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VALUATION OF THE SWEDISH DIRECT INVESTMENT TERRITORIAL ALLOCATION IN THE CONTEXT OF LATVIAN COMMERCIAL PROPERTY DEVELOPMENT

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Abstract. The analysis of the neighboring countries economical activities is indispensable input into the economic recovery process. The Baltic States regions territory has incontestably attractive economical political location. However, the biggest part of the neighboring countries investments flow is distributed to other partner territories. The research object is the Swedish direct investments flow. Historically, the Swedish capital had a noticeable impact on the Latvian national economy: trade, manufacture, services and education. Nevertheless, a share of the Swedish capital in the total fixed-capital assets of the Latvian companies as well as the targeted economy branch choice in the latest decade period has fluctuation tendency. The primary focus is to specify the fundamental range of influence on the models the territorial sustainable economic development. The research goal is the analysis of the territorial particularities and characteristics. The investigation comprises such territory developments aspects as capacity of the vacant land, attitude between urbanization and manufacturing capacity's allocation, inland resources and its potential, history of the country's economically political collaboration. The current scientific article contains a study of the leading branches of the Swedish business inland and attraction and use of the resources from the partner countries. The authors study results on the European climate change until 2035 gained from the ENSEMBLES projects results data are used to formulate conceptualization of the Swedish partner model on the territorial sustainable development. According to one of the conclusions, the overseas foreign direct investments share is dominated over the Swedish land partner countries share in the companies' fixed-capital assets. The similar tendency characterizes the Latvian state territory's economic policy, which might not be expedient. The carried research is a part of the investigation on the models of the Latvian powerful neighbor countries investments allocation. The results will be applied for the Latvian territory's economic planning model.

Keywords: GDP growth, foreign direct investments in Sweden, sustainable development, Swedish direct investment asset, Latvian economy, investments territorial allocation, land use.

1. Introduction

Latvia is one of the Baltic Sea region's countries with fast developing economy after redintegration of its independency in yearly 90-ies of the 20th century. In the latest 20 years the national economy had wide fluctuations. Although business had been open for the external collaboration, but internal market particularities as bureaucracy, low to moderate yields, moderate government interference in the national economy, ownership restrictions on land property reasoned the Latvian investment environment attractiveness level was not high enough. Political strategy did not ensure support to the manufacture sector's development. As a result the country experienced the heaviest recession in the European Union in 2007-2009. The government agreed on the international credit on prevention the country's economy collapse and supporting economy recovery. The debt liabilities involve few further generations. The one can expect Latvia to take more organized and strategically considered sustainable economical development steps in medium term.

In the preliminary research made by the authors on the complex calculations analysis results of the global project ENSEMBLES it was concluded the Latvian climate in the next 25 years influenced by climate change may be similar with the current climate in Czech Republic and Sweden due to comparable climate characteristics as mild climate and temperature indexes (Staube and Geipele, 2010; Met Office, 2009). The authors consider this resume consequent capacity and structure planning for the Latvian properties market. In this regard the direct investments assets are the development's boost resources.

Direct investment flow of Sweden as a traditional partner of Latvia is the object of the current research. The territories of the Swedish investigations as well as the main economy's sectors are the target research aspects.

The presented research has an enlarged perspective in the investigation of the foreign direct investment (FDI) issue on the territory of the Baltics. Small scale countries as a subject to the investors attract the scientific researchers' interest for local market changes under the external impact. The authors considered the competition effect (Barrios *et al.* 2004), bilateral trade (Andersson 2004), merger and acquisition (Rockborn *et al.* 2010), local market particularities and investment environment (Brazinskas 2008; Jurgena and Švēdere 2009; Tvaronavičius and Tvaronavičiene 2008; Revina and Brekis 2009; Vanags and Geipele 2008), locational strategy (Hanink and Gromley 1987; Le Bas and Sierra 2002) and multinational cooperation (Yeaple 2003).

In order to analyze the allocation of FDI, the authors assume focusing on the closest countries of Latvia and Sweden. Two radiuses are used for each country. In Latvian case as the country side with negative FDI balance the foreign direct investments inflow is the prime interest, but in Swedish case as a strategic investor the authors focus on the Swedish direct investment outflow more evident than on FDI inflow.

The analytical background of the Paper is supported by the facts from official statistics and analyses carried by the OECD, UNCTAD, EEA, Central Statistics Bureau of Sweden, Latvia and Eurostat organizations.

The limitations of the Paper are: a) statistical information on the non-EU members is limited and not all the topics that are covered by EUROSTAT database the local statistical bureau of the non-EU member country has; b) timeline of the available statistics from different sources is not compatible; c) data on land use with a focus on the built-up areas and commercial purpose is limited. The possible reasons are low earlier demand or limitation of the data collection resources.

2. Current economy growth of Latvia

Latvian economy's activity in the period of 1992 to 2009 had the most slowly paces on average in European Union and even between 35 countries of the world, compared by real Gross Domestic Product (GDP further in text) growth rate. By this ratio, Latvian economy also dropped the most dramatically in 2009 (see Fig 1). In the last 20 years the Latvian economy had wide fluctuations: from minus 32 in 1992 to plus 12 in 2006 and minus 18 per cents in 2009 of GDP growth. Recently Latvia could be assumed as a hazard place to investors, because it was rather hard to predict its future. The rapid and unbalanced development strengthens the threats of sustainable development of national economy and increases the recession possibility (Vanags and Geipele 2008).

Now when Latvia's external public debt is increased by the credit liabilities to the international lenders, the local economy is expected to be more predictable and consistent. However, sustainable development and land use efficiency are the same important issues as to the developed economies.

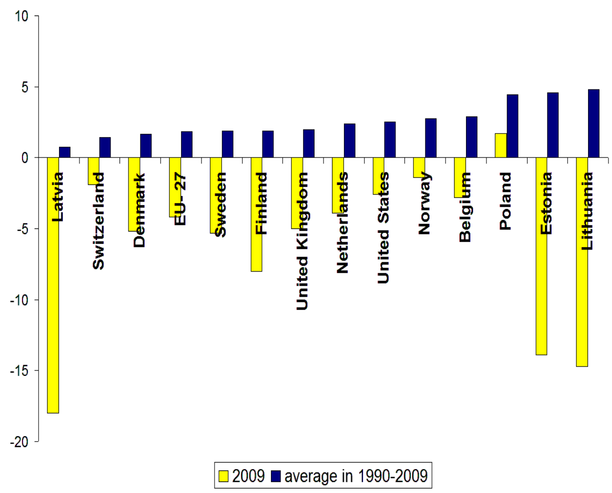

Fig 1. Average GDP growth from 1990-2009 (EUROSTAT 2011)

3. Sweden as a global strategic investor

The direct investment factor allows valuing the country's attractiveness and its activity ratio. There are two major investment flows – foreign direct investment into a country and outward investment volume. With a continuous flow of FDI, the competition effect on local market first dominates but is gradually outweighed by positive externalities effects (Barrios *et al.* 2004). In the last decade Sweden's economy was one of the leading in the world, and among the European TOP 10 countries by the GDP per capita ratio.

For Latvia Sweden is a major investor. Analyzing the country investor's share the authors choose the average ratings of entire annual cumulative foreign direct investments for the period from 1992 to 2009. Following data, Sweden has around 9 per cent share or it is the third largest investor in Latvia (see Fig 2). Thus, Latvia has the smallest share among the Swedish direct investment assets in the Baltic's up to 2009 getting 1.01 billion Euros that is 4 times less than in Estonia and 17% less than in Lithuania.

The authors analyzed two radius distances (see Fig 3). First radius includes the borderline countries: Lithuania, Estonia, Russia and Byelorussia. The second radius accumulates the investments assets from the closest countries of the Baltic Sea region: Finland, Sweden, Norway and next to the neighboring overland partners Ukraine and Poland.

According to the facts, the closest neighbor-countries have lower Human Development Index (HDI) rating than the partner countries from the named second target investment flow focus radius. However, HDI in both radiuses are the top highest of possible. Radius 1 corresponds to the high, but Radius 2 – very high ratio.

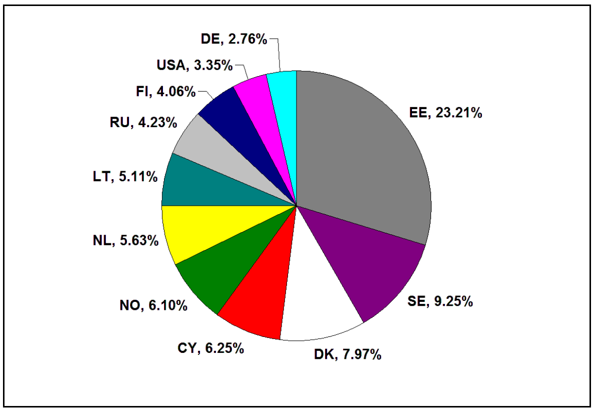

Fig 2. Average annual cumulative FDI structure in Latvia from 1992-2009 (CSB of Latvia 2011; International organization for standardization 2011)

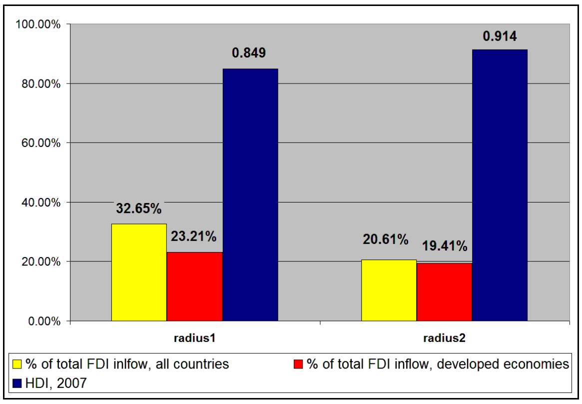

Fig 3. Cumulative Latvian FDI focus outflow geography (CSB of Latvia 2011; The United Nations Development Programme 2009)

The developed economies' investment assets in radius 1 are gotten from the only share 23% that comes from Estonia. In radius 2 the most share of FDI flow originates in Scandinavia: Norway, Sweden and Finland account above 19% from entire cumulative FDI into Latvia in 2009.

Historically, Sweden as a large investor partner had been hunting for the strategic potential and sustainable dominance. At the same time for a long period Sweden was rather closed market for the investors. The target was to get the leading position in the global market. Sweden is an organized trader. It has high democracy and human development ratings. In 1960 together with its major investment partners Denmark, UK, Switzerland and other partner states it founded the European Free Trade Association (EFTA) and the Organization for Economic Co-Operation and Development (OECD). In 1995 Sweden joined European Economic Community. Sweden has actively invested into the merger and acquisition even with the distantly located economies like USA, UK (Rockborn *et al.* 2010; Le Bas and Sierra 2002). That coursed a broad investors' interest to the Swedish economy in the 21st century. Before entering European Union (EU) the Swedish direct investment outwards flow overshot the inflows (see Fig 4).

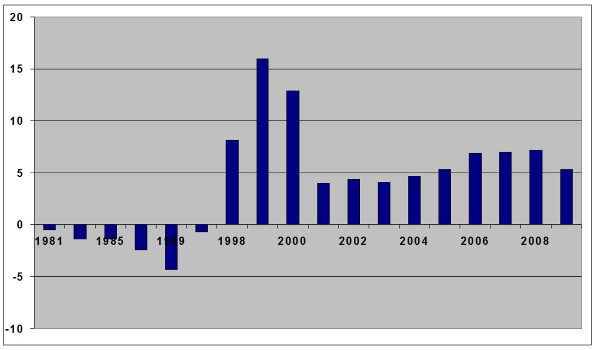

Fig 4. FDI intensity in Sweden from 1981-2009 (OECD 1993; EUROSTAT 2011)

For the period of 1998-2009 the foreign direct investment intensity of Sweden as a percentage from GDP had a positive character, and equaled to 7.2 per cent on average that was among TOP 20 in Europe: in 1999 Sweden had the second position, in 2009 the 6th place. In a term of foreign investment stock, Sweden keeps position of the net outward investor country due to a high share in the abroad capital.

4. Swedish investments strategic allocations and economy sector concentration

Before 1995 Sweden's dominated investor partners were Finland and United Kingdom, moving to the second and fourth position on the average rating after the USA later in the first decade of the 21st century (see Fig 5). Northern America was a target continent in the period of 1995 to 2002 as a merger and acquisition partner in the high-tech industries (OECD 2003).

During the last 20 years Sweden had invested more in the fast developing economies (including Finland, USA) than into the developed partner states – Norway, United Kingdom. The Swedish direct investment assets abroad in 2009 accounted 272 billion Euros. The USA, Finland and Netherlands are the target allocations since 1990. Sweden follows the developing countries economies paces attained by the target to join the European Union (Jurgena and Švēdere 2009).

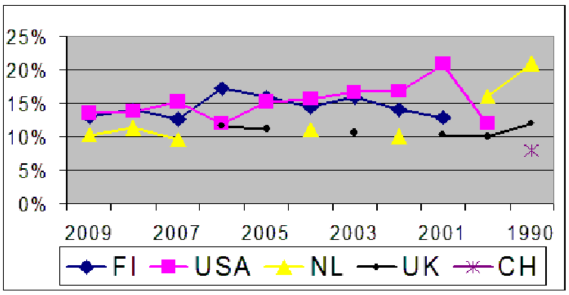

Fig 5. Swedish direct investments assets dynamics from 1990-2009 (Statistics Sweden 2009; UNCTAD 2002)

In the mid 1990s Czech Republic, Poland and Baltics experienced significant Swedish direct investment inflow. After the financial crisis the Swedish assets in

Asian market reached 12 billion Euros level in 2009 increasing in two years by 5 billion Euros. Here, the both Swedish FDI allocation radiuses may be characterized as of very high country human development index (see Fig 6).

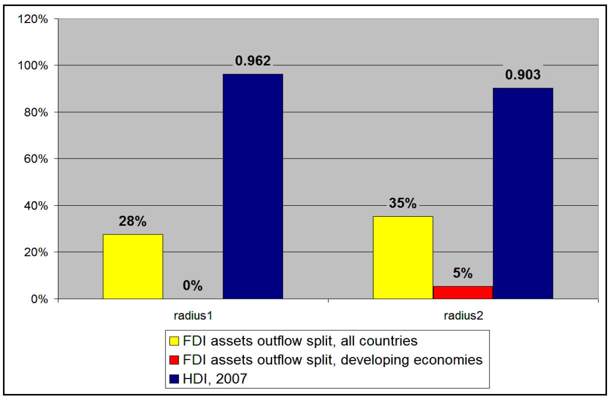

Fig 6. Swedish direct investment allocation in focus radiuses, 2009 (Statistics Sweden 2009; The United Nations Development Programme 2009)

Even 5% of FDI assets are allocated in the developing economies presented by Russia, Poland and Estonia in the second allocation radius. Latvia has tiny of the Swedish FDI investment assets accounting 0%. FDI assets structure statistics shows that in the beginning of the century higher than half of the assets Sweden invested in manufacture (see Fig 7). That share has decreased by 5 per cent points by 2009 in the Swedish direct investment assets structure abroad.

The top segment of manufacture in 2000 was engineering – 35% share of total Swedish FDI assets. In a decade period it has dropped by 10 per cent points, and chemicals and pharmaceuticals segment has reached 13% from entire Swedish FDI assets. By 1990 seventeen of the 500 biggest industrial companies in the world were Swedish and since 1960 these companies have spread into Europe and USA (OECD 1993; Hanink and Gromley 1987). Chemicals and pharmaceuticals as well as power engineering segment has attracted on average 5 times higher investment assets than in 2000.

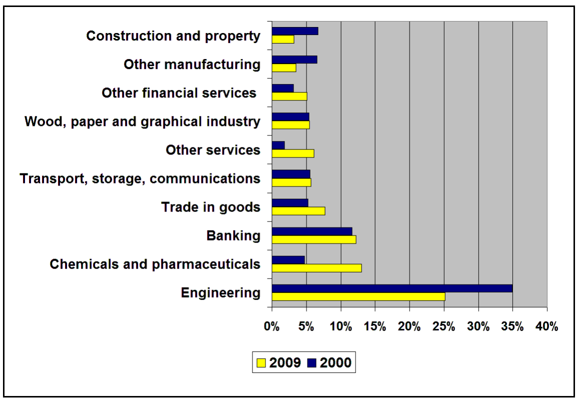

Fig 7. Industry breakdown of Swedish direct investment assets structure TOP 10 in 2009 and 2000 (Statistics Sweden 2009)

Banking remains 12% share the top sector with double FDI assets in ten years. The Baltics bank sector is largely integrated by Scandinavian bank system (Brazinskas 2008). Property market has risen considerably since late 1980s when the exchange control on Swedish investment abroad in real estate was abolished. The purchase of foreign real estate had reached 4.5 billion Euros by 1991. In 2009 construction and property assets are doubled. The recent financial crisis coursed a glance speculative interest of Sweden to the property market, turning the current assets back on the level of 2007. The resource prices fluctuations in the world market as well as the remarkable development of trade and services influenced considerable Swedish capital flows in the development of power engineering as well as trade in goods and logistics and other services. The Swedish capital assets in other services segment has increased 7 times in 10 years, getting up by 4 per cent points in the Swedish direct investment assets structure.

5. Swedish local market attractiveness for the foreign direct investments

In the period from 1981 to 1990 the European countries amounted about 80% of FDI inflow in Sweden (OECD 1993). The investments' inflow in Sweden has risen considerably after liberalization of establishment regulations in few years before entering European Union society. The removal of non-tariff barriers had an impact on the scope of intra-industry trade among the Nordic countries (Andersson 2004). According to statistics, the inward investment stock into Sweden growth faster than outward stock that almost quadrupled during 1990-2000, and almost equalized with the Swedish direct investment assets volume by 2010 (see Fig 8). In 2009 the FDI stock in Sweden accounted 264 billion Euros.

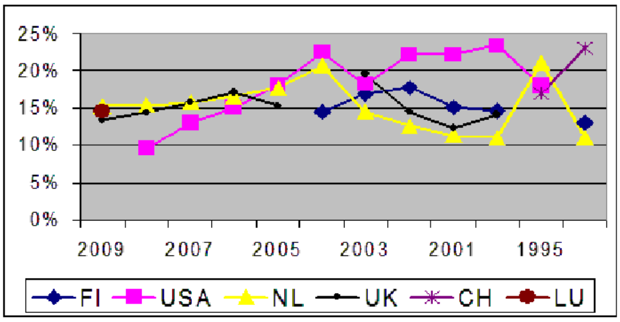

Fig 8. FDI assets dynamics in Sweden from 1990-2009 (Statistics Sweden 2009; UNCTAD 2002)

The strategic long-term partner investors for Sweden are Netherlands, USA and UK (Yeaple 2003). Concerning the foreign assets in Sweden, the Netherlands, the UK and Luxembourg hold the largest volume. In the frame of the world and European Union Sweden has limited by mountains territorial scale. In order to this the country's economy tends to the resource efficiency. Manufacturing sector is one of the important economy's engine. However, entirely Swedish stock abroad in manufacturing is approximately at the same level today with the FDI inflow assets in this industry. The manufacturing stock dominance among all economy industries is evident for external and internal activities of Sweden. Since the end of the 20th century the FDI dynamics has considerably increased in the tertiary sector's development (see Fig 9).

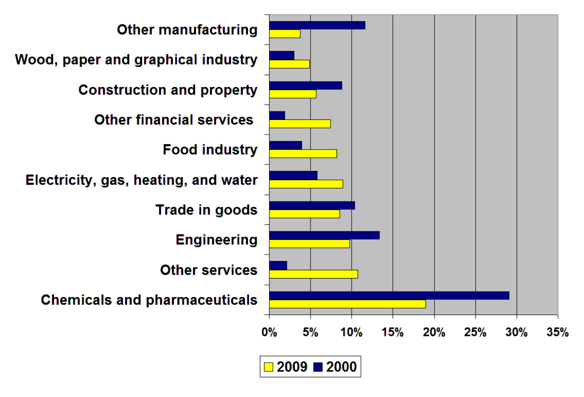

Fig 9. TOP 10 Industry breakdown of the foreign direct investment assets in Sweden, % (Statistics Sweden 2009)

The Swedish distribution, financial together with manufacturing has kept the investors interests the most strongly. Sweden is famous with its high technology and intelligence level. It takes the second place in Europe after Switzerland by the Growth Competitiveness Index. In the latest decade the most desirable economy sectors for FDI in Sweden were chemicals and pharmaceuticals and engineering. Sweden has invested in these sectors development abroad more than 3 times larger amount. In period from 2000 to 2009 the other services (IT, consultancy, Research and development and other services) and other financial services sector (pension funds, insurance and other financial services) has experienced the largest increase more than 13 times in assets volume.

Particularities and coherence of FDI flow activities dynamics of Sweden and partner countries

The authors have indicated two Swedish direct investments destinations. The countries list is given below in tables 1, 2 and 3 below. The carried research links the FDI inflow and outflow character to the marked territories particularities from the land use and its recent changes, population density, manufacturing sector capacity and resource productivity level. The following tendencies are marked in the period from 2000-2009:

1. Correlation between economy growth dynamics and FDI flow

GDP growth is a significant sign to Sweden as an economy's activization and feasible future gain in the developing economies areas. Also joining EU, the Baltics and Poland became more attractive for Swedish investors. Sweden invests into the revised economies. The authors used Latvian example (see Fig 10).

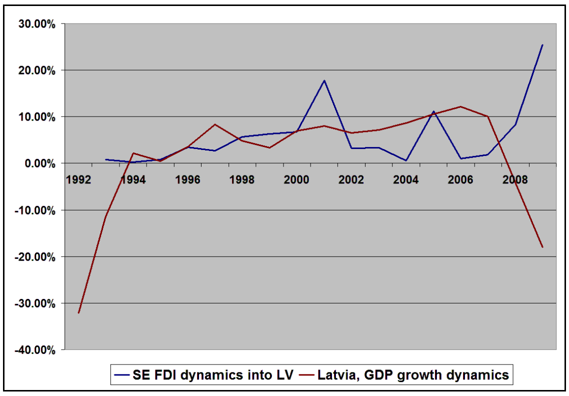

Fig 10. Dynamics analysis of Swedish cumulative FDI into Latvia and GDP growth from 1992-2009 (CSB of Latvia 2011; EUROSTAT 2011)

The Swedish FDI positive changes call out the further GDP growth dynamics. Sweden invested into the developing Baltic economies most actively in the second and third year of the target countries' GDP growth.

Table 1. Characteristics of the researched investment focus territories of Sweden. Part 1 (authors' calculations)

YEAR	Ratio \ Country name	RADIUS 1	FI	NO	DK					
2000-2009	Average annual rating in total Swedish direct investment structure, %		14%	7%	7%					
2009	Swedish direct investment assets structure in radius, %	28%	13%	7%	7%					
2007	Human Development Index	0.962	0.959	0.971	0.955					
2000-2009	Average FDI assets into Sweden change dynamics, %	6.92%	4.67%	7.06%	9.04%					
2000-2009	Average Swedish direct investment assets abroad change dynamics, %	6.28%	6.82%	6.89%	5.13%					
YEAR	Ratio \ Country name	RADIUS 2	UK	NL	BE	DE	PO	EE	LV	LT
2000-2009	Average annual rating in total Swedish direct investment structure, %		10%	10%	2%	6%	0.0%	0.0%	0.0%	0.0%
2009	Swedish direct investment assets structure in radius, %	35%	9%	10%	6%	5%	1%	1%	0%	0%
2007	Human Development Index	0.903	0.947	0.964	0.953	0.947	0.880	0.883	0.866	0.870
2000-2009	Average FDI assets into Sweden change dynamics, %	3.80%	6.63%	8.04%	10.00%	5.77%	0.0%	0.0%	0.0%	0.0%
2000-2009	Average Swedish direct investment assets abroad change dynamics, %	7.45%	6.63%	4.67%	11.11%	2.75%	6.90%	9.57%	9.88%	8.08%

The financial crisis coursed the prompt capital outflow of the investigated Swedish assets and its reallocation. The Lithuanian scientists facilitate forecasts of possible trends of fixed investment and corresponding economic growth (Tvaronavičius and Tvaronavičiene 2008). Sweden has increased the assets the stable economies countries (those average GDP growth was in 1 per cent positive span from the EU-27 average in the period from 1990-2009). Recently in the Economic Science for Rural Development Conference it was posted that the exact nature of relationship between FDI and their host economies vary between economic sectors (Revina and Brekis 2009).

Table 2. Characteristics of the researched investment focus territories of Sweden. Part 2. Radius1 (authors' calculations)

YEAR	Ratio \ Country name	SW	RADIUS 1	FI	NO	DK
2000	Total area, square kilometers	450,000	**381,238**	338,145	323,758	43,093
Change 2000–2006, percent per year	Annual land-cover change from total area, %	0.5%	**0.2%**	0.4%	0.1%	0.1%
	Urban residential land take from total area, %	0.1%	**0.2%**	0.1%	0.2%	0.2%
	Land take of economic sites from total area, %	0.4%	**0.3%**	0.3%	0.3%	0.3%
2009	Built-up from total area, %	2%	**3%**	2%	1.4%	6%
	Built-up and other artificial areas, km2	9,000	**13,881**	6,763	4,533	2,586
	built-up and other artificial areas share from total in radius, %		**2.0%**	48.7%	32.7%	18.6%
	Commerce, services and residential areas from total area, %	13%	**10%**	8%	n/d	12%
	Commerce, services and residential areas, km2	58,500	**32,223**	27,052	n/d	5,171
	Commerce, services and residential areas share from total in radius, %		**8.5%**	84.0%	n/d	16.0%
	Industry, energy, transport and mining from total area, %	1%	**3%**	2%	n/d	4%
	Industry, energy, transport and mining, km2	4928	**8,487**	6,763	n/d	1,724
	Industry, energy, transport and mining, share from total in radius, %		**2.2%**	79.7%	n/d	20.3%
	Vacant (bare) land from total area, %	2%	**1%**	1%	1.5%*	1%
	Vacant (bare) land, km2	9,000	**8,669**	3,381	4,856	431
	Vacant (bare) land, share from total in radius, %		**1.0%**	30%	56%	5%
2008	Population density, inhabitants per km2	22	**45**	17	16	127
2009	Industrial production index (2005=100), %	86.4%	**89.2%**	97.2%	92.4%	80.8%
2010 november-2009	Industrial production index change (2005=100), %	9.5%	**4.0%**	5.9%	-4.9%	5.3%
2007	Inland resources , Resource productivity, Purchasing Power Standard per Kilogram	1.55	**1.14**	0.75	1.20	1.06

Table 3. Characteristics of the researched investment focus territories of Sweden. Part 2. Radius 2 (authors' calculations)

YEAR	Ratio \ Country name	RADIUS 2	UK	NL	BE	DE	PO	EE	LV	LT
2000	Total area, square kilometers	**1,047,273**	130,395	41,526	30,528	357,022	312,685	45,228	64,589	65,300
Change 2000–2006, percent per year	Annual land-cover change from total area, %	**0.3%**	n/d	0.3%	0.1%	0.1%	0.1%	0.4%	0.4%	0.3%
	Urban residential land take from total area, %	**0.1%**	n/d	0.2%	0.0%	0.1%	0.0%	0.4%	0.0%	0.0%
	Land take of economic sites from total area, %	**0.3%**	n/d	1.0%	0.1%	0.2%	0.2%	0.6%	0.1%	0.0%
2009	Built-up from total area, %	**6%**	7%	13%	10%	7%	3%	2%	2%	3%
	Built-up and other artificial areas, km2	**56,106**	9,128	5,398	3,053	24,992	9,381	905	1,292	1,959
	built-up and other artificial areas share from total in radius, %	**5%**	16.3%	9.6%	5.4%	44.5%	16.7%	1.6%	2.3%	3.5%
	Commerce, services and residential areas from total area, %	**11%**	13%	25%	19%	9%	5%	11%	4%	5%
	Commerce, services and residential areas, km2	**91,723**	16,951	10,382	5,800	32,132	15,634	4,975	2,584	3,265
	Commerce, services and residential areas share from total in radius, %	**8.8%**	18.5%	11.3%	6.3%	35.0%	17.0%	5.4%	2.8%	3.6%
	Industry, energy, transport and mining from total area, %	**5%**	3%	12%	6%	5%	3%	3%	2%	2%
	Industry, energy, transport and mining, km2	**41,913**	3912	4983	1832	17851	9381	1357	1292	1306
	Industry, energy, transport and mining, share from total in radius, %	**4%**	9.3%	11.9%	4.4%	42.6%	22.4%	3.2%	3.1%	3.1%
	Vacant (bare) land from total area, %	**1%**	2%	1%	1%	1%	1%	1%	1%	1%
	Vacant (bare) land, km2	**11,777**	2608	415	305	3570	3127	452	646	653
	Vacant (bare) land, share from total in radius, %	**1.1%**	22.1%	3.5%	2.6%	30.3%	26.6%	3.8%	5.5%	5.5%
2008	Population density, inhabitants per km2	**195**	250.8	487	350.4	229.9	122	31	36	54
2009	Industrial production index (2005=100), %	**96.5%**	87.8%	101.4%	93.8%	95.7%	123.5%	82.9%	87.8%	98.8%
2010 november-2009	Industrial production index change (2005=100), %	**12.4%**	3.3%	4.4%	5.7%	11.5%	13.4%	30.4%	15.9%	14.6%
2007	Inland resources , Resource productivity, Purchasing Power Standard per Kilogram	**1.47**	2.37	2.94	1.56	1.80	0.80	0.60	0.64	1.02

Since 2007 the Swedish assets in the developing countries after slight fluctuations remained on the same level. Despite the entire capital inflow growth in Sweden from the focus countries, only USA took out the assets from Sweden. However, in the developed countries the GDP growth is a reason of freezing on the gotten level, it may be followed by the significant resource price increase and yields decrease. Entirely, the average Swedish investment activity and FDI assets into Sweden change within two territories have similar dynamics. The wider fluctuations in the radius 2 are consequent of the external factors influence as expansion of the EU and financial crisis.

Apparently, the area of the radius 2 is more than twice larger. The most part of it is continental. The countries providing the closest investment allocations opportunities are among the most wooded territories in Europe. According to the latest statistics Finland, Estonia, Latvia and Sweden have more than half of the country's territories covered by forests (EUROSTAT 2009). This discovers opportunities for trade of the natural resources, but also expansion. However, these areas might have construction limitations like mountains like in Sweden, Norway and moor and swampland territories like in the north of the Baltics.

2. FDI inflow and outflow attitude

In the majority countries there is coherence between the Swedish investment activities and growth dynamics of the FDI assets into Sweden. After the Swedish investment activity in a concrete country in one year the meant territory's investors raise their FDI stock in Sweden in the next year, or even the tendency concurs in one single year (Finland, Denmark since 2005). The opposite character to the note above of the Swedish and a foreign investors' activity dynamics is typical in Sweden - Norway FDI flows and most of the countries in after crisis period.

3. Territories land use particularities and FDI flow

From the construction statistics, the Netherlands (13%) and Belgium (10%) have the largest shares of land covered with built-up and other artificial areas also among the entire Europe. From the built-up territories scale UK as well as Poland are equivalent with Sweden. Norway has twice as less built-up areas and bare land than Sweden, but almost similar population density to the eastern neighbor-country. The highest rates on the land take of economic sites from total country area in the period from 2000-2009 is in Netherlands 1%. In this period the country's construction and urban land management increased. The annual land-cover changes in 10 years are similar in Finland as well as the Baltic countries and Sweden. Estonia had the biggest change of urban residential land take from total area in the last decade, from three Baltics economies Sweden has invested most in this country. The member states with the highest shares of areas used for residential, commercial and industrial purposes in 2009 are the Netherlands (37%), Belgium (25%), Denmark and the United Kingdom (both 16%) and Sweden (15%).

The top 3 of Swedish direct investment interest countries ratings in the continent of Europe in 2009 can be characterized as highest annual land-cover change (Finland) and land take of economic sites (Netherlands) from total radius area. The Netherlands have highest built-up area, as well as commerce, services and residential, as well as industry energy, transport and mining areas percentage, the highest population density in radius. The Netherlands has high resources productivity rate and is among those European countries which industrial production index showed surplus in 2005 prices. Finish industry showed best results in 2009 in radius, its industrial production index was even higher than in Sweden. Despite increase of Swedish investment stock in 2009, Norwegian industrial production index showed negative change in the further 11 months.

Conclusions

The authors have consolidated the below assumptions with the purpose to generate the Latvia's potential to attract the larger investment assets from Sweden.

Due to advantageous geography Latvia still attracts a major interest of the foreign investors. The economy of Latvia is unbalanced. Following the international creditors' requirements the economy is expected to be more organized and transparent. Within the nearest distances the largest cumulative foreign direct investment assets in Latvia are generated from Estonia. Also Sweden has lower investment assets rating in Latvia in 2009. The Latvian neighbor countries hold larger Swedish investment stock. Sweden looks for the strategic locations with growth potential. Direct investments assets focus is for the service industry. The countries with low resource productivity and increasing population density might attract the interest of Swedish investment assets. The paces of the urban and economic sites development may be slowed down by the natural limitations of the territories. Sweden would choose the locations with site expansion opportunities. The built-up territories might offer ready-to use opportunities meeting the modern requirements like infrastructure and mixed-use, logistics and industrial areas development built-to-suit or designed for letting. Together with the large industrial utilities and commercial objects the small services inland with high quality are required to accompany the multinational level companies in Scandinavia with subsidiaries in East Europe and Russia. Sweden has long traditions of professionally developing high technology inland and abroad. In case of offering the allocation for the Swedish companies' subsidiaries the target country might have enough energy and construction capacities as well as flexibly and open-minded human resources. The potential to grow of the developing country and its readiness and interest to international collaboration are higher driving forces than current GDP growth for Swedish investments.

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