

OECD Services Trade Restrictiveness Index (STRI)

LATVIA – 2020

Key findings

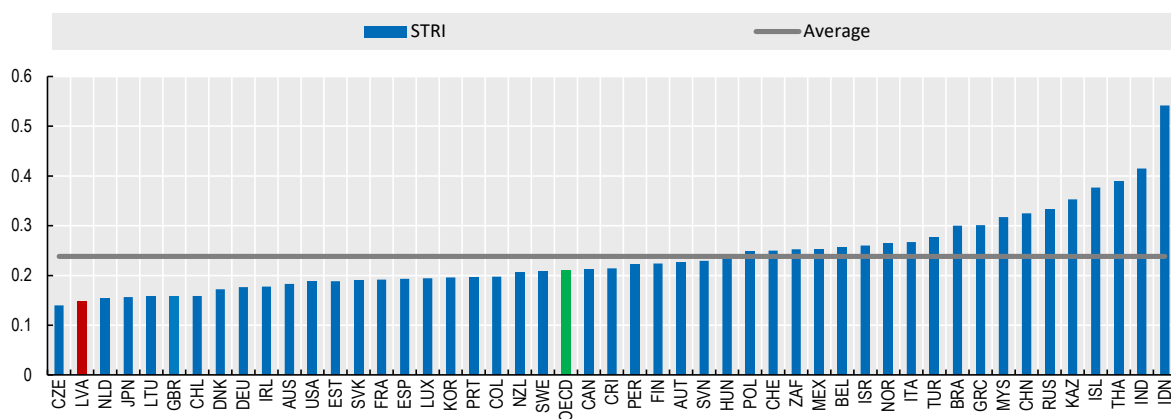
- The 2020 STRI of Latvia is one of the lowest compared to other countries in the STRI sample, indicating that services regulatory regime in Latvia is relatively open. It was unchanged compared to 2019.
- Latvia's regulatory environment for services was relatively stable since 2016, although regulations have tightened in the telecommunications sector.
- Despite the overall favourable environment for services trade, restrictions remain related to the movement of people. Latvia restricts duration of stay for foreign services suppliers, applies wage parity requirement for one groups of services providers and has relatively burdensome procedures for obtaining a business visa.

Recommendation

- 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.

The 2020 STRI of Latvia is one of the lowest amongst the countries covered by the STRI (Figure 1). No reforms were recorded in 2020.

Figure 1. Average STRI across countries, 2020



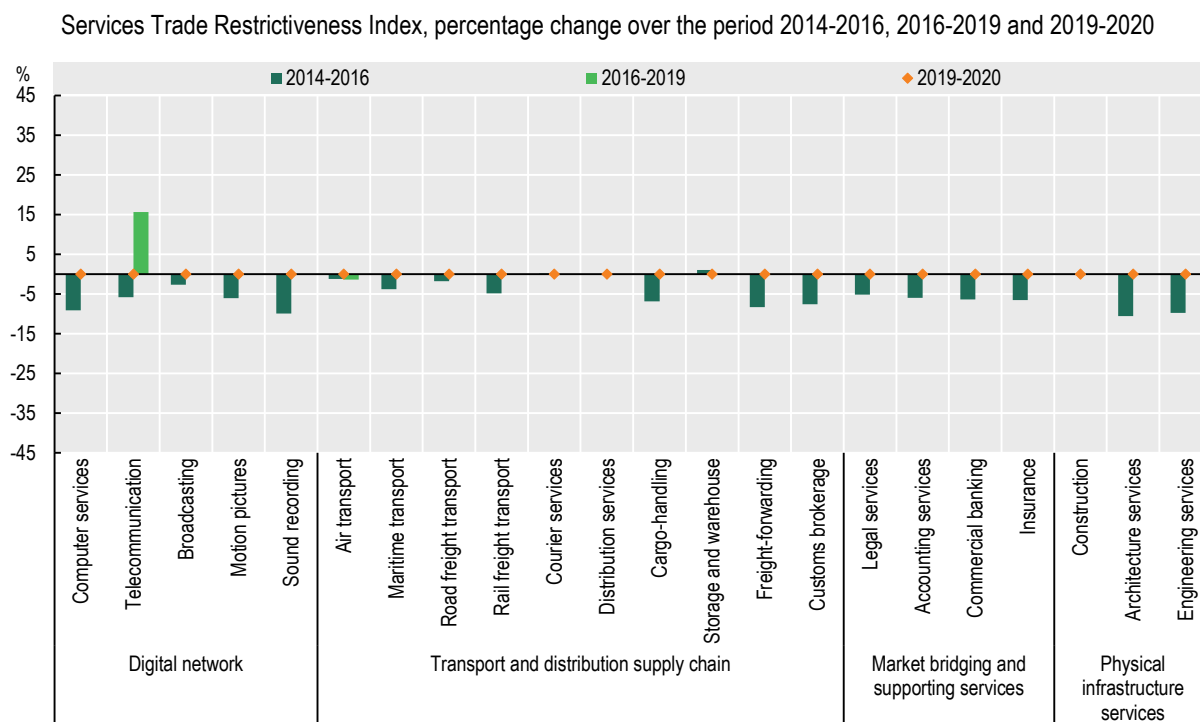
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.

Source: OECD STRI and TiVA databases (2020).

The 2020 index is due to 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. 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 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.

Latvia has also been progressively introducing reforms over the past years, contributing to easing the conditions for trade and investment in several sectors (Figure 2). These reforms are mostly affected by changes in regulatory environment of European Union. Since 2016, there has been little changes, except a tightening of regulation in the telecommunications sector.

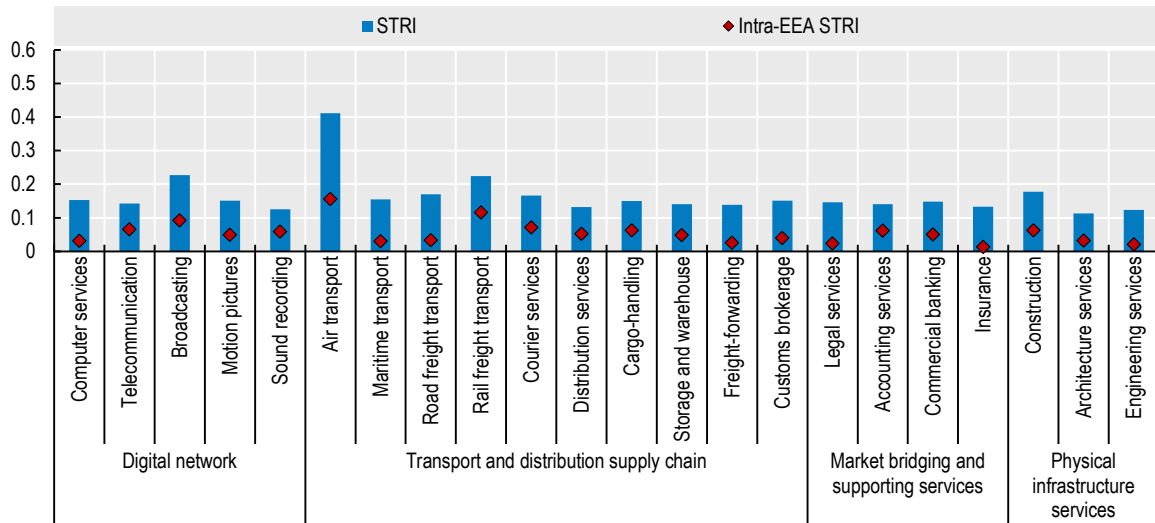
Figure 2. Evolution of STRI scores by sector in Latvia



Source: OECD STRI database (2020).

Services trade regulations are much less stringent with the European Economic Area, especially in insurance and engineering services (Figure 2b).

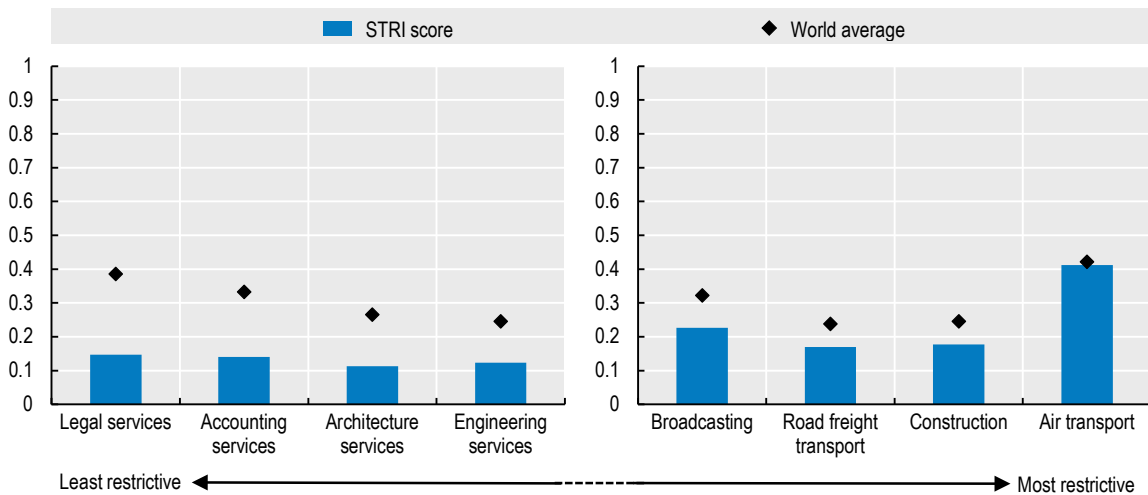
Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



Note: The traditional STRI indicates the level of restrictiveness on 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 STRI database (2020).

Legal services, accounting services, architecture services and engineering services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Broadcasting, road freight transport, construction and air transport are the sectors with the highest score relative to the average STRI across all countries.

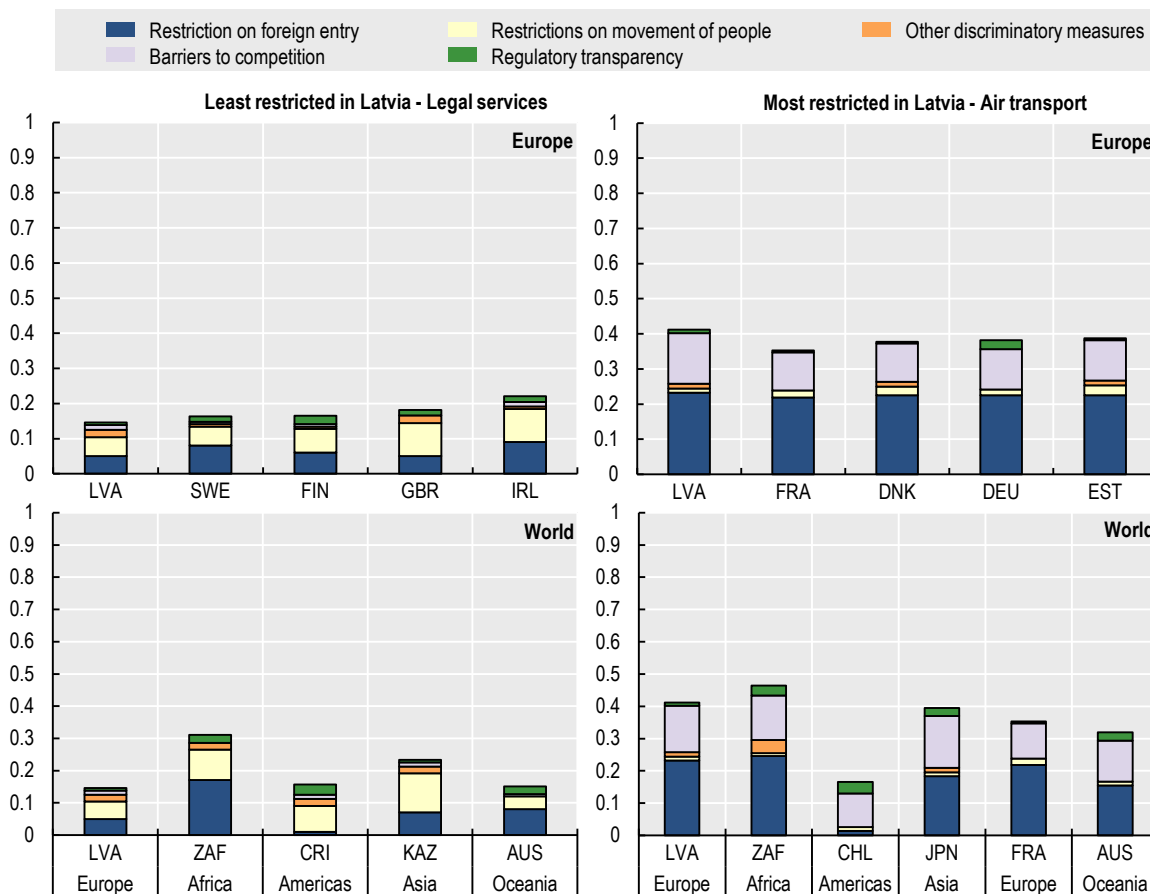
Figure 3. Sectoral breakdown – The least and most restricted sectors in Latvia



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 STRI database (2020).

Legal services are the least restricted services sectors in Latvia compared to Europe and the other best performers elsewhere while air transport are the most restricted (Figure 4).

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

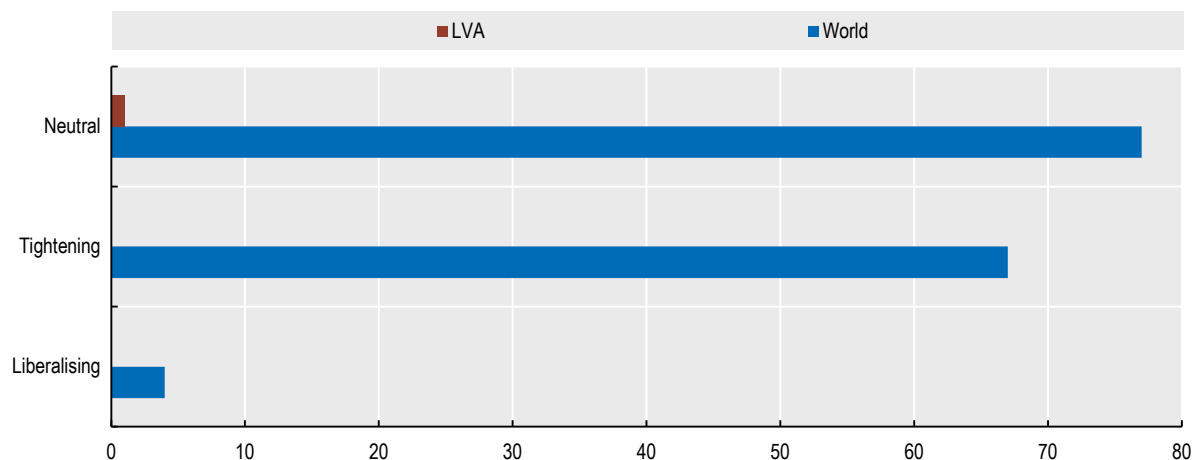


Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While Latvia has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. The exception is the extension of partial exemption of certain anti-competitive agreements from competition law in the maritime transport sector, following a 2020 EU regulation. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements (Figure 5).

Figure 5. COVID-19 related measures in Latvia and in the world



Source: OECD STRI database (2020).

Key reforms

In 2019, Latvia has undergone structural reform in financial services, modifying the system of supervision in the sector. As of January 2017, the fixed telecommunication market segment is deregulated following market analyses by the regulator.

Recent changes affecting Latvia were due to changes in EU law. Regulation 2019/452 allows EU Member States to maintain, amend or adopt mechanisms to screen foreign direct investments in their territory on grounds of security or public order. It applies from 11 October 2020. In the context of the COVID-19 pandemic, Regulation 2020/459 waived the 80/20 grandfathering rule for airport slot allocations between 1 March 2020 and 27 March 2021. Accordingly, airport coordinators are required to consider slots allocated for this period as having been operated by the air carrier to which they were initially allocated. In maritime transport, Regulation 2020/436 extended the existing block exemption to liner shipping consortia from competition law until April 2024. The new EU General Data Protection Regulation (Regulation No. 2016/679) entered into force on 25 May 2018 providing a comprehensive update on the EU data protection regime.

More information

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