



# OECD Services Trade Restrictiveness Index (STRI)

## LATVIA – 2022

### Key findings

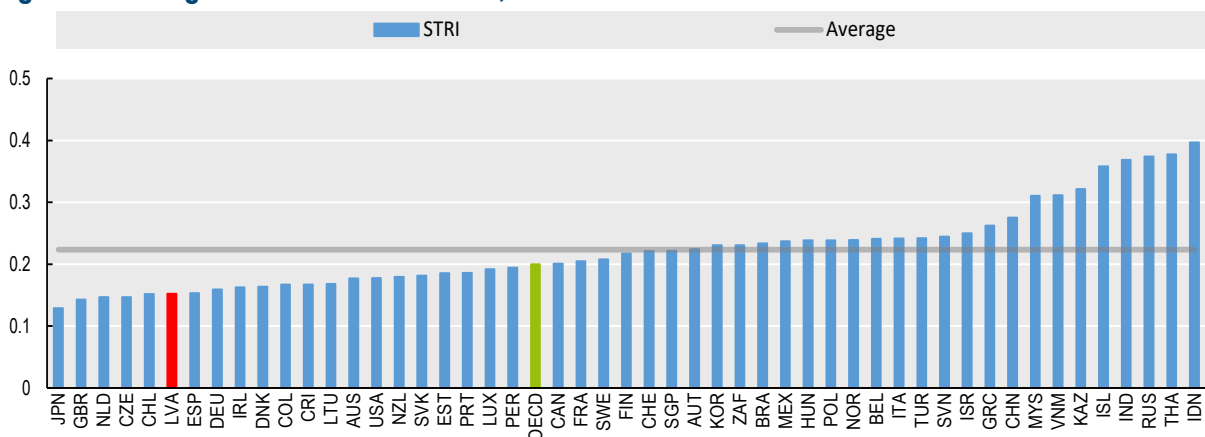
- The 2022 STRI of Latvia is below the OECD average, and low compared to all countries in the STRI sample. The indices have increased slightly compared to 2021.
- Legal and accounting services are the most open sectors in Latvia compared to sectoral world averages, whereas air and road freight transport services are among the most restricted.
- Despite the overall very favourable environment for services trade, 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.

### Recommendations

- Open and well-regulated services markets are essential to facilitate economic recovery, strengthen resilience to future shocks, and promote a more sustainable trading system. To ensure that the benefits of open markets and a rules-based international trading system are preserved, policy makers should focus on minimising barriers that increase trade costs for services providers, weaken the gains from digital transformation and undermine competitiveness.

The 2022 STRI of Latvia is relatively low compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2022



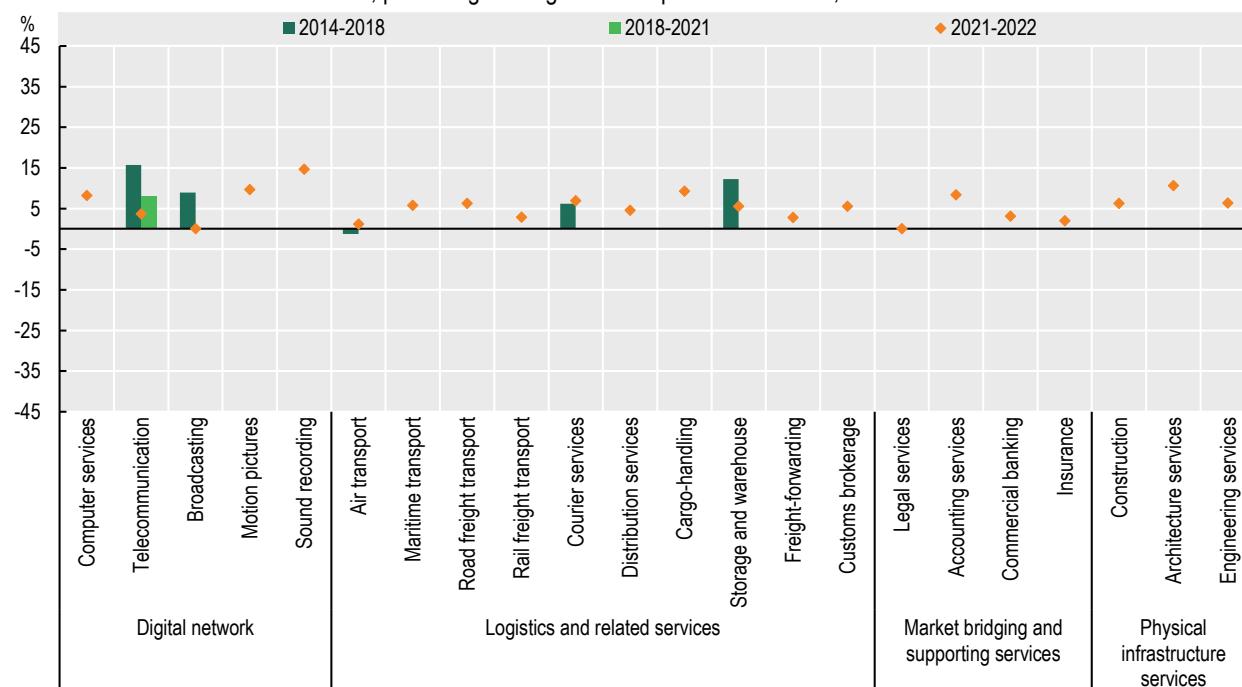
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2022. 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. Source: OECD (2022). STRI and TIVA databases.

The 2022 index can be explained in large part by economy-wide restrictions, including regulations on 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 (e.g. binding corporate rules or standard data protection clauses) are in place. Finally, the mandatory period to publish adopted laws prior to entry into force is significantly less than best practice.

Since 2014, Latvia has also tightened regulation in a few sectors, most notably in telecommunications and broadcasting services with the introduction of investment screening mechanisms in 2017 (Figure 2). The STRI score increased for 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.

**Figure 2. Evolution of STRI indices by sector in Latvia**

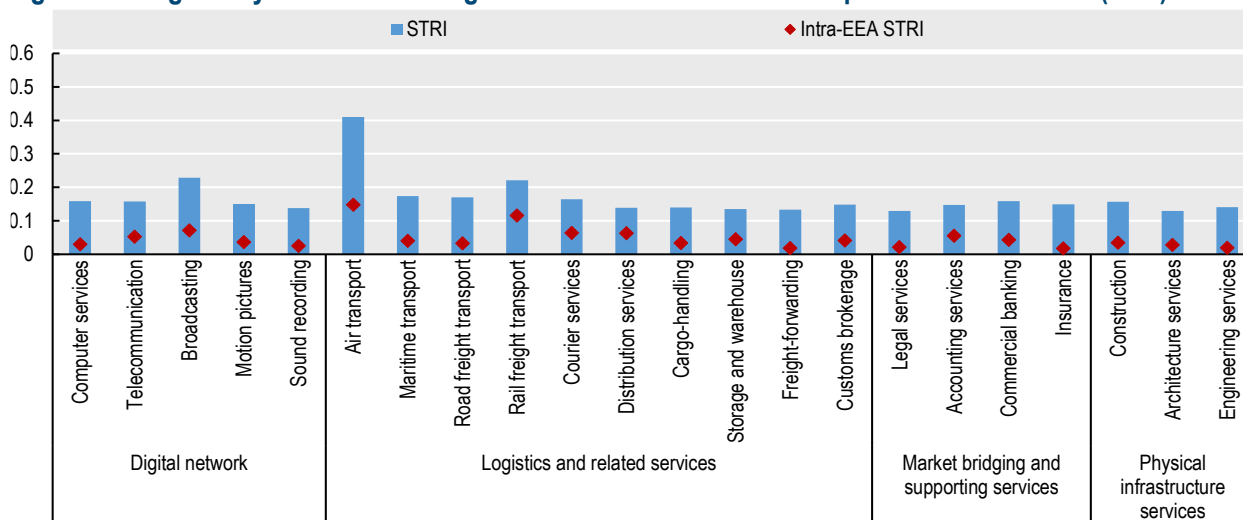
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2021 and 2021-2022



Source: OECD (2022). 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.

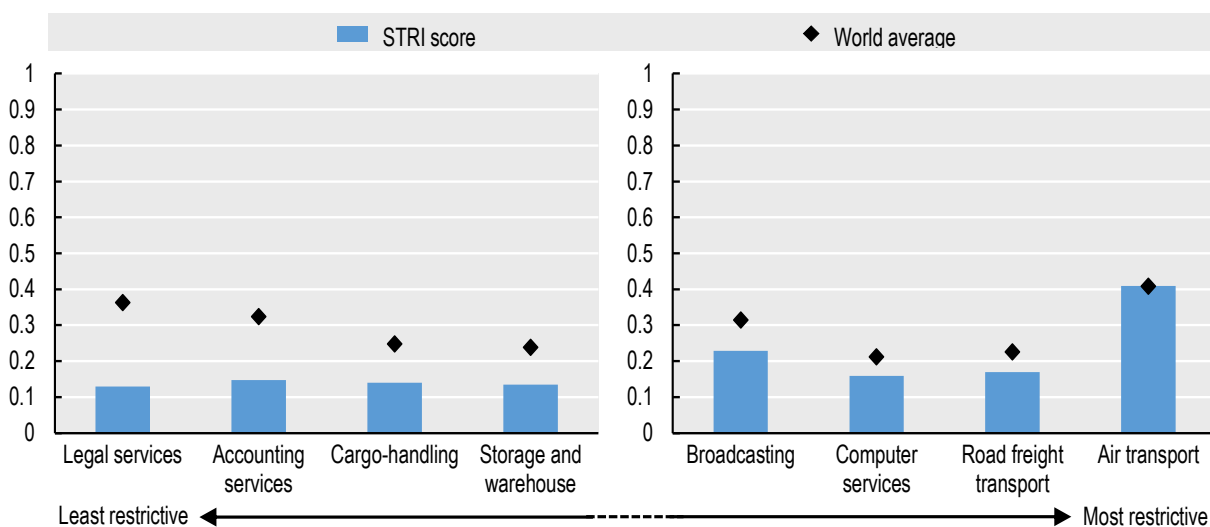
**Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)**



Note: The traditional STRI indicates the level of restrictiveness on a Most-Favoured Nation 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 (2022). STRI database.

Legal services, accounting services, logistics cargo-handling and logistics storage are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Broadcasting, computer services, road freight transport and air transport are the sectors with the highest score relative to the average STRI across all countries.

**Figure 3. Sectoral breakdown - The least and most restricted sectors in Latvia**



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

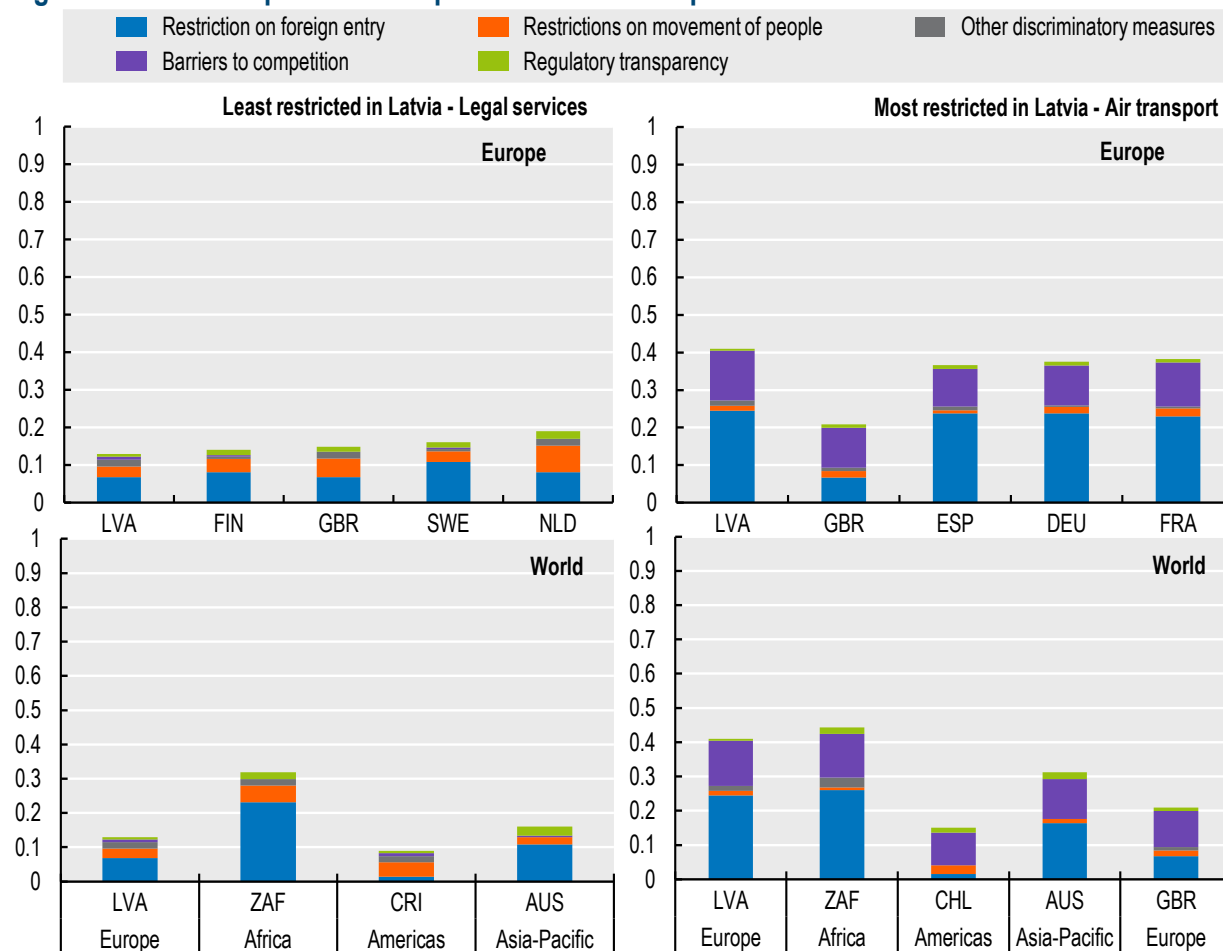
i.e.  $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2022). STRI database.

Legal services are the least restricted in Latvia compared to the sample average. The composition of the scores suggests that relatively low restrictions on movement of people as well as in the area of regulatory transparency have had an impact compared to other countries. Licenses for lawyers are not subject to residency nor domicile requirements, and foreign professionals are not required to take a

local examination. Air transport are the most restricted services sector in Latvia. Restrictions on foreign entry are significant compared to best performers. Some of the measures that contribute the most to the score include limits to maximum foreign equity in airlines which is set to 49% in line with EU rules and applies to international cargo and passenger air transport services (Figure 4).

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



Source: OECD (2022). STRI database.

## Recent policy changes

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

From the 1st of July 2021, the EU abolished the VAT de minimis regime for goods valued under 22 EUR. The STRI database reflects this reform though policy changes under distribution, courier and logistics services. On 18 December 2020, the European Commission adopted a Delegated Regulation setting single maximum Union-wide voice termination rates in line with the European Electronic Communications Code. The rates generally do not apply to calls originating from country numbers outside of the EU. The Regulation has been effective from 1 July 2021.

In the context of the COVID-19 pandemic, EU Regulation 2020/459 waived the 80/20 grandfathering rule for airport slot allocations. In December 2021, the Commission adopted an extension to the slot relief rules to cover the 2022 summer scheduling season, running from 28 March 2022 until 29 October 2022. In maritime transport, Regulation 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 their impacts in [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at [stri.contact@oecd.org](mailto:stri.contact@oecd.org)>