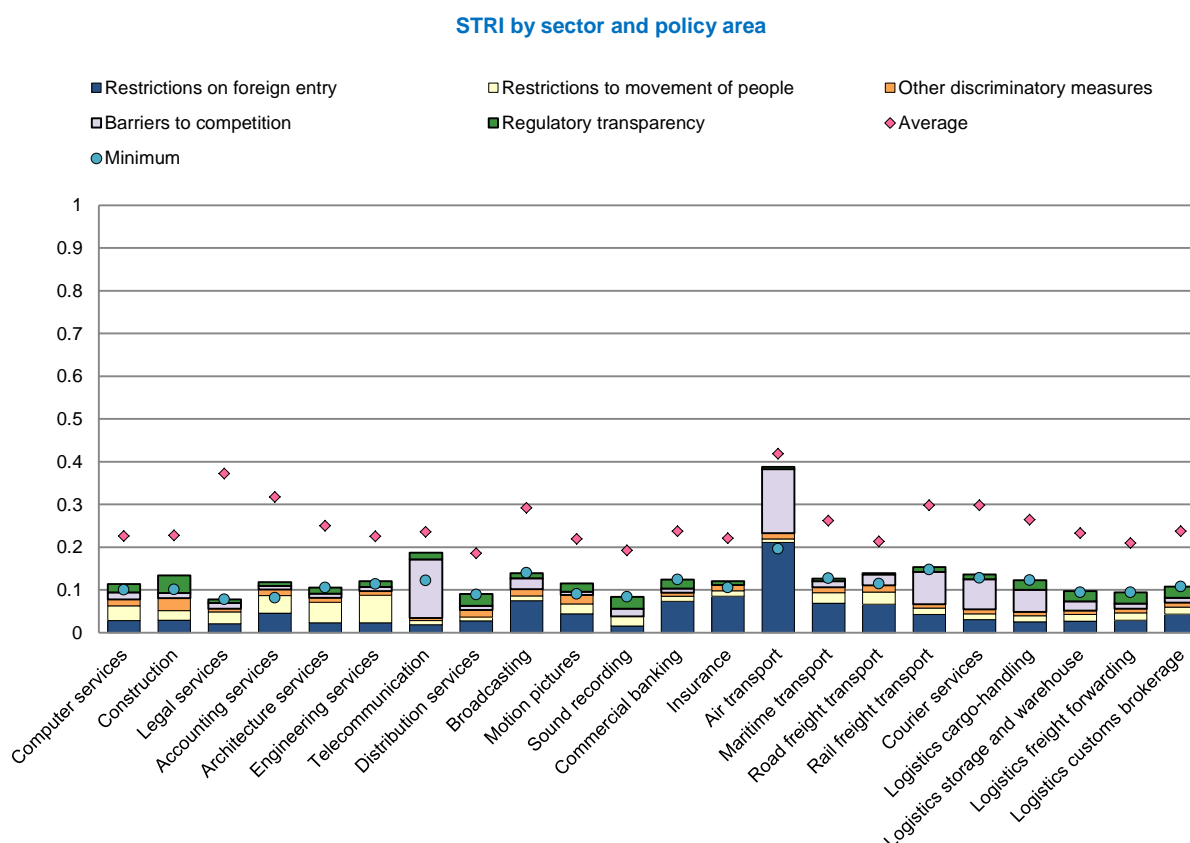


OECD Services Trade Restrictiveness Index (STRI): Latvia

Latvia exported services worth USD 4.5 billion and its services import value was USD 2.5 billion in 2015. Transport services are the largest services exporting and importing sector. Latvia's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 44 countries included in the STRI database for each sector.



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Latvia scores well below the average in all sectors, but comes close to the average in air transport services. Latvia is among the most open to services trade in the sample of 44 countries in legal services, distribution, and sound recording. Latvia applies labour market tests - natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees are required to apply wage parity with local employees. For independent services suppliers the duration or stay is limited to 12 months on their first entry permit. A minimum amount of capital must be deposited in a bank or with a notary in order to register a limited liability company. Latvia restricts natural or legal persons from non-EU countries from acquiring land in the territories in Latvia's border area. The standards for cross-border transfer of personal data are set at the EU level. Transfers to non-EEA economies can only take place when these ensure an adequate level of protection that is substantially similar to that required in the EU or when private data processors, both senders and receivers, establish various safeguards approved by the data protection authorities. Finally, the legal obligation to publish final and voted law prior to entry into force (one day) is significantly less than best practice.

The sectors with the relatively lowest STRI scores

Legal services, accounting/auditing and courier services are the three sectors with the lowest score relative to the average in Latvia. Legal services are affected mostly by the general regulatory framework. Sector-specific measures include regulated fees and limitations on advertising. A license is mandatory only for lawyers practicing as defence lawyers in criminal court. In the accounting/auditing sector, only auditing is regulated. Majority of board of directors in an auditing firm must be licensed professionals. To become a licensed professional in Latvia, foreign professionals are required to take a local examination. In courier services, besides the general restrictions, Latvian Post, is state-owned, prices are regulated and quality/performance standards outside universal services are required.

The sectors with the relatively highest STRI scores

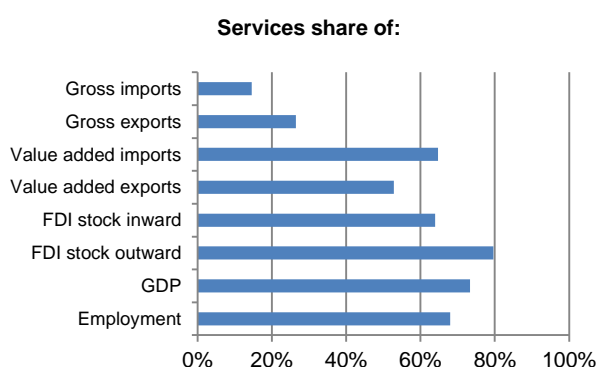
Road freight transport, air transport and telecommunications are the three sectors with the highest score relative to the average in Latvia. In the air transport services sector, Latvia employs foreign equity restrictions as a result of common European Union (EU) regulation. Pursuant to this regulation, non-EU nationals cannot own more than 49% in Latvian airlines. The EU-wide exemption of certain airline arrangements from competition law and regulations on airport slot allocation and slot trading further contribute to the score in this sector. Also the main air carrier is fully controlled by the government. Also road freight transport is subject to EU regulation that requires EU residence for the manager of a road transport operator and partly exempts road carrier agreements from anti-trust regulation.

In telecommunications services, the state holds controlling share in companies providing fixed and mobile telecommunication and internet services. In companies in which the state holds shares, board members must be fluent in the official language and satisfy specific qualification requirements. In 2014 the regulator identified suppliers with significant market power in all three market segments, but some elements are missing in the pro-competitive obligations imposed on suppliers with significant market power, notably lack of regulation on transparency. Finally, the universal service supplier since 2003 is “Lattelecom”, and there is no competitive bidding for this market.

Recent policy changes

No significant policy changes are recorded for the period 2015-16.

Efficient services sectors matter



Services account for 27% of Latvia’s gross exports and 52% in value added terms, indicating that Latvia’s exports of goods rely intensively on services inputs. The services share in GDP is more elevated than in employment, indicating that labour productivity is higher in services than in other sectors. Latvia could further enhance the efficiency of its economy by prioritising reforms that increase competition in services sectors, notably in insurance and communication sectors.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org