from its historically carbon-intensive oil shale industry. The country is **a major producer of shale oil,** which contributes the most greenhouse gas emissions in the energy sector, making Estonia one of the most carbon-intensive economies in the EU. In response, the government set an ambitious goal in 2022 to cover 100% of domestic electricity consumption with renewable sources by 2030, up from the previous 40% goal. While achieving this goal by 2030 might pose a challenge[1], Estonia is actively pursuing green transition by gradually reducing its reliance on shale oil and investing in cleaner sources. Notably, 59.4% of Estonia's Recovery and Resilience Plan, an EU program designed to support reforms and investments for sustainable growth, is allocated for this transformation.

[1] https://news.err.ee/1609722153/estonia-quietly-quitting-100-percent-renewable-energy-target

Solar energy plays a crucial role in the country's shift toward renewables, complemented by increasing investment in onshore wind power. The pace of development has been remarkable: while Estonia had almost no solar capacity in 2020, it now ranks 6th in the EU for solar panel capacity per capita.

Latvia is also undergoing a dynamic transformation in its energy sector. Following its shift away from Russian energy sources, the country has significantly accelerated its renewable energy development. In 2023, electricity generation from renewables surged, with hydro, wind, and solar power producing 4,304 GWh, an increase of 44.3% from the previous year. Solar generation rose nearly fivefold, while wind power increased by more than 40%. The country aims to reach 57% of its total energy consumption from renewables by 2030.

Major infrastructure projects are underway to support this transition. Investments averaging USD 88 million annually have been allocated to upgrade the electricity distribution network through 2034. Latvia is also investing in both cyber and physical security for critical infrastructure, prompted by growing hybrid threats. **Modern monitoring systems, anti-drone technology**, and **advanced data analytics** are being introduced to safeguard the grid.

Business opportunities lie in smart grids, energy storage, clean tech components, EV infrastructure, hydrogen solutions, monitoring systems, cybersecurity, and anti-drone technologies.

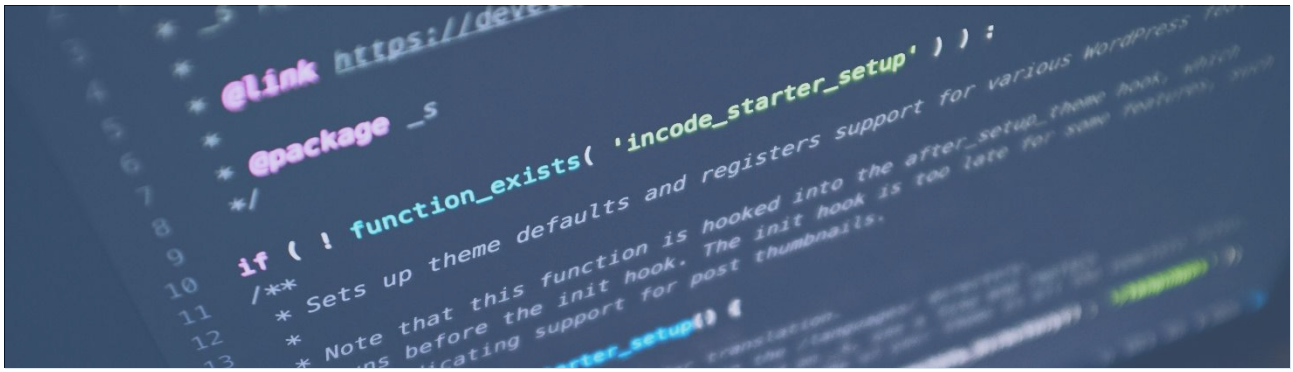
In **Lithuania,** the government is investing EUR 311 million to boost the use of renewable energy, improve energy efficiency, and enhance the competitiveness of its energy sector. By 2030, Lithuania aims to generate 80% of its electricity from renewables, with a goal of reaching 100% by 2050. Currently, nearly 70% of the country's electricity already comes from renewable sources, over half of it produced by wind power.

Lithuania was the only Baltic country to operate a nuclear power plant, the Ignalina Nuclear Power Plant. As part of its agreement to join the European Union in 2004, the country committed to closing it down. While both reactors have been shut down, full decommissioning is scheduled to continue until 2038. This process creates business opportunities for companies specializing in **decommissioning services**, **waste management solutions**, and related engineering solutions.

All three Baltic States are actively investing in the development of renewable fuels, with a focus on green hydrogen and methanol production. Estonia is planning to build the region's largest green methanol facility in Pärnu, in the southwest of the country. The plant is expected to produce up to 500,000 tons of green bio- and e-methanol annually, using forest residues and green hydrogen derived from planned offshore wind farms along the western coast. Latvia is expanding its green hydrogen production through projects in the port cities of Liepāja and Ventspils. Meanwhile, Lithuania is preparing to launch green hydrogen production and is establishing hydrogen refueling infrastructure, beginning with a station in Klaipėda planned for completion by 2026. These initiatives will serve both public transportation and industrial sectors, supporting the broader regional transition to clean fuels and creating opportunities for companies specializing in **hydrogen technologies** and **sustainable fuel solutions.**

The Baltic Sea offers highly favorable conditions for offshore wind development. Although none of the countries currently have operational offshore wind farms, several projects are in development. A key example of cross-border cooperation is the Elwind project, jointly developed by Estonia and Latvia, with operations planned to begin in 2030. Lithuania is also prioritizing offshore wind as a central part of its renewable energy strategy, with two major wind farms—each with a capacity of 700 MW—planned in its maritime territory of the Baltic Sea. These offshore wind farms are expected to be operational by 2035, with Curonian Nord anticipated to be the first to be commissioned. Collectively, these projects will significantly contribute to regional energy independence and decarbonization goals.

ICT AND CYBERSECURITY



The Baltics are committed to digital resilience and innovation, fostering strong clusters in **fintech**, **cybersecurity**, and **AI** sectors. According to the 2025 EU Digital Decade Country Reports, the region's digital landscape is above the EU average. All three countries ranked in the top 20 out of 193 in the Global Cybersecurity Index (GCI).

Estonia is widely recognized as **a digital frontrunner in the EU**. It boasts a vibrant start-up ecosystem and the highest number of unicorns per capita in Europe. The ICT sector plays a pivotal role in Estonia's economy, accounting for nearly 9% of GDP. The country also has the highest percentage of ICT graduates and the highest share of female ICT specialists in the EU. In 2021, 38% of ICT graduates were women. The country consistently ranks among the leaders in digital public services for both citizens and businesses, supported by excellent digital infrastructure and a high proportion of ICT specialists in the workforce.

Estonia's unicorn landscape:

veriff · WISE · Bolt · pipedrive · ZEGO · glia · Gelato

Estonia also leads in **AI adoption in education** and is set to become the first country to integrate AI tools across its entire secondary education system. The national initiative, AI Leap, aims to provide students and teachers with AI-powered learning applications to strengthen their digital and AI competencies. The project is scheduled to launch in September 2025, with the first phase reaching 20,000 students and 3,000 teachers. Estonia already holds a leading position in Europe in the OECD's PISA rankings (which assess students' knowledge in reading, mathematics, and science worldwide) and believes this pioneering initiative will help it become one of the world's most advanced AI-using nations.

Latvia demonstrates strong performance in the digitalization of public services and the adoption of e-health solutions. Over 90% of key public services are available online, and the country ranks among the EU leaders in the share of female ICT specialists. Nevertheless, it continues to face challenges in fully developing its digital infrastructure, particularly in rural areas. Despite these gaps, Latvia was among the first European countries to introduce 5G network coverage and is home to Europe's first 5G defense testbed located at the Ādaži military base. It also leads the Baltic States in exporting telecommunications services.

Both Latvia and Estonia are lagging behind in digital transformation among small and medium enterprises, according to the 2025 EU Digital Decade Country Reports.

Lithuania has the largest ICT sector in the Baltics, employing 42,000 specialists and generating 5.3% of GDP. The country benefits from near-universal 5G coverage, positioning it as a regional leader in mobile

connectivity. It also boasts a vibrant start-up ecosystem and is emerging as a niche player in semiconductor and quantum technologies, building on its strong laser industry. Despite these strengths, demographic pressures and reliance on foreign talent present ongoing challenges for expanding its ICT workforce.

Lithuania ranks among the top 10 countries in the Global Fintech Index and hosts **one of the largest and fastest growing fintech ecosystems** in Europe. The government actively supports fintech innovation through streamlined licensing and regulatory frameworks. As of 2025, around **280 registered fintech companies** operate in the country, employing over 7,000 people and serving approximately 30 million customers across Europe. The fintech ecosystem is particularly dynamic in areas such as ICT, financial and insurance services, and administrative and support activities. Key growth areas include AI, cloud computing, banking technologies, and cybersecurity solutions.

Taken together, the Baltic States' rapidly evolving digital economies also highlight growing shared challenges, particularly around **cybersecurity**. Around 60% of large companies in the region report concerns about cybersecurity, recognizing that cyber threats are constantly evolving and becoming more sophisticated. The Baltics have long faced **a high rate of cyberattacks**, not only from criminal organizations but also from Russian state-linked hacking groups. The most targeted sectors include energy, especially oil and gas, transportation sector, including maritime and aviation, as well as communication networks.

The region is therefore experiencing growing cybersecurity challenges that will require significant investment to fortify critical infrastructure. In the EU, including the Baltics, a new EU cybersecurity law (NIS2 Directive) is being implemented that significantly broadens the range of affected sectors such as energy, transport, banking, healthcare, digital providers, and manufacturers of critical products. These sectors will be required to adopt stricter security measures and report cyber incidents. For foreign companies in IT and cybersecurity, this opens up opportunities to help local organizations meet the new requirements and support both public institutions and private companies in modernizing their cyber defenses.

These shared needs create opportunities for U.S. exporters offering advanced cybersecurity solutions, secure communications systems, and critical infrastructure protection technologies.

AGRICULTURAL AND FOOD SECTOR

In Estonia, agriculture remains one of the country's most traditional economic activities. The food production industry employs around 15,000 people and includes approximately 700 companies. Despite its relatively small scale, the sector is highly modernized and productive. About 33% of Estonia's food production is exported, and the broader food sector contributes to roughly 8% of the national GDP. Estonia also has a long history of food science and innovation. More recently, it has been emerging as a hub for food technology, thanks to close collaboration between the agri-food industry and Estonia's globally recognized IT sector. At the same time, Estonia is developing niche export segments, including organic and value-added food products such as health and craft food products.

Estonia **relies on imported food products**, which account for approximately 11% of the country's total imports. These imports mainly include **fish**, **seafood**, **tree nuts**, **dried fruits**, and **alcoholic beverages**, sourced mainly from neighboring EU countries such as Finland, Lithuania, Germany, Poland, and Latvia. Fish is a key part of the Estonian diet, yet much of it is imported.

Latvia and Lithuania both have larger agricultural sectors compared to Estonia, with structures and outputs well above the EU average. In **Latvia,** the agricultural sector is undergoing structural reforms driven by investments in modern production technologies, including precision farming, alongside a clear trend toward farm consolidation and improved efficiency. The country has approximately 70,000 farms, with an average farm size of 28 hectares, allocating about 30.5% of Latvia's land as utilized agricultural area. Over the past 20 years, the number of farms has decreased by 31.7%, while the average farm size has more than doubled, reflecting the move toward larger, more modern, and productive operations.

The food and beverage industry is Latvia's second-largest industrial sector, accounting for approximately 18% of total manufacturing output (2022). The sector comprises around 1,360 companies and employs 19% of the manufacturing workforce. Key Latvian food exports include dairy products, meat, grains, and bakery goods. Despite strong domestic production, **Latvia imports a significant share of its food needs**, mainly from other EU members, to meet consumer demand and diversify supply. In recent years, geopolitical developments, including the war in Ukraine and resulting market disruptions, have significantly affected agricultural trade flows, created new challenges for local producers and prompted investment in technologies, logistics upgrades, and production resilience. Latvia is actively modernizing its agricultural and food sectors, focusing on **precision farming** and better **integration of bioprocessing technologies**. Importantly, Latvia is the first Central and Eastern European country to implement a national bioeconomy strategy, which promotes sustainable use of renewable natural resources and fosters innovation in bioproducts and biorefining.

Lithuania has the most developed food export sector among the three Baltic States. Agriculture generates about 3.6% of Lithuania's GDP, while the broader agri-food sector contributes approximately 7.1%. The food processing industry accounts for about 11% of the country's total exports. Roughly half of Lithuania's dairy production is sold abroad, and about 79% of Lithuania's food exports are destined for other EU markets.

Many Lithuanian producers operate in the private-label segment, selling 50–80% of their output under other brands. The most developed food processing subsectors include milk, meat, and grain products. Lithuania is also known for innovation in dry and processed foods, such as honey, yogurt, and preserved fruits, and vegetables. Genetically modified crop cultivation is prohibited by law, in line with the country's focus on sustainability and natural production.

Despite its strong production base, Lithuania relies significantly on food imports. In 2024, food made up 12.7% of total merchandise imports, including **dairy, meat, fish, and bakery** products sourced primarily from Poland, Germany, Latvia, the Netherlands, and Sweden.

Overall, the Baltic region presents a growing and increasingly sophisticated market for U.S. companies in both food products and agri-food technologies. The shift toward value-added production, export growth, and food tech innovation aligns well with the strengths of U.S. exporters in high-quality, specialized, and sustainable goods and services. There is growing demand for innovations in agricultural efficiency, food safety, processing equipment, and sustainable production methods across the region.

TRANSPORT AND LOGISTICS

Credit: Rail Baltica

The Baltic States are undergoing major transformations in transport infrastructure, with a strong focus on sustainability, innovation, and deeper integration into the European transport network. One of the region's most ambitious projects is **Rail Baltica**, a new high-speed rail line that will connect Helsinki (Finland) with Berlin (Germany) via Estonia, Latvia, and Lithuania. Often referred to as the "project of the century" in the region, it will link the Baltic capitals with Central Europe, fully integrating them into the EU rail system. The project is scheduled for completion by 2030. Once operational, Rail Baltica is expected to significantly enhance both freight and passenger transport, reduce road congestion, and provide a more environmentally sustainable alternative to road and air travel. The total length of the new high-speed rail line across the Baltic countries will be approximately 870 kilometers. Ongoing procurement opportunities related to the project are regularly published on the official Rail Baltica website.

In **Estonia**, plans are advancing to establish a center for ship modernization, with the goal of making the shipbuilding industry more environmentally sustainable. As the maritime sector shifts toward alternative fuels, such as LNG and hydrogen, ship conversions and green retrofits are becoming increasingly necessary. This center is expected to generate USD 81 million in annual tax revenue and create business opportunities for local and international suppliers of **ship parts**, **engineering services**, and **environmental technologies**. Estonia is also planning a USD 345 million expansion of the Port of Tallinn, which aims to transform the port into a modern transport hub capable of handling increased cargo and passenger traffic. **Smart transport solutions** are being explored to further enhance sustainability in the transport and logistics sectors.

In **Latvia,** the popularity of electric vehicles (EVs) is growing rapidly. As of January 1, 2025, there were 6,576 registered EVs in the country, representing a nearly 60% increase compared to the previous year. The government supports the transition to sustainable mobility by funding 139 electric charging stations across the country. These initiatives, combined with the benefits of EV ownership and improved infrastructure, are driving increased interest in **electromobility** and contributing to Latvia's ambitious environmental targets. Logistics is a key sector in Latvia. Due to its strategic location, the country serves as a natural **hub for regional headquarters** and distribution centers of international companies.

Lithuania is making progress in sustainable **maritime innovation**. The Port of Klaipėda has launched the first Lithuanian vessel powered by hydrogen and electricity, designed to collect and treat waste from other ships. This EUR 12 million project is a joint effort by the port authority, West Baltic Shipyard, and Baltic Workboats. It represents a significant step toward reducing maritime emissions and promoting green shipping solutions in the region. Lithuania is also investing in **airport modernization**, with major expansion and renovation projects planned for the Vilnius, Kaunas, and Šiauliai airports. Between 2021 and 2030, the Lithuanian government aims to invest approximately EUR 700 million to improve international connectivity, logistics, and passenger capacity. Additionally, Lithuania plans to invest EUR 7 billion into rail innovation and fleet renewal and upgrades by 2030.