



LATVIA – 2023

Key findings

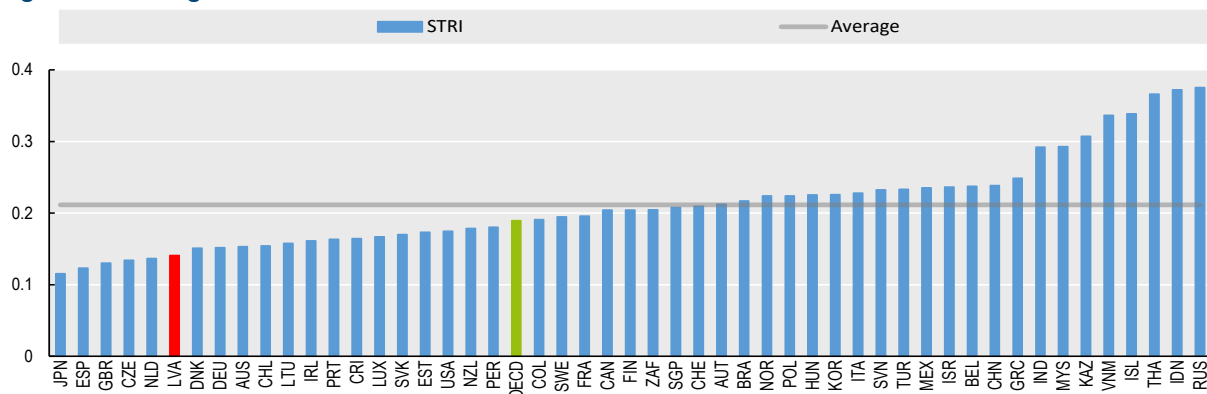
- The 2023 STRI of Latvia is below the OECD average and relatively low compared to all countries in the STRI sample. The indices remained unchanged compared to 2022.
- Latvia's regulatory environment for services has been relatively stable over the past years.
- Legal services is the most open sector in Latvia compared to sectoral world averages, whereas air transport is the most restricted.
- Despite the overall favourable environment for services trade, some restrictions remain related to the movement of people, including restrictions to the duration of stay for foreign services suppliers, and the relatively burdensome procedures to obtain a business visa.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies

The 2023 STRI of Latvia is below the OECD average, and relatively low compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023ⁱ



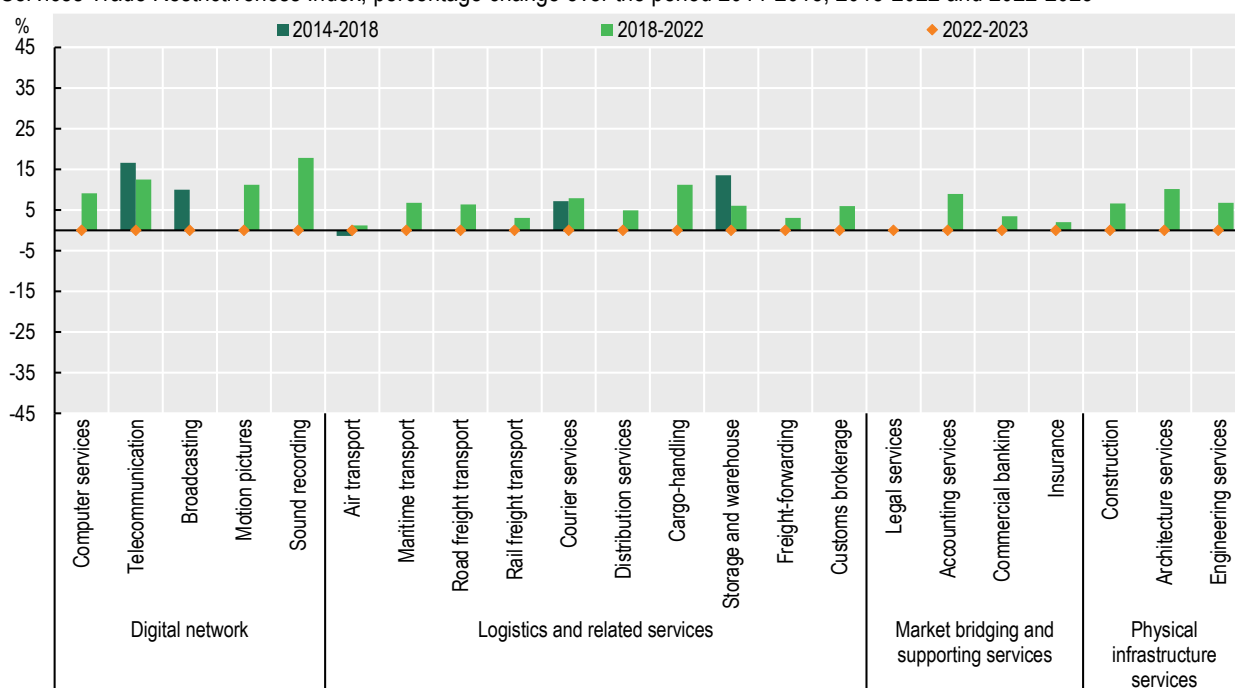
OECD (2023). STRI and TiVA databases.

The 2023 index can be explained in large part by economy-wide restrictions. For instance, natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees are subject to wage parity requirements. For independent services suppliers, the duration of stay is limited to 12 months on their first entry permit. Latvia restricts natural or legal persons from non-EU countries from acquiring land in Latvia's border areas. The standards for cross-border transfer of personal data are set at the EU level. Transfers to non-EEA economies can take place when these ensure an adequate level of data protection or, in the absence of this, appropriate safeguards are in place, e.g. binding corporate rules or standard data protection clauses. Finally, the mandatory period to publish adopted laws prior to entry into force is significantly less than best practice.

Since 2014, Latvia has tightened regulation in a few sectors, such as in telecommunications and broadcasting services, with the introduction of investment screening mechanisms in 2017 (Figure 2). The STRI score also increased for logistics storage and warehouse services in 2016 due to the introduction of economic needs tests for issuing licenses in the sector. Furthermore, Latvia removed schedules for airport use for passenger carriers in 2018. The tightening of the STRI for the telecommunication sector in 2021 captures the introduction of EU-wide termination rates which generally do not apply to calls originating from countries outside of the EU. Finally, the STRI increased for all sectors except broadcasting and legal services in 2022 due to new EU-wide measures affecting access to procurement markets. In 2023, the indices remained unchanged compared to 2022.

Figure 2. Evolution of STRI indices by sector in Latvia

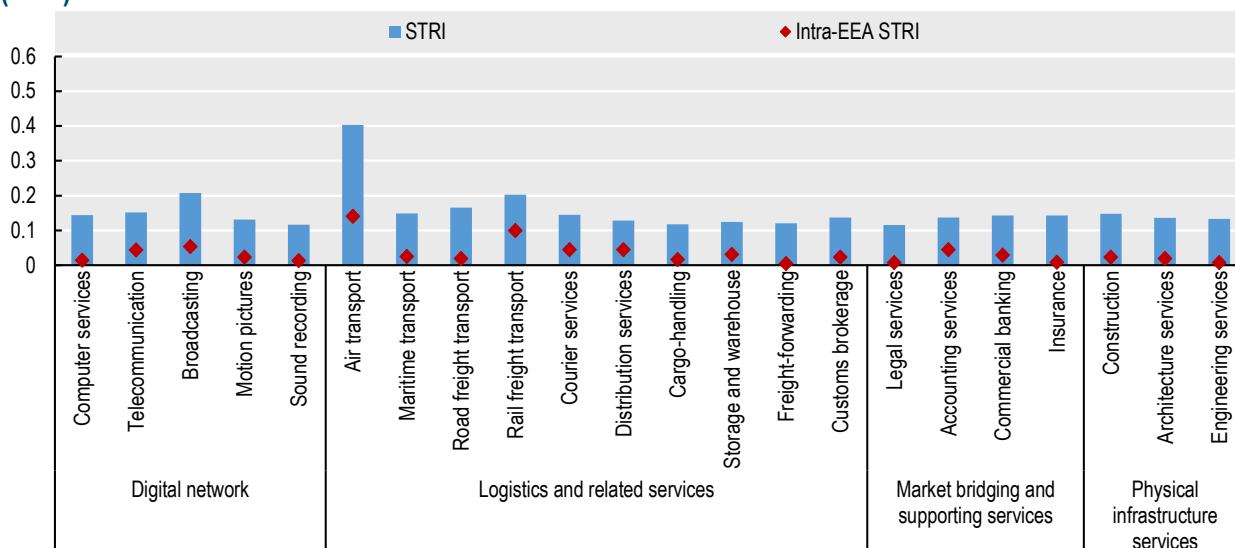
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



OECD (2023). STRI database.

Services trade barriers are significantly lower within the European Economic Area across all services sectors (Figure 2b). Latvia maintains an open market for services suppliers from other EU Member States.

Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



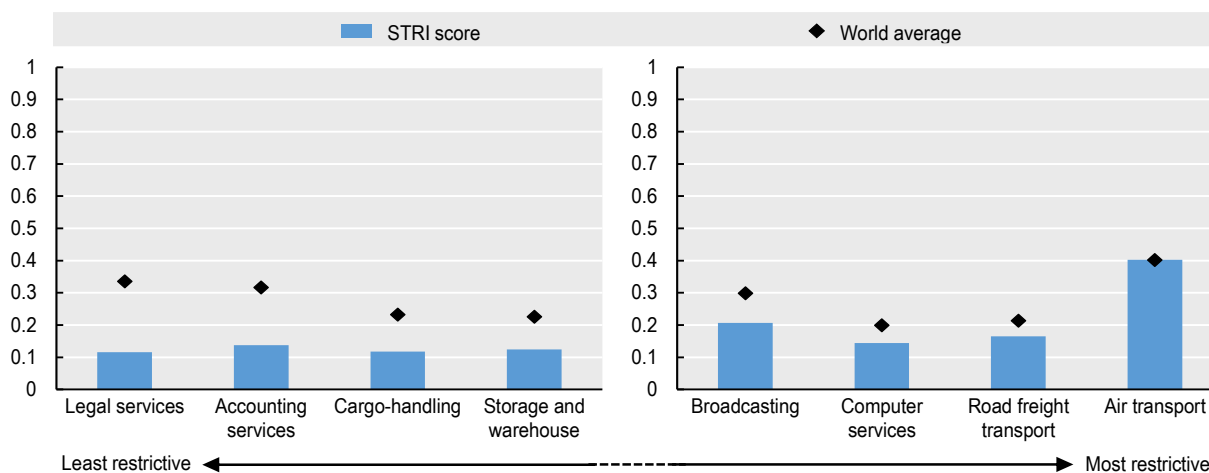
Note: The traditional STRI indicates the level of restrictiveness on a most favoured nation (MFN) basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden).

Source: OECD (2023). STRI database.

Figure 3 ranks Latvia's sectors relative to the respective sector's world average. Legal services, accounting services, logistics cargo-handling and logistics storage and warehousing services are the

sectors with the relatively lowest score. Conversely, broadcasting services, computer services, road freight transport and air transport are the sectors with the relatively highest score.

Figure 3. Sectoral breakdown - The least and most restricted sectors in Latvia compared to world average



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

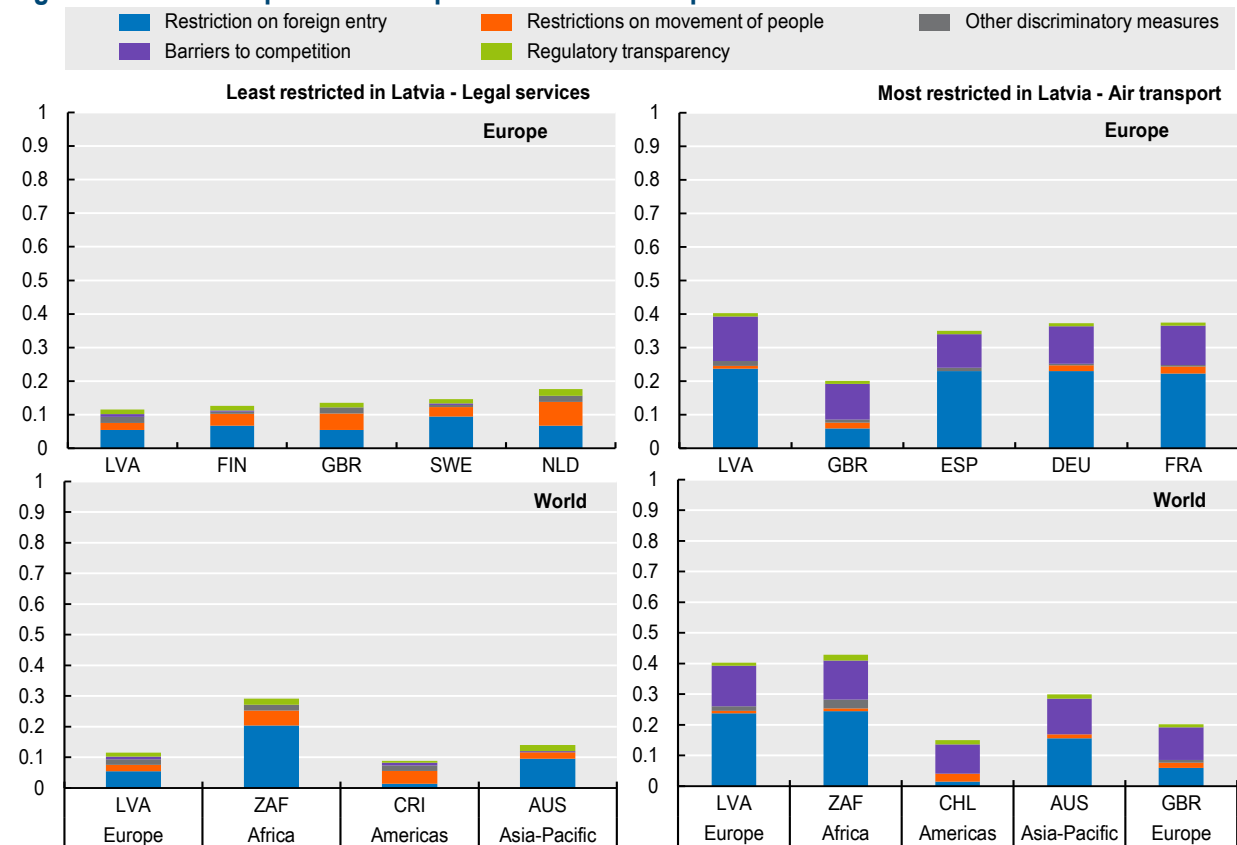
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2023). STRI database.

Legal services are the least restricted in Latvia compared to the average STRI across all countries. The composition of the indices suggests that relatively low restrictions on the movement of people, as well as in the area of regulatory transparency, have had an impact compared to other European countries. Examples of good practices in the sector are that licenses for lawyers are not subject to residency nor domicile requirements, and that foreign professionals are not required to take a local examination.

On the other hand, air transport is the most restricted service sector in Latvia compared to the average STRI across all countries. Restrictions on foreign entry are significant compared to best performers. Some of the measures that contribute the most to the score include a limit to foreign equity in airlines, which is set to 49% in line with EU-level regulation (Figure 4).

Figure 4. Latvia compared to Europe and World's best performers



Source: OECD (2023). STRI database.

Recent policy changes

In 2022, Latvia adopted a new law on Electronic Communications, which transposes the 2018 EU directive establishing the European Electronic Communications Code.

Other recent reforms in Latvia include those due to changes in EU law. In August 2022, Regulation 2022/1031 (EU) entered into force, aiming to regulate access of third-country (non-EU) goods and services to the EU's public procurement and concession markets. At this stage, no implementing act restricting access to the EU procurement market has been adopted by the European Union. The Regulation applies to public procurement and concessions where the EU has not undertaken market access commitments in an international agreement.

In air transport, a series of temporary rules allowing airlines to retain historic slots, despite not using their slots according to the 80/20 grandfathering rule, were in place from 1 March 2020 to 25 March 2023 on grounds of reduced air traffic levels due to the COVID-19 pandemic. As of 26 March 2023, such slot relief rules are no longer in force.

In telecommunications, maximum Union-wide voice termination rates defined by Commission Delegated Regulation (EU) 2021/654 took effect on 1 July 2021. These maximum termination rates do not, however, generally apply to calls originating from countries outside the EU.

From 1 July 2021, the EU abolished the VAT de minimis regime for goods valued under EUR 22. In maritime transport, Commission Regulation (EU) 2020/436 extended the existing block exemption to liner shipping consortia from competition law until April 2024.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about [Services Trade Policies and the Global Economy](#)
- » More information about measuring the regulatory environment for services trade in the Intra-EEA region: oe.cd/intraeeaSTRI
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

¹Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2023. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.