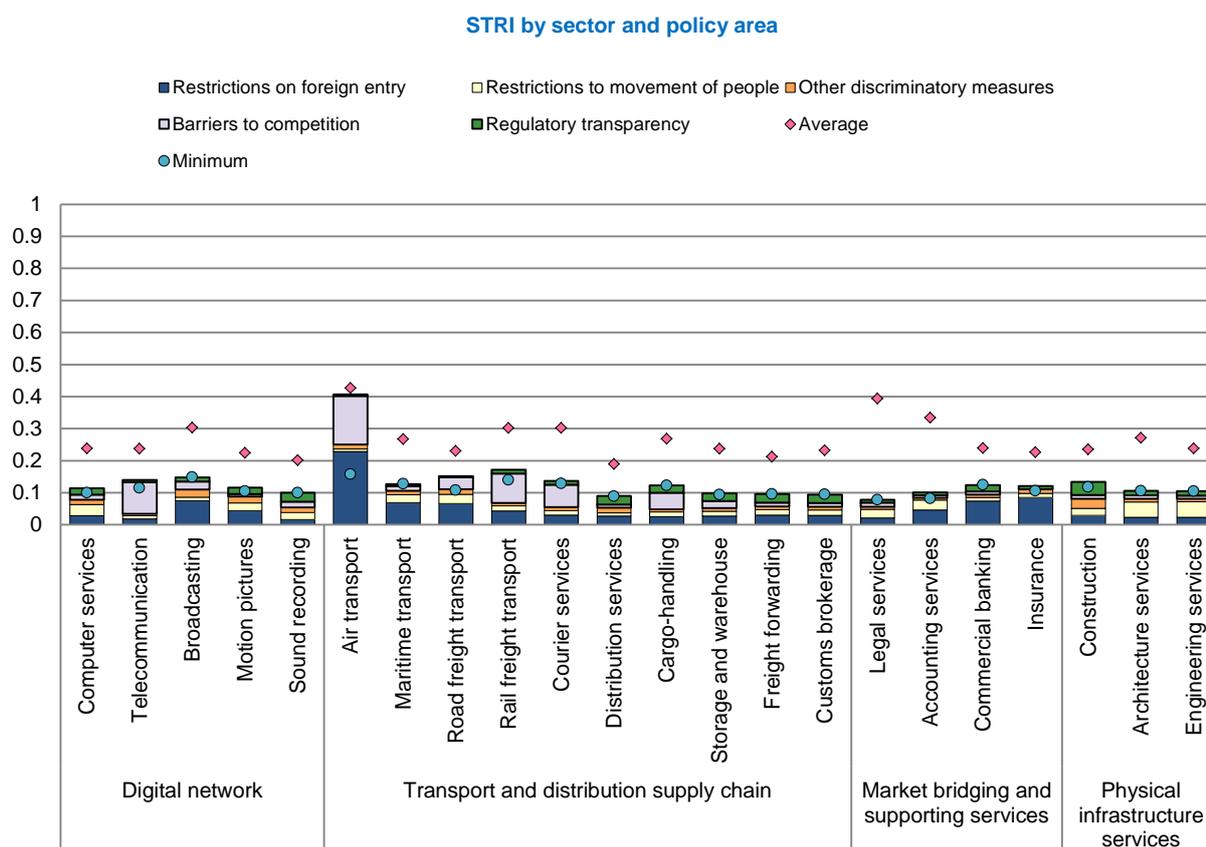


OECD Services Trade Restrictiveness Index (STRI): Latvia

Latvia exported services worth USD 4.7 billion and its services import value was USD 2.6 billion in 2016. 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 below the average STRI score in all sectors and it is among the most open to services trade in the sample of 44 countries in professional services, distribution, sound recording, and logistics services. 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. 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 architecture services are the three sectors with the lowest score relative to the average STRI across all countries. These three sectors are affected mostly by the general regulatory framework. Sector-specific measures in legal services include regulated fees and limitations on advertising. A license is mandatory only for lawyers practicing as defence lawyers in criminal courts. International law is subject to the horizontal regulations. In the accounting/auditing sector, only auditing is regulated. Majority of the 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. A license is required to provide architecture services in Latvia but qualifications gained abroad can be recognised.

The sectors with the relatively highest STRI scores

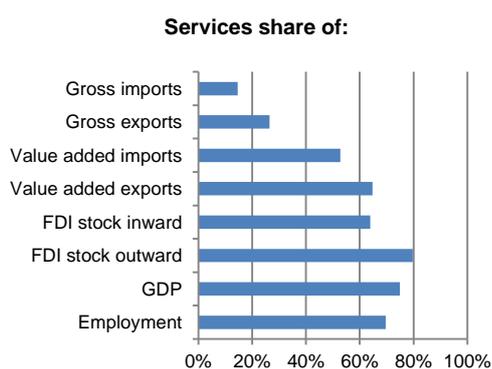
Air transport, road freight transport and telecommunications are the three sectors with the highest score relative to the average STRI across all countries. In all three sectors, however, the scores remain below the mean. In the air transport services sector, Latvia employs foreign equity restrictions as a result of common European Union (EU) regulation. Pursuant to this regulation, non-EU nationals cannot own more than 49% in Latvian airlines. Lease of foreign aircrafts with crew from outside the EU can be refused on grounds of reciprocity or conditioned on approval granted on the basis of economic needs. 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. Road freight transport is subject to EU regulation that requires EEA 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 a controlling share in companies providing fixed and mobile telecommunication and Internet services. In 2017, the regulator identified suppliers with significant market power in mobile termination and Internet market segments, although the extent of pro-competitive regulations remains narrower than best practice. Since 2003, the universal service supplier has been “Lattelecom”, and there is no competitive bidding for this market.

Recent policy changes

As of January 2017, the fixed telecommunication market segment is deregulated.

Efficient services sectors matter



Services account for 27% of Latvia’s gross exports and 65% 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. The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Latvia. Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, Latvia could benefit from more open markets for services trade.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org