Monitoring industrial ecosystems

EU MEMBER STATES FACT SHEETS

Latvia

Author: Orestas Strauka, Technopolis Group

EUROPEAN COMMISSION

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
Directorate D – Networks & Governance
Unit GROW.D.2 – Industrial Forum, Alliances, Clusters

European Innovation Council and SMEs Executive Agency (EISMEA)
Unit I.02 – SMP/COSME Pillar
E-mail: EISMEA-SMP-COSME-ECOSYSTEMS@ec.europa.eu

European Commission
B-1049 Brussels

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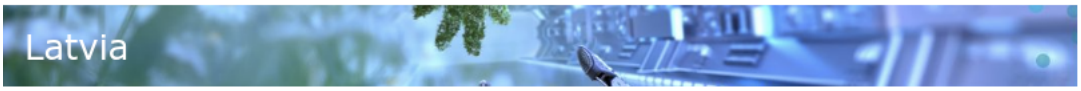
Key Highlights

This country report has been developed as part of the '**European Monitor of Industrial Ecosystems'** project of the European Commission, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs and the European Innovation Council and SMEs Executive Agency. It provides data insights into the twin transition and the technological performance of industrial ecosystems. The key findings of the report are summarised below:

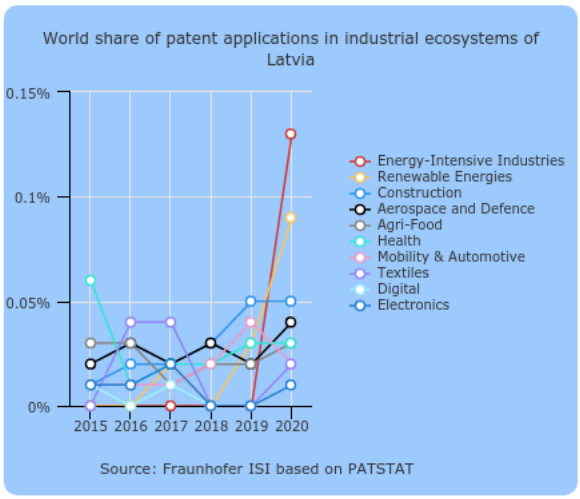


Technological performance in industrial ecosystems:

- Regarding technology development, Latvia has been the most specialised in the **Health and Agri-Food** industrial ecosystems in 2020 . In a global comparison, it ranked relatively well in Energy-Intensive Industries and Renewable Energies within the EU27 countries.

Digital and green transition technologies:

- Latvia had the highest country share in generating technologies related to **Renewable Energy Technologies including Wind Power** within its economy, which have the potential to drive the green transformation of its industries.
- Trends in the world's patent applications show that Latvia increased its global share in various fields in particular in **Wind Power and Energy Saving Technologies.**
- Among the digital technologies monitored in this project, Latvia had the highest country share of its patent applications in **Big Data, Artificial Intelligence and Micro-and Nanoelectronics**.



Capacity to produce goods based on digital and green technologies:

- Latvian share of production of digital technologies is highest in the field of **Artificial Intelligence,** where it has remarkably increased its production of related technology-based products. There has been an increase in production also in the fields of Digital Mobility and Internet of Things over the period from 2010 to 2021.
- Latvia has decreased its share in production in all other green technologies such as in **Energy Saving Technologies, Renewable Energy Technologies and Advanced Materials** over the period from 2020 to 2021.

1. Introduction

This country report has been prepared within the `**European Monitor of Industrial Ecosystems' (EMI)** project, initiated by the European Commission, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs and the European Innovation Council and SMEs Executive Agency (EISMEA). The overall goal of the project is to **analyse the green and digital transformation of industrial ecosystems**.

The EU's updated industrial strategy from May 2021[1] has outlined 14 industrial ecosystems that are in the focus of the project. The 14 industrial ecosystems include *aerospace and defence, agri-food, construction, cultural and creative industries, digital, electronics, energy intensive industries, energy-renewables, health, mobility – transport – automotive, proximity, social economy and civil security, retail, textile and tourism.* The industrial strategy defined industrial ecosystems as encompassing all players operating in a value chain: from the smallest startups to the largest companies, from academia to research, service providers to suppliers[2].

The objective of this report is to **present key findings from data** collected within the framework of this project at country level notably on **patent applications, production data, trade** (available only for ten industrial ecosystems)**, private equity and venture capital** investments. Nonetheless, this report does not aim to be comprehensive; the data presented here only complement other important statistics on technology development in each country.

The monitoring framework has a technological focus. Industrial transition is driven by technological, economic, and social changes, and in particular by digital technologies and the shift to a green and circular economy. The green and digital technologies that have been taken into account are presented in the table below.

Table 1: Technologies monitored in the project by patent, trade and prodcom data

Green technologies
Advanced Materials and Nanotechnology
Biotechnology (for sustainability)
Energy Saving Technologies
Renewable Energy Technologies
Solar Power
Wind Power
other (geothermal, hydropower, biomass)

Digital technologies
Advanced Manufacturing & Robotics
Advanced Manufacturing
Robotics
Artificial Intelligence
Big Data
Digital Security & Networks/ Cybersecurity
Digital Technology for Mobility
Internet of Things
Micro- and Nanoelectronics & Photonics
Micro- and Nanoelectronics
Photonics

Source: Technopolis Group, IDEA Consult and Fraunhofer ISI

The methodological report that sets the conceptual basis and explains the technical details of each indicator is available on the EMI website. This report was prepared by Orestas Strauka, Technopolis Group for the European Commission. However, it does not necessarily reflect the views of the European Commission.

[1] European Commission (2021). Communication on Updating the 2020 New Industrial Strategy, COM(2021)350 final https://commission.europa.eu/system/files/2021-05/communication-industrial-strategy-update-2020_en.pdf
[2] European Commission (2020). A New Industrial Strategy for Europe, COM/2020/102 final Commission Communication: A New Industrial Strategy for Europe | European Commission (europa.eu)

2. Advanced technologies fostering the green and digital transition of industrial ecosystems

2.1. Data sources

This chapter outlines a set of indicators that capture the capacities of EU Member States to generate technologies that foster the green and digital transformation of industrial ecosystems. Industries that are underpinned by a strong technology basis and supported by vibrant entrepreneurial communities have better conditions for success. The production of technology-based products indicates that technologies are commercialised, while a positive trade balance in technologies is a sign of international competitiveness.

Patent analysis is a widely used method for tracking technological development activities. With a view to industrial ecosystems under study in this project, technology generation and hence patenting takes place in a relatively limited number of ecosystems, while others mainly profit from technologies generated elsewhere. Technology development drives industrial transformation in a general way. The patent analysis is based on transnational patents, notably those filed through the WIPO PCT procedure[3] or at the European Patent Office[4] directly. They have been localised based on the address of the applicant. The different advanced technologies have been identified based on International Patent Classification (IPC) codes and keyword searches.

Trade data, more specifically export data, is a further relevant indicator to document industrial development at higher technology readiness levels. It informs on countries' competitive advantage in specific technology-based product areas. While somewhat simplistic, export strengths in certain technological areas still mark a specific relevance of technology relevant goods for the economy and remain among the reliable indicators of performance. The analysis focuses on trade balances based on UN Comtrade[5] statistics processed specifically for the purposes of this project. The trade balance can help reveal how nations are intricately involved in supply chains with substantial imports and relevant exports. By putting exports in relation to parallel imports, it is possible to assess whether a country displays strength in production.

Prodcom data[6] allows the monitoring of technology diffusion. Prodcom provides statistics on the production of manufactured goods carried out by enterprises on the national territory of the reporting countries. It helps measuring the uptake of technology through the production of manufactured goods by focusing on the specific components and elements enabled by green and digital technologies. Production data allows to measure to what extent technology-related products are being produced in the country. The production indicators are calculated based on product-level data from the Eurostat's Prodcom database.

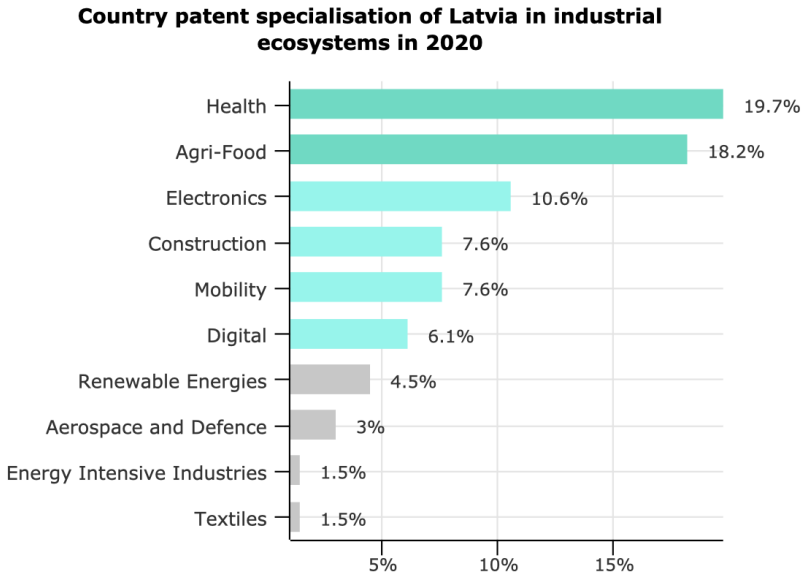
Crunchbase data[7] were used to analyse entrepreneurial dynamics and private equity and venture capital investment. Crunchbase is a widely trusted source of information on venture capital backed innovative companies. Technology startups represent key building blocks in the transition towards a more digital, green and resilient economic model. Entrepreneurial activity helps accelerate the diffusion of technologies in industrial ecosystems and startups that provide green and digital solutions are relevant indicators of how the industrial ecosystem is transforming itself to reach environmental sustainability objectives. More information about these data sources can be found in the methodological report of the project.

[3] World Intellectual Property Organization, WIPO Patent Cooperation Treaty (PCT) https://www.wipo.int/pct/en/
[4] European Patent Office, Supporting Innovation and Patents in Europe https://www.epo.org/en
[5] European Patent Office, Supporting Innovation and Patents in Europe https://comtradeplus.un.org/
[6] Eurostat, Eurostat PRODCOM-European Union Production and Trade Statistics https://ec.europa.eu/eurostat/web/prodcom
[7] Crunchbase, Business Information and Networking Platform https://www.crunchbase.com/

2.2 Technology development in industrial ecosystems

Regarding technology development, Latvia has been the most specialised in the Health and Agri-Food industrial ecosystems in 2020 as captured by patent data. In a global comparison, it ranked relatively well in Energy-Intensive Industries and Renewable Energies within the EU27 countries.

Figure 1: Latvia's country specialisation and world share (expressed in terms of ranking) in patent applications in industrial ecosystems



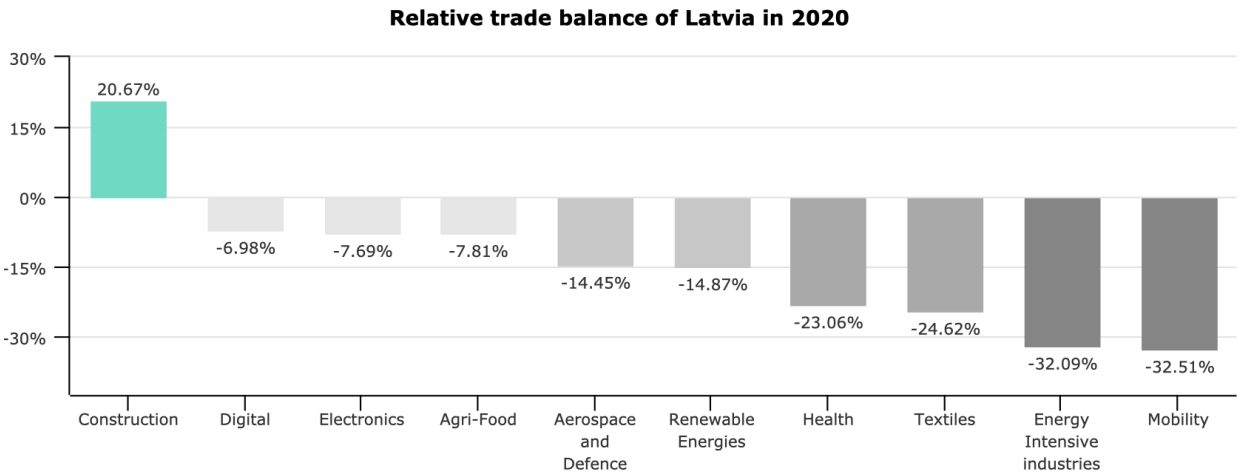
Ranking of Latvia within EU27 in terms of its share of global patent applications in 2020 (1 - best performer, 27 worst performer)

Energy Intensive Industries	**16**
Renewable Energies	17
Aerospace and Defence	20
Construction	23
Mobility	23
Agri-Food	24
Electronics	24
Health	25
Textiles	25
Digital	26

Source: Fraunhofer ISI based on Patstat

Trade is a common indicator of international competitiveness because it shows how attractive a country's products are outside of its domestic market. Total exports provide evidence about a country's role as a producer, and trade balance captures its sovereignty in certain areas of production. Figure 2 displays the trade balance in relation to overall trade volume by technology development in industrial ecosystems. Latvia registered a trade surplus in technology-based products related to Construction, in 2020.

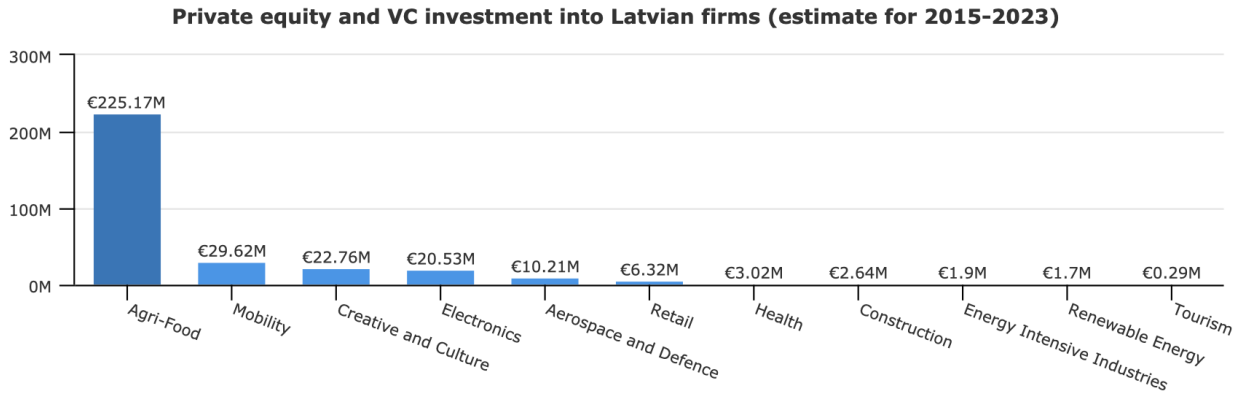
Figure 2: Trade balance in relation to overall trade volume ((exp - imp)/(exp+imp)) (2020)



Source: Fraunhofer ISI based on UNCOMTRADE

Most private equity and venture capital investment went into innovative Latvian tech companies operating in the field of Agri-Food and Mobility over the period from 2015 to 2023.

Figure 3: Private equity and venture capital investment into tech companies related to industrial ecosystems in Latvia

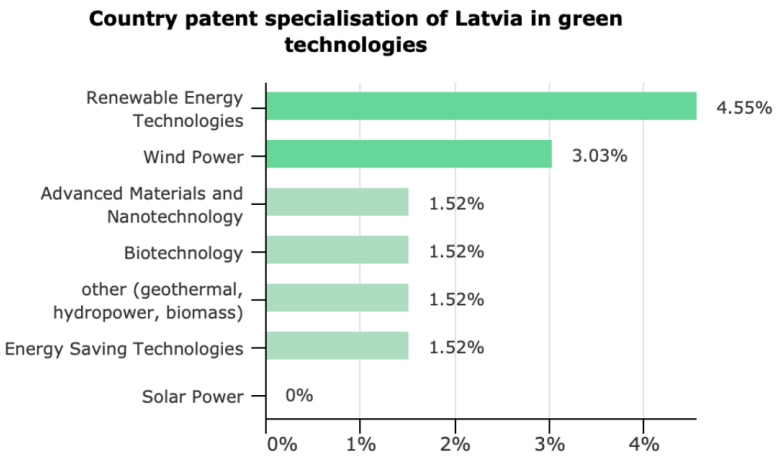


Source: Technopolis Group based on Crunchbase

2.3 Green transformation

Latvia had the highest country share in generating technologies related to Renewable Energy Technologies including Wind Power within its economy, which have the potential to drive the green transformation of its industries. In an international comparison, Latvia had some relative advantages in Energy Saving Technologies among the EU27 Member States.

Figure 4: Country share and world share (expressed in terms of ranking) in patent applications of Latvia



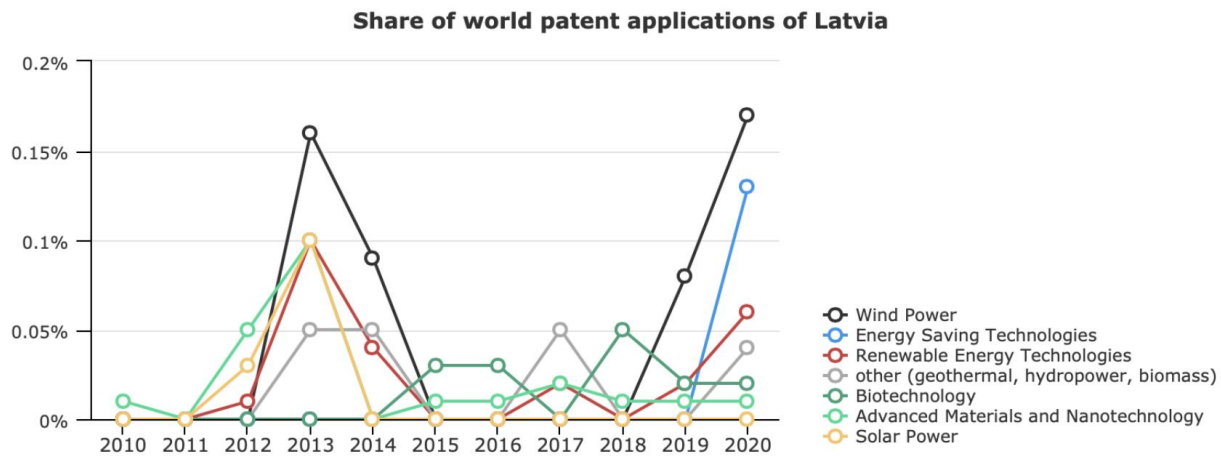
Ranking of Latvia within EU27 in terms of its share of global patent applications in 2020 (1 - best performer, 27 worst performer)

Energy Saving Technologies	**16**
Renewable Energy Technologies	18
Biotechnology	23
Advanced Materials and Nanotechnology	25

Source: Fraunhofer ISI based on Patstat

Trends in the world's patent applications show that Latvia increased its global share in various fields in particular in Wind Power and Energy Saving Technologies. Nonetheless, the results of the analysis show a stagnation in Latvia's global position in Biotechnology, Advanced Materials and Solar Power.

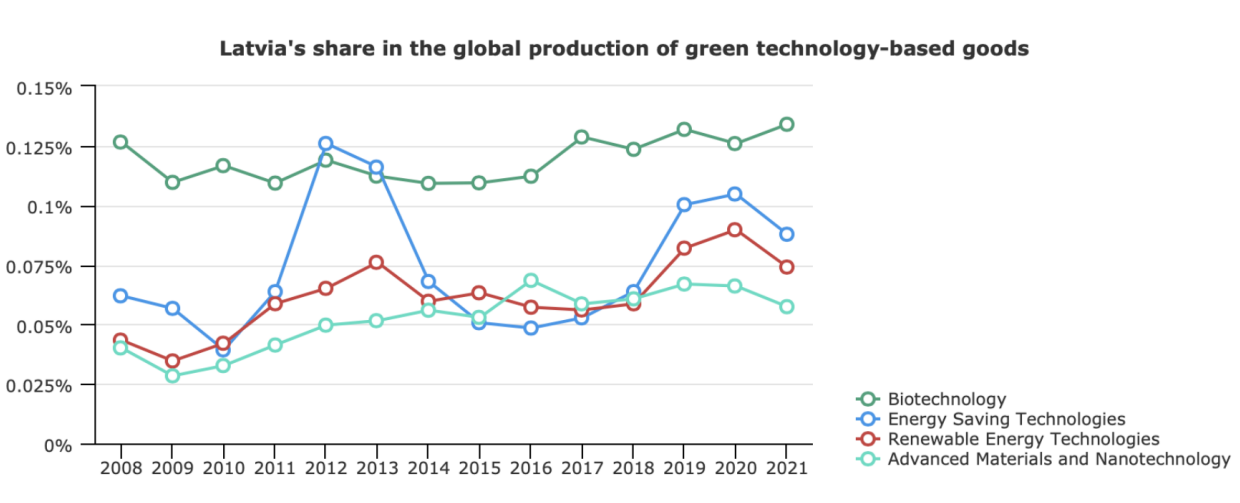
Figure 5: Trends over time in Latvia's share in world patent applications



Source: Fraunhofer ISI based on Patstat

The Prodcom-based indicator (as presented in the Figure below) measures the evolution of advanced technology related production in Latvia for a given year. The share of production in a certain technology over Latvia's total production indicates a positive trend in Biotechnology related products. Latvia has decreased its share in production in all other green technologies such as in Energy Saving Technologies, Renewable Energy Technologies and Advanced Materials over the period from 2020 to 2021, although it showed an increase until 2018/2019.

Figure 6: Production of advanced technology-based products in Latvia

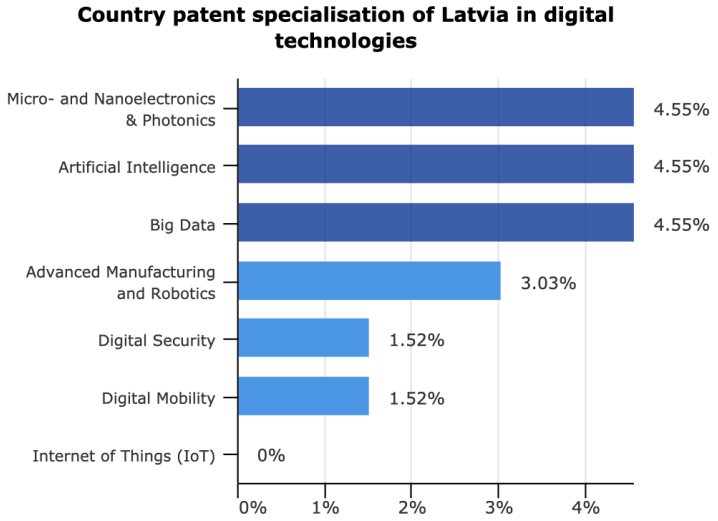


Source: IDEA Consult based on Prodcom data

2.4 Digital transformation

Among the digital technologies monitored in this project, Latvia had the highest country share of its patent applications in Big Data, Artificial Intelligence and Micro-and Nanoelectronics. It ranked relatively well in Big Data in terms of its world share of patent applications among the EU27 Member States.

Figure 7: Country share and world share (expressed in terms of ranking) in digital technology related patent applications of Latvia



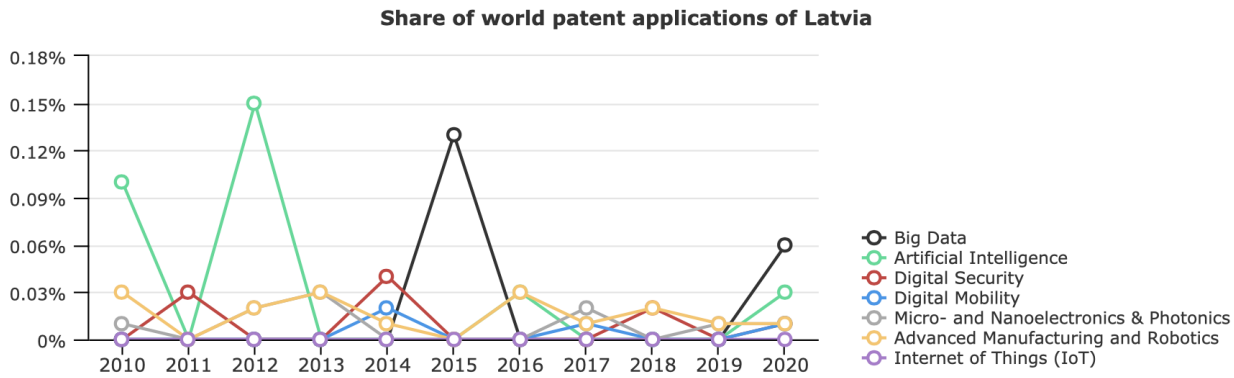
Ranking of Latvia within EU27 in terms of its share of global patent applications in 2020 (1 - best performer, 27 worst performer)

Big Data	**18**
Artificial Intelligence	21
Digital Mobility	21
Micro- and Nanoelectronics & Photonics	22
Internet of Things (IoT)	22
Advanced Manufacturing and Robotics	25
Digital Security	26

Source: Fraunhofer ISI based on Patstat

Trends over time indicate that Latvia decreased its global position in various digital technology fields over the period from 2010 to 2020, nonetheless there are recent positive trends that show a recent increase in Big Data and Artificial Intelligence.

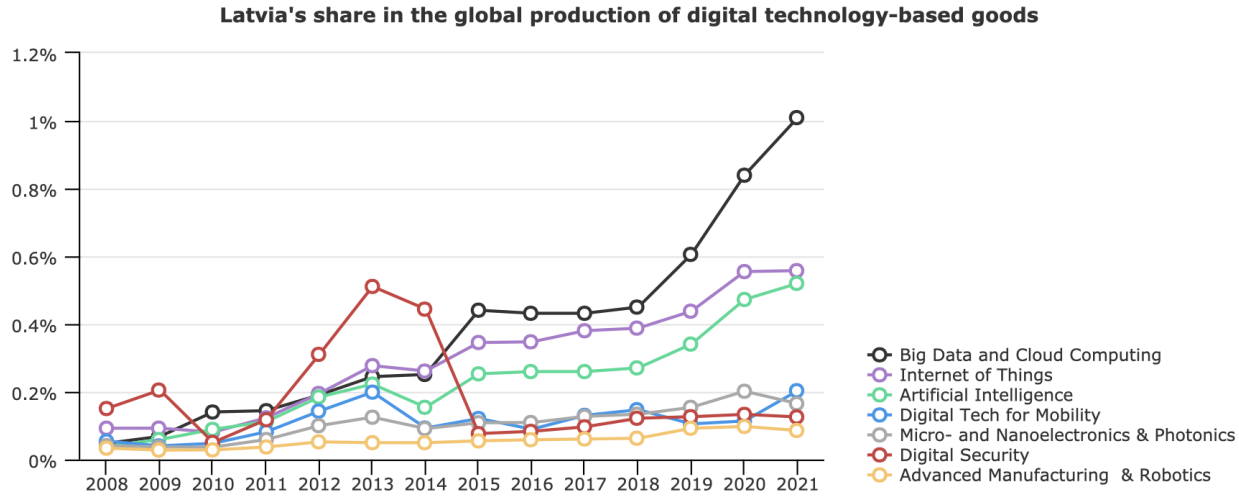
Figure 8: Trends over time in Latvia's share of world patent applications



Source: Fraunhofer ISI based on Patstat

The Prodcom-based indicator measures the share of Latvia in advanced technology-related production for a given year. The share of production in a particular technology over Latvia's total production indicates that it has the largest share in the field of Big Data, the Internet of Things and Artificial Intelligence technology related products. In most of the technologies, Latvia has increased its production over time.

Figure 9: Production of advanced technology-based products in Latvia



Source: IDEA Consult based on Prodcom data

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