

Transport logistics

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Latvia is a well-situated place for organizing transit and logistics between the European Union, Asian and other world continent markets.

The operators of the Latvian ports, railway, road carriers, custom warehouses, broker, and logistics centers as well as shipping and forwarding agents and oil and oil product pipelines provide effective and competitive services. The transit and logistics sector contributes about a quarter of total service export. Accordingly, this sector attracts government and business level attention, and significant investments in the transport infrastructure – ports, railway, and roads – are firstly made to those transport corridors that are used for transit purposes.

Operators of ports, railway, road hauliers, customs warehouses and brokers, logistics centers, as well as ship agents, oil and oil product pipelines, freight forwarders provide efficient and competitive services. The transport logistics sector administers about 40% of service export into Latvia's economy. For this reason, special attention is paid to it at both national and company level, and the largest investments in transport infrastructure - ports, railways and roads - are first invested in usable transit directions.

In 2022, 48,1 million tons of cargo were handled in Latvian ports. Regular ferry traffic connects Latvia with Swedish and German ports. Container lines give opportunities for container transportation to many other Baltic Sea ports and further ports in the European Union.

The railway system provides cargo transportation for CIS and Asian countries with direct exit to Latvian ports in the European Union. In 2022, more than 21.5 million tons of freight were transported by rail. 71,8% of railway transportation is carried in transit through ports, 9.7% by land and 7.8% domestic freight. The most important road, rail, port and airport routes are included in the European Union's Trans-European Transport Network (TEN-T).

The Latvian transit corridors are also included in other international transport networks: UNECE European Agreement on Main International Traffic Arteries (AGR), European Agreement on Main International Railway Lines (AGC), European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), The Euro-Asian Transport Links (EATL) and Organization for Co-operation between Railways (OSJD) networks.

Latvia considers development of effective, safe, multimodal, balanced, environmentally friendly and competitive transport system as priority. The same goes for attraction of new transit cargo volumes, growth of distribution and logistics centers and increase of cargo added value.

Latvia's transport infrastructure

Latvian transit corridor consists of three ports: Riga, Ventspils and Liepāja, which are connected to the roads and railways of the TEN-T network, as well as two oil and one oil product main pipeline to Ventspils. The state policy on port development and operation of all ports is coordinated by the Latvian Port, Transit and Logistics Council.

The major ports mainly ensure handling of transit cargos. Riga and Ventspils ports have status of Freeport, whereas Liepāja's port is part of the Liepāja Special Economic Zone (SEZ). Companies working in the Freeport and SEZ can apply not only for 0% rate regarding customs duties, excise tax and VAT, but also for tax allowances up to 80% for company income tax and up to 100% for immovable property tax. Ports are actively implementing different investment projects related to construction and development of industrial and distribution parks, thus attracting investments, promoting added value, developing production, increasing the scope of services and creating new jobs.

Smaller size ports – Skulte, Mersrags, Salacgrīva, Pāvilosta, Roja, Jūrmala and Engure – are mainly working with shipping wood

material and receiving fishing products, also serving as yacht ports during summer. Small ports currently form a stable position in Latvian economy and have developed into regional economic activity centers.

Achievements

Latvia is taking an active part in the development of the European Union transport policy and European Union international trade activities.

Lately a lot has been done for progress of transport logistics services:

Latvia has fully implemented the European Union custom regulations for import, export and transit of goods between the European Union and third countries.

Our main transport infrastructure projects are included in the TEN-T network, attracting major investments including European Union's financial support.

In order to promote development of new logistic centers and attract new cargo flows, a favorable tax regime has been created for those seeking to import goods to the European market, foreseeing a possibility to import goods to Latvia and clearing them of customs without paying the VAT and store cleared goods in the distribution center until receiving a request for specific goods from specific store in other Member State.

Border checkpoints corresponding to European Union requirements have been created in ports and railway.

We are actively participating in Northern Dimension Partnership for Transportation and Logistics, defending Latvian interests and projects and looking for solutions to improve Latvian transit.

The container train „Baltika – Transit” is a regular route since 2003, connecting Baltic State ports with Kazakhstan, Kirgizstan, Tajikistan, Uzbekistan and Turkmenistan.

We are actively working to enable companies from Central Asia to send cargos to Scandinavian market and to ensure cargos for container train Baltika-Transit in both directions.

Together with other countries we are working on development of new container train routes in the Eurasian transport corridors.

In November 2016 the first container train from Chinese city Yiwu arrived at Riga railway station, crossing more than 11000 km in just 12 days.

The Yiwu commercial platform “Yiwu Timex Industrial Investment Co.” has included Riga in its map as one of the global routes for transporting goods and considers railway as the most perspective way for transporting cargos to Europe.

We have proved our ability to organize the reverse flow.

In May 2017 we sent two container train contents from Riga to Kashgar city in China.

The USA decision to use the Latvian transport infrastructure for sending non-military cargos to Afghanistan is considered as a high assessment of the Latvian transit sector companies' professionalism. There were regular cargo transportations to Afghanistan since 2009. A great work has also been done in attracting cargos from other NATO Member countries in transit through Riga port and airport.

In order to promote attraction of new cargos and investments, a Logistics council was established in 2014 at the initiative of the Ministry of Transport of Latvia. Its main task is to cooperate with the private business sector in order to ensure development of integrated proposals and targeted attraction of new clients to the Latvian transport and logistics sector. The Council consists of representatives from the Ministry of Transport, Latvian Railway company, the three largest ports – Riga, Ventspils and Liepaja, the International Riga Airport as well as transit and logistics associations, representing around 650 companies.

In order to strengthen the competitiveness of the Latvian logistics sector, a lot has been done in solving customs related issues with the support of the government – several additions have been made to the customs legislation regarding

temporary storage of goods, appliance of the customs "transit" procedure, simplified declaration, security for excise tax, customs warehouses, merging the customs and tax guarantee, merging warehouses with different statuses, facilitating conditions for fiscal representative activity, action after finding disparity between the imported goods and their documentation.

In April 2015 we organized a meeting of Transport ministers from ASEM countries and a Business Forum in Riga.

On November 24, 2015 in Suzhou, China at the 16+1 summit, Latvia was entrusted with coordinating the field of logistics. In 2016, a 16 + 1 Logistics Secretariat was established in the Ministry of Transport, incl. 16 + 1 coordination format internet platform. In May 2016, the first 16 + 1 meeting of Transport Ministers took place in Riga. By the next year, a 16 + 1 logistics Focal Point meeting was held in Riga, Latvia but in 2018 in Chengdu, China. In order to successfully use the opportunities provided by the status of the coordinating country in the field of logistics, as well as gained recognition and popularity, specialized transport attachés of the Ministry of Transport have been working in China and Kazakhstan since April 2016. In 2019, Greece joined the format creating 17 + 1.

A Secretariat for logistics coordination has been established under the leadership of the Ministry of Transport, including an internet platform for 16+1 logistics coordination. In order to fully benefit from the recognition provided by the role of the logistics coordinator, particularly in the context of the Silk Road development, there are specialized transport attachés of the Ministry of Transport working in China in Kazakhstan since April 2016.

On August 11, 2022, Latvia, after evaluating the current priorities of foreign and trade policy, has decided not to participate in the framework of Cooperation between China and Central and Eastern European Countries, continuing to strengthen further cooperation with China bilaterally and within the framework of EU-China cooperation. Latvia has stopped participating in this format together with Estonia. Lithuania quitted the format already in May 2021.

In April 2019, a new industry brand VIA LATVIA and the internet platform vialatvia.com were created, which combine the transport and logistics offer of Latvia according to the "one window" principle.

Manufacturing is increasingly developing in ports as well as added value of goods and services is growing. Already in 2019, the largest Latvian ports had more employees in industrial production companies than in port terminals. This trend continued in 2020. New companies have been established in Ventspils and Liepāja ports, production facilities have been expanded and developed. The digitization of port processes has been started in the port of Riga, the turnover of cargo delivered by road has increased, and port infrastructure is being evolved and improved.

Future priorities

Today's main priority of Latvian transport sector is cargo diversification. It is also very important to increase container cargo volumes in our ports. These priorities arise from global transport business and geopolitical situations. It is crucial to develop container trains between Asia and Europe as well as the development of sea container line routes in the Baltic Sea and North Sea regions in order to promote intermodal sea-rail transport services between Europe and Asia through Latvian ports. It is necessary to build new logistics routes between Latvia and Ukraine through Poland, using both rail and road transport. Cargo distribution in the Baltic Sea Region should be ensured, using the existing Latvian port infrastructure and all modes of transport and creating closer logistics chains with the closest neighbors of the region. Rail freight transportation between the Baltic States should be strengthened, with the main focus on container transportation and the transfer of cargo from the road transport to rail, as a more environmentally friendly mode of transport. The construction of the Rail Baltica railway line should go forward. This will provide a railway connection with Central and Western Europe, as well as the railway connection to Ukraine, the Black, Aegean and Adriatic seas through Poland.

We are actively cooperating with both producers all over the world, as well as trading and global supply chain operators in Europe in order to convince them of the Latvian logistics advantages to attract new cargo flows and investments.

It is also crucial to take a leading position in development of logistics center in the Baltic States. Along with the transport growth trends in the European Union, it is important to create an attractive combined transport system. It is related to both legislation and infrastructure. We have started actively cooperating with Central Asian and other Asian countries in order to attract transit

cargos to Latvian ports. There is also an ongoing cooperation with colleagues from China on development of container trains. We also cooperate with cargo owners and logistics service providers in Northern and Western Europe to attract cargo from Europe to Asia. Latvia has good advantages to create new logistics centers in three big ports, as well as around the upcoming Rail Baltica Salaspils Intermodal Terminal, in order to strengthen regional goods distribution and develop production.

At present, it is important for Latvia to pay special attention to attracting new cargo and investments from new markets. Currently, active work is underway with China, Central Asia, Ukraine, as well as other European, Asian and world countries to make Latvia as essential cargo attraction, production and distribution center in Northern Europe, which is well integrated into global logistics chains with various multimodal transport corridors.

Further perspectives

One of the main priorities is the development of Latvian logistics and distribution business. Our main goal is to attract more mass-consumption goods with higher added value to develop logistics centers, storehouses and distribution business in Latvia. Conceptual approach provides distribution of goods in 24h from storehouse to any store in the Baltic States and even Helsinki, Stockholm or Warsaw, but within 48h we can deliver cargos to client anywhere in Scandinavia.

In this field we see great perspective to attract cargos from China, Japan, Korea other Asian countries, including Central Asian countries as well as Turkey. Due to the crisis, several customs and tax reliefs have been implemented in order for distribution of goods to be a smooth and without delays process. Of course, this sector is subjected to many external aspects. In order to promote further development of the distribution business, in addition to attracting transit cargo, it is also important to promote the attraction of new manufacturers from Europe, Asia, North America and other countries to produce new products in Latvian ports and Special Economic Zones.

Legislation

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