

# OECD Services Trade Restrictiveness Index: Policy trends up to 2019

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## The OECD Services Trade Restrictiveness Index: Policy Trends up to 2019

The OECD's annual monitoring of the regulatory environment for services trade finds that:

- **The pace of services policy reform is slowing:** Significantly fewer trade liberalising reforms were adopted in 2018 than in previous years. At the same time, the share of trade tightening changes continued to form a substantial part (over one-third) of the overall policy changes identified. Moreover, new trade restrictions tend to have economy-wide effects, spilling over across all sectors.
- **International suppliers face stricter investment conditions:** Tightening regulatory measures in 2018 impacted services supplied through commercial presence and were driven by changes that imposed stricter investment conditions on foreign suppliers.
- **Entry requirements are increasingly stringent:** Liberalising reforms affected services supplied through the temporary movement of natural persons. Nonetheless, while the scope of liberalisations generally covered longer durations of permitted stays, there were more stringent entry requirements introduced across many countries.

### *Top performers*

The top ten countries with the best regulatory performance in the 2018 STRI were Latvia, the Netherlands, Germany, the Czech Republic, Lithuania, Ireland, Portugal, Australia, the United Kingdom, and Japan (p. 8).

### *Top reformers*

Leading reformers of services regulations reflected in the 2018 STRI were the People's Republic of China, Israel, and South Africa (p. 9). Leading sectoral reformers from 2014 to 2018 include Mexico in telecommunications, Japan in logistics services (customs brokerage), and Portugal in legal services (Annex B).

### *Top services exporters*

The United States exported services worth USD 781 billion in 2017, followed by the United Kingdom (USD 366 billion), Germany (USD 309 billion), France (USD 266 billion), and the People's Republic of China (USD 206 billion).

These findings are derived from the OECD Services Trade Restrictiveness Index (STRI), a unique tool that provides up-to-date information on regulatory changes that affect trade in services in 45 countries across 22 sectors. Launched in 2014 and updated annually, the STRI offers a comprehensive and transparent overview of global trends in services trade regulations, while facilitating deeper analysis of the effects that such regulations have on trade in services.

### Key analytical findings

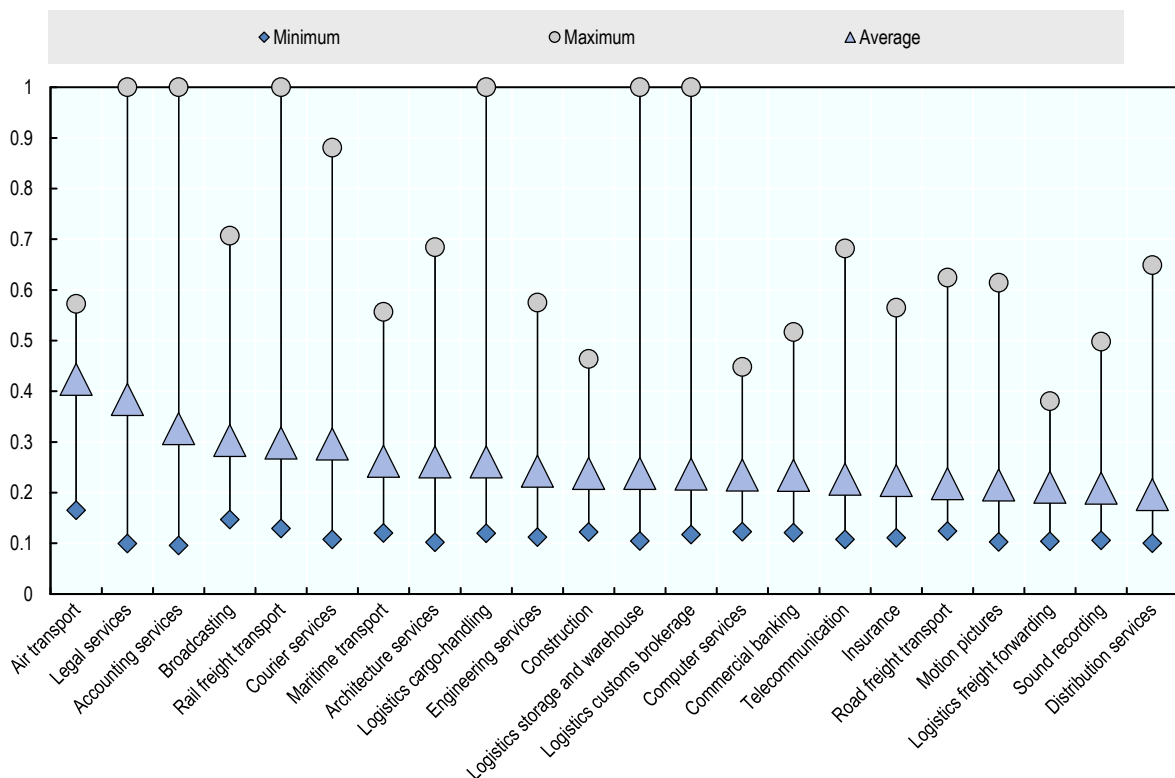
- **Services trade barriers impede services exports.** The trade cost equivalent of services trade barriers largely exceeds the average tariff on traded goods. Services trade barriers have as strong an impact on services exports as does services imports. Trade costs arise from policies that explicitly target foreign suppliers and from domestic regulation that falls short of best practice in the area of competition policy and rule-making.
- **Consumers and firms pay the cost of trade restrictions.** Entry barriers allow incumbent firms to gain market power, limit competition, and delay innovation. The costs of a policy environment that reduces competition from new entrants, whether domestic or foreign, is ultimately borne by consumers and downstream business customers, who pay higher prices and enjoy less choice than they would in more competitive markets. The resulting price increases for domestic users of services can be quantified as a sales tax equivalent on their purchases. On average, estimates of the tax equivalent of the restrictions recorded in the STRI range from about 3% in road freight transport to almost 40% in broadcasting. In some segments of transport and logistics, as well as in construction, the average estimated sales tax equivalent is about 20%. There is also considerable heterogeneity across countries, with estimated tax equivalents amounting to almost 80% in some, imposing substantial additional costs on manufacturing enterprises and eventually on final customers.
- **Regulatory co-operation can reduce trade costs.** Differences among countries in regulating the same service create additional costs for exporters that need to adapt to new sets of rules in each new market. When markets are relatively open, trade costs imposed by the average degree of regulatory differences is estimated at about 40% in *ad valorem* terms. While regulatory harmonisation can reduce trade costs, removing the most onerous restrictions first is a prerequisite to maximise the gains from regulatory co-operation.
- **Trade in services depends on the movement of professionals.** The cross-border movement of people may not account for a large share of services trade, but it is essential for international business operations. Mobility of natural persons across international borders is particularly key for trade in business services, which in turn is an important channel for knowledge transfer and information sharing.
- **Trade in services underpins the digital economy.** Liberalisation and pro-competitive reforms in the telecommunications sector are associated with a substantial reduction in the trade costs for business services. High capacity networks at competitive prices are a necessary condition for a digital transformation of knowledge-intensive services. Access to the professions and the services they provide is also essential.
- **Services reforms help SMEs.** The costs of dealing with regulatory hurdles and complying with diverging regulations in every new market fall more heavily on small- and medium-sized enterprises (SMEs). For very small firms engaging in cross-border exports, an average level of services trade restrictiveness represents an additional 7% in trade costs relative to large firms. Establishing an affiliate abroad involves even higher costs; for a small firm an average level of services trade restrictiveness is estimated to be equivalent to an additional 12% tariff compared to large firms.

## Monitoring services policy changes 2017-2018

The STRI regulatory database and indices were updated in 2018 for 45 countries.<sup>1</sup> Figure 1 shows the average, minimum and maximum index values as updated in 2018 for each of the 22 sectors included in the STRI database. The 2018 STRI indices for all sectors are included in Annex B.

On average, air transport services, legal services, and accounting and auditing services tend to be more restrictive than other sectors, while distribution services, sound recording, and logistics freight forwarding tend to be the most liberal.

**Figure 1. STRI average, minimum and maximum scores by sector, 2018**



*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. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

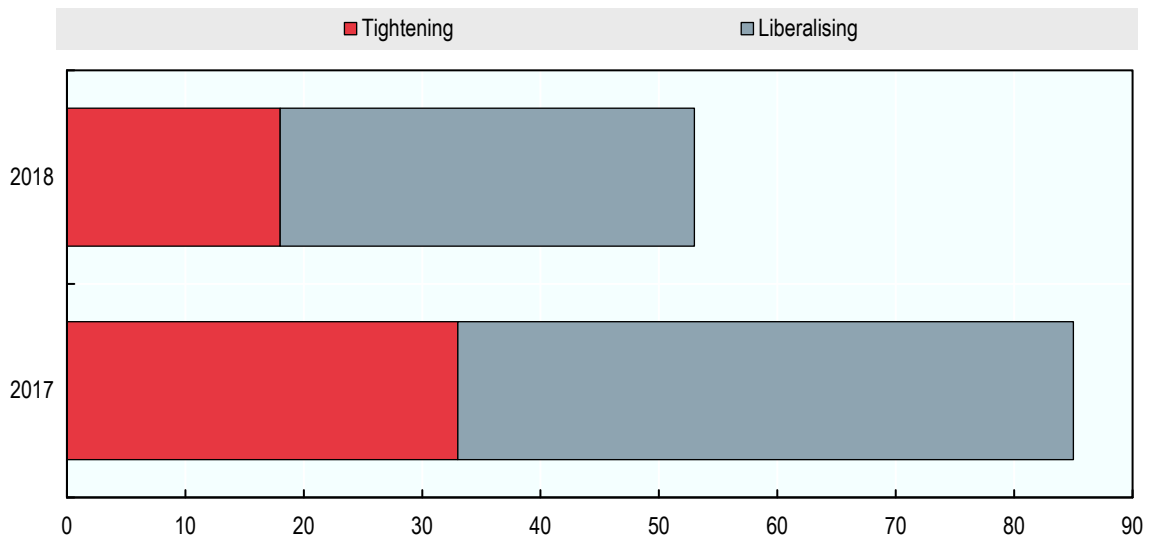
*Source:* STRI database (<http://oe.cd/stri-db>).

In the course of the 2018 STRI update, 53 policy changes were identified across all countries, fewer than in 2017 when 85 changes were recorded (Figure 2). These changes include policies that both restrict and liberalise services trade. In terms of composition, however, around one-third of the total changes in both years were trade tightening. The main policy changes identified over the years are described in Annex A for each country covered.

<sup>1</sup> The STRI covers the 36 OECD countries, Brazil, the People's Republic of China, Colombia, Costa Rica India, Indonesia, Malaysia, Russian Federation, and South Africa.

**Figure 2. Extent of policy changes across years**

Number of policy changes recorded in the STRI database across all sectors and countries

Source: STRI database (<http://oe.cd/stri-db>).

### Policy changes across modes of supply

The STRI differentiates between the nature of policy changes by modes of services supply, including cross-border trade (Mode 1), commercial establishment (Mode 3), temporary movement of natural persons (Mode 4), and changes that affect services irrespective of the mode through which they are supplied (all modes). The latter category is comprised of barriers to competition and regulatory transparency.

Figure 3 shows that services supplied via commercial establishment (Mode 3) and temporary movement of natural persons (Mode 4) are affected the most by recent changes. The highest net increase in the STRI results was observed for Mode 3 supplies and is due to changes adopted in a few countries that imposed stricter conditions on foreign investments, including tighter limits on foreign ownership and foreign control of firms (e.g. through nationality or residency requirements for directors), or increased commercial presence requirements absent any reciprocal preferential treatment.

The net increase in STRI results affecting the temporary movement of natural persons is the result of a few countries applying stricter labour market tests for some or all three categories of persons covered in the STRI (intra-corporate transferees, contractual services suppliers, and independent services suppliers). Two countries introduced quotas on intra-corporate transferees and contractual services suppliers, and reduced the duration of stay for some or all of these categories of persons.

Liberalising reforms have been introduced in several countries. Four countries eased foreign ownership limitations, particularly in the transport and logistics sectors. In fact, a large share (over 40%) of all liberalising policy changes identified in 2017-18 related to transport and logistics sectors. The scope of reforms was broad across countries; it included easing licensing conditions and geographical limitations for certain logistics activities such as

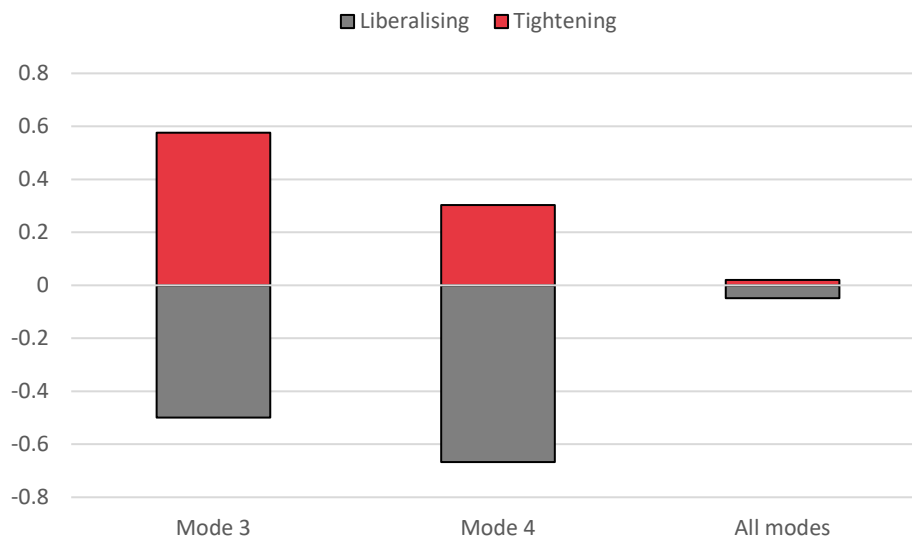
customs brokerage, increasing the duration of stay for transport crew members, overall easing of establishment conditions (e.g. through the removal of minimum capital requirements), and simplifying customs procedures.

Several countries, particularly those within the European Union, liberalised policies affecting the temporary movement of natural persons (Mode 4) by introducing new permits for intra-corporate transferees coming from non-EU Member States, and by providing more clarity on the conditions and duration of stay applicable to these persons.

The regulatory environment across countries remained largely unchanged with respect to measures affecting cross-border trade (Mode 1) and there have been only limited changes regarding other STRI measures that restrict services supplied through all modes.

**Figure 3. Policy changes and modes of supply (2017-18)**

Cumulative change in STRI results across countries

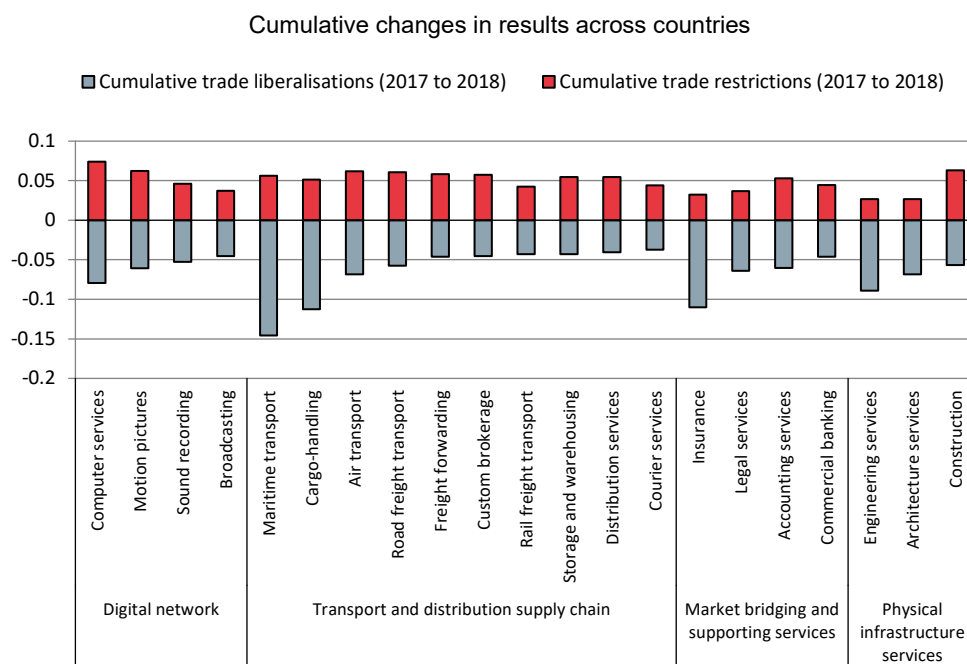


Source: STRI database (<http://oe.cd/stri-db>).

## Sector-specific impacts

In 2017-18, the overall effect of trade liberalising measures on the STRI indices was larger than that of trade restricting measures (in terms of cumulative changes in the value of the indices across all countries during this period; see Figure 4). However, across eight sectors, the net effects tilted towards trade tightening.

The largest net increase in restrictions was found in distribution services, which reflected mostly economy-wide changes affecting all sectors. Maritime transport services had the largest net decrease in the index values.

**Figure 4. Impact of policy changes on the STRI results, 2017-2018**

Source: STRI database (<http://oe.cd/stri-db>).

## Overall STRI performance in 2018

Figure 5 illustrates the overall STRI performance for 45 countries in 2018, based on sectoral results and rankings.<sup>2</sup> The trend line depicts the extent to which countries' indices perform well compared to top sectoral performers as compared to the entire sample. Closer proximity to the trend line indicates a more balanced performance, whereas a higher position in the line is associated with better overall results.

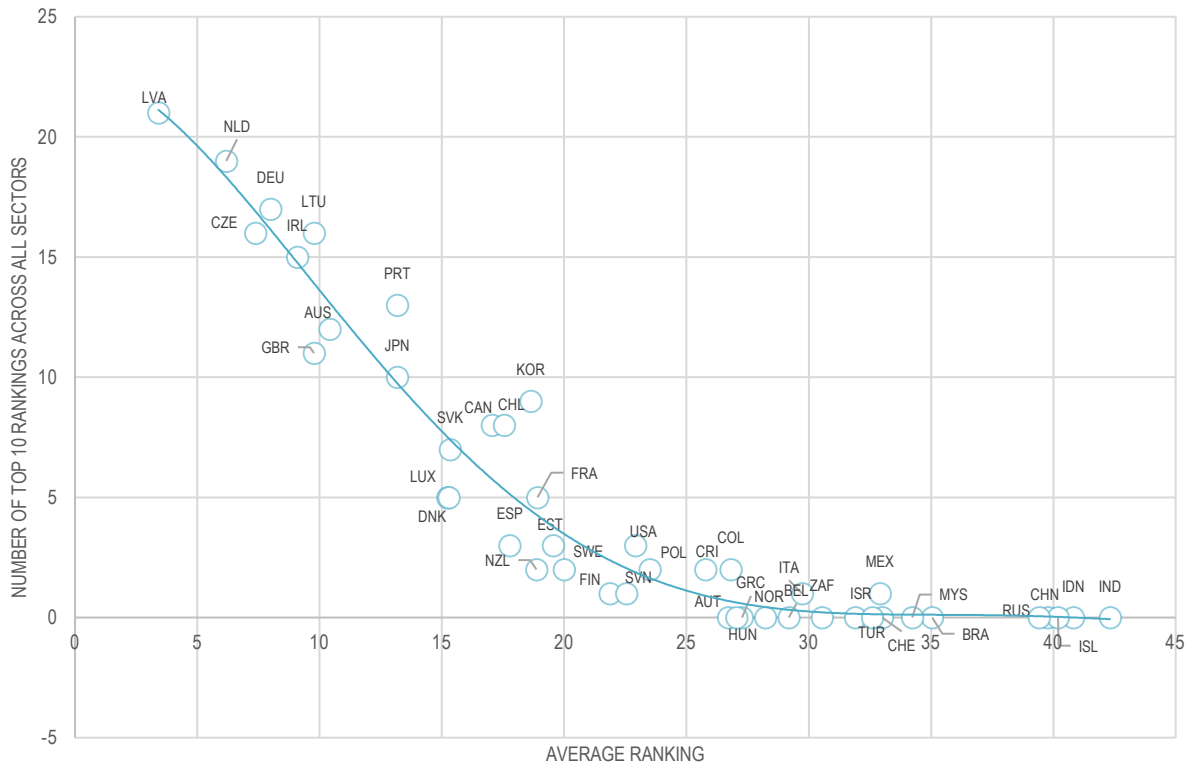
Where countries have a high number of well-performing sectors and low average sector ranks, their overall STRI performance increases. In some cases, countries might rank lower on the sectoral average but still have a high number of sectors with low scores. This is the case when indices are low in most sectors (e.g. outlier scores may exist due to a completely closed market in one sector but open across the others).

The top ten countries with the best regulatory performance in the 2018 STRI were Latvia, the Netherlands, Germany, the Czech Republic, Lithuania, Ireland, Portugal, Australia, the United Kingdom, and Japan.

2. Ranks vary from 1 (best performing) to 45 (least performing) for each sector. The variable on the horizontal axis works in the following way: country A ranks, for instance, 5<sup>th</sup> out of 45 countries in sector X, 12<sup>th</sup> in sector Y, 1<sup>st</sup> in sector Z, and so on. The variable shows the simple average of these ranks for all 22 sectors.



Figure 5. Overall STRI performance, 2018



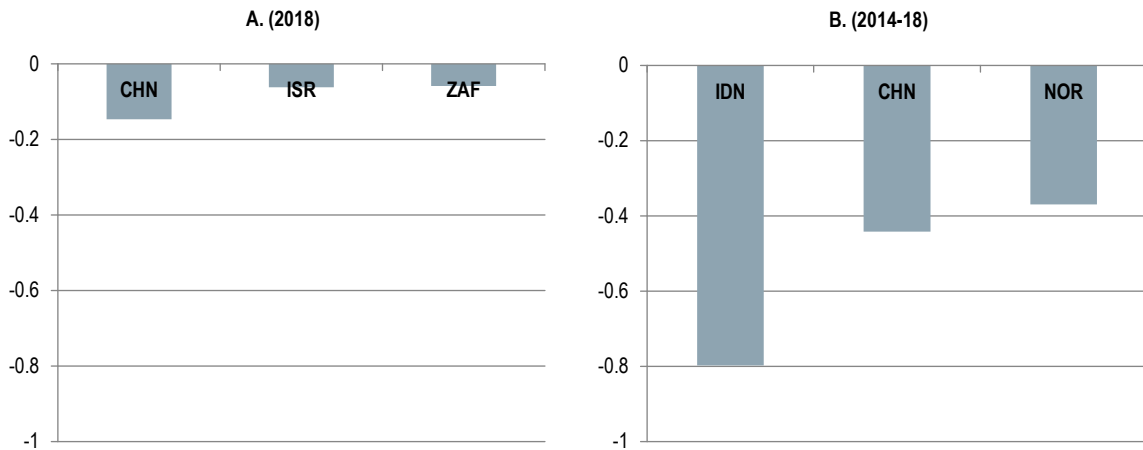
Source: STRI database (<http://oe.cd/stri-db>).

## Leading reformers

The highest net decrease in the 2018 STRI values was recorded in the People's Republic of China (hereafter "China"), Israel and South Africa (Figure 6, Panel A). The net decrease of 0.15 in China is mainly due to the Special Administrative Measures for the Access of Foreign Investment (Negative List) that came into effect on 28 July 2018 as the main instrument guiding foreign direct investment and replacing sections of the 2017 Catalogue of Industries for Guiding Foreign Investment. Compared to the 2017 entries, the 2018 Negative List relaxes or removes restrictions on foreign investments in several areas, including maritime transport, logistics cargo-handling services, legal services, and insurance services. Nonetheless, services sectors that are included in the Negative List remain subject to government approval as well as sector specific requirements. Israel introduced reforms for broadcasting, financial services, and some professional services, while South Africa introduced investment easing conditions in insurance services.

Indonesia has embarked on extensive reforms over the past few years, with comprehensive and far-reaching reforms in 2015 and 2016 resulting in a net decrease of 0.8 of its STRI results between 2014-18 and across all sectors (Figure 6, Panel B). China and Norway recorded significant decreases as well between 2014 and 2018, with net reductions of 0.44 and 0.37 respectively.

**Figure 6. Countries with significant reductions in the STRI results**  
Cumulative decrease in STRI results across all sectors in 2018 and 2014-18



Source: STRI database (<http://oe.cd/stri-db>).

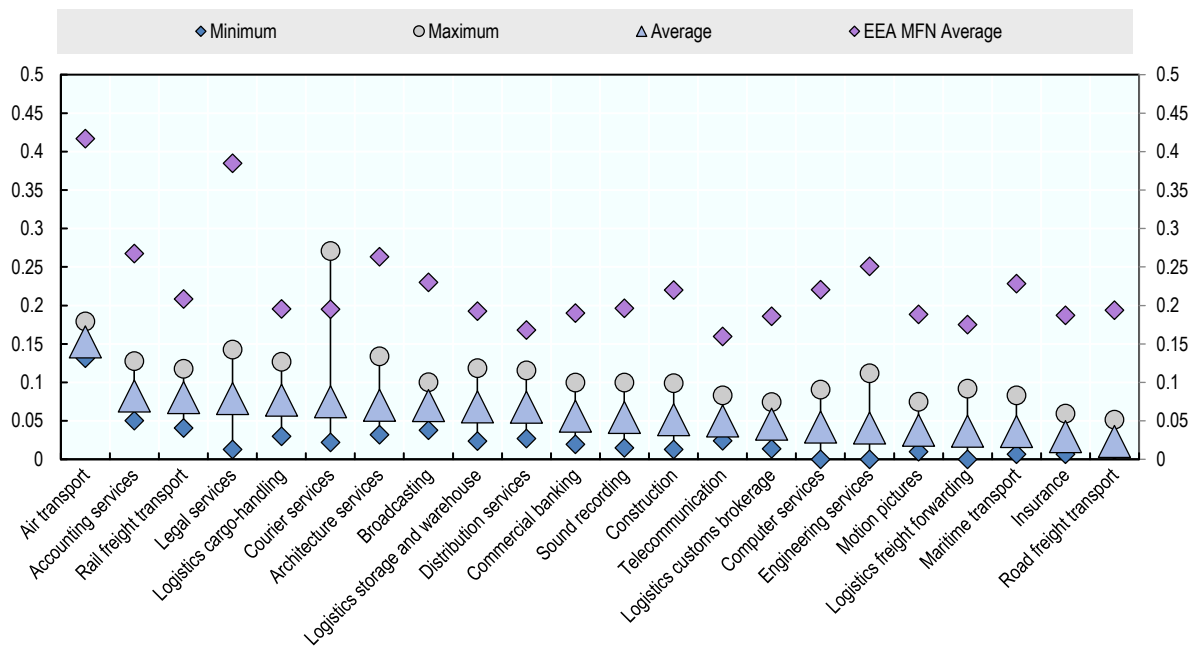
## Services trade in the European Economic Area (EEA)

The intra-EEA STRI database measures the extent of services trade restrictiveness within the EEA Single Market (Benz and Gonzales, 2019). It covers 25 countries.<sup>3</sup> The database shows that services trade within the EEA is substantially more liberal than the multilateral policies applied by EEA member countries towards non-members. However, a certain level of restrictiveness remains within the Single Market, demonstrating there is potential for further market integration. Taking into account EU rules but also national laws, intra-EEA services trade barriers can differ across countries.

Figure 7 illustrates the range of intra-EEA restrictiveness on the STRI index in the 22 sectors. The graph also shows the average MFN STRI of the 25 countries, measuring services trade barriers with respect to third countries, but not taking into account any preferential trade agreements. The comparison of the two sets of results demonstrates the openness of the single market compared to the MFN approach. Although it is a common trend, the difference between EEA MFN Averages and Intra-EEA Averages differ according to the scope of EU rules penetrating the different sectors. In sectors such as air transport, regulations and directives of the European Union govern almost 90% of all STRI measures. Furthermore, road freight transport and audio-visual services reveal a high importance of EU legislation, while the opposite is the case in telecommunications, cargo-handling, or distribution. Nevertheless, even in these sectors, EU legislation is pertinent for between 60% and 70% of all measures.

<sup>3</sup> Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom.

Figure 7. Intra-EEA STRI average, minimum and maximum scores by sector, 2018



Note: The STRI indices take values between zero and one, one being the most restrictive. The intra-EEA STRI quantifies barriers to services trade within the Single Market of the EEA. By contrast, the STRI database records measures on a Most Favoured Nations basis, where preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

In contrast to the multilateral regime, the movement of people within the EEA is not subject to labour market tests, quotas, or visa requirements. The establishment of a commercial presence is not restricted by screening of foreign direct investment. Moreover, public procurement rules explicitly prohibit the discrimination of providers from other EEA members. The standards for cross-border transfer of personal data are set at the EU level. Data can be transferred freely within the EEA, while 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).

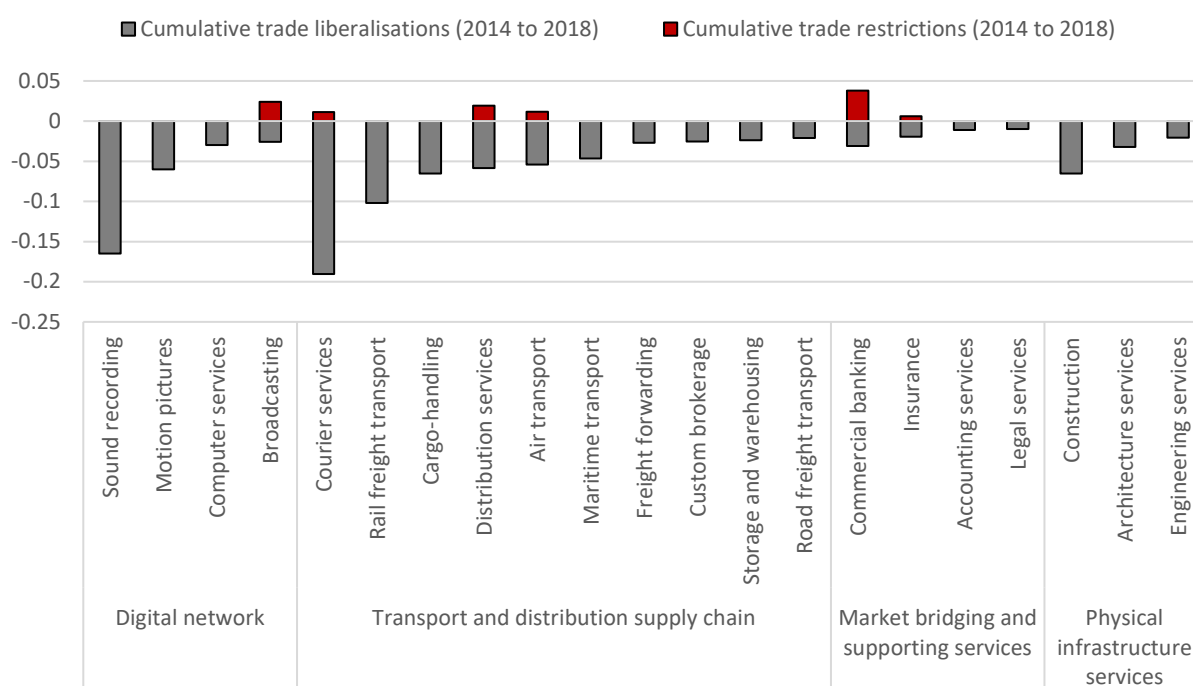
Road freight, maritime transport, and insurance services are the three sectors with the lowest intra-EEA STRI scores, relative to the average MFN STRI across all EEA members.

Distribution, logistics cargo-handling, and rail freight transport are the three sectors with the lowest degree of preferential access, indicated by the largest ratio of the average intra-EEA STRI relative to the average MFN STRI across all EEA members. National norms imposing barriers to competition can represent substantial impediments to trade in distribution services within the EEA. Similarly, in the majority of EEA members, competition in some sectors, such as the logistics cargo-handling or rail transport sectors, is affected by the presence of state-owned companies. Only few EEA-wide restrictions exist; for example, the number of customs warehouses in the EEA is restricted by economic needs tests according to the Union Customs Code. Barriers to competition are of major importance in rail freight transport; Regulation (EC) No.169/2009 exempts certain types of rail transportation agreements from competition law and Directive 2012/34/EU mandates the implementation of laws prohibiting the transfer or trading of infrastructure capacity.

Services trade within the EEA became more liberal between 2014 and 2018 (Figure 8). This was partly driven by new EU rules, but also by domestic policy reforms. Among the most important reforms at the EU level, the new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime. In addition, Directive (EU) 2016/943 of 8 June 2016 (on the protection of undisclosed know-how and business information) required member states to explicitly protect confidential information, such as contract contents, internal cost calculations, or conditions of purchase, by June 2018. Such laws had not been in force in all member states before.

As of 2016, revised conditions, including on economic needs, apply for authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. In addition, Directive 2014/26/EU required member states to address different aspects related to the liberalisation of copyrights management.

**Figure 8. Intra-EEA Services Trade Policy Changes (2014-2018)**



Source: Intra-EEA STRI database (<http://oe.cd/stri-db>).

## The regulatory environment for trade in digitally enabled services

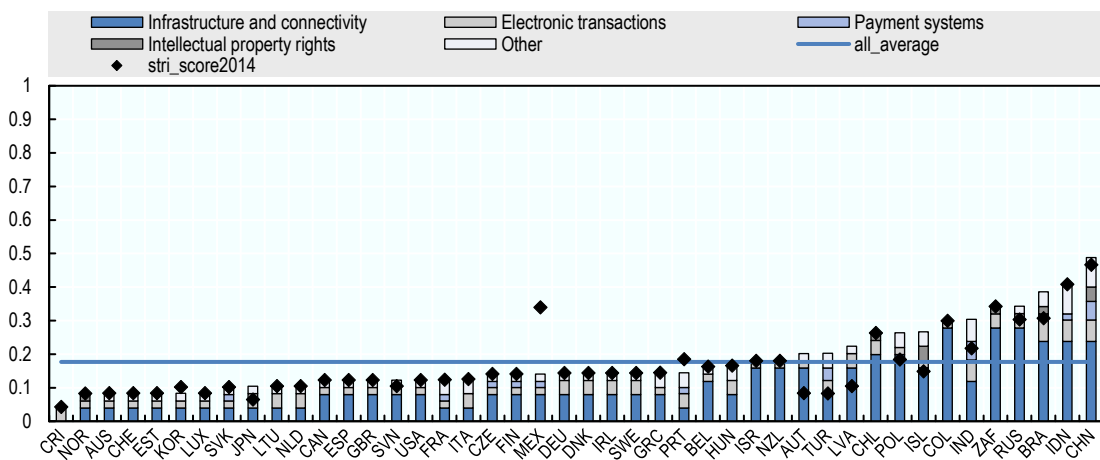
The OECD Digital Services Trade Restrictiveness Index is a new tool that identifies, catalogues, and quantifies cross-cutting barriers affecting trade in digitally enabled services (Ferencz, 2019). Building on the methodology of the OECD Services Trade Restrictiveness Index (STRI), it aims to help policy makers identify regulatory bottlenecks and design policies that foster more diversified and competitive markets for digital trade.

The Digital STRI is comprised of two components: (i) a regulatory database that collects information on regulatory barriers from countries' publicly available laws and regulations;

and (ii) composite indices measuring the trade restrictiveness of these policies. Like the STRIs, the indices take values between zero and one, where zero indicates an open regulatory environment for digitally-enabled trade, whereas one indicates a completely closed regime.

The Digital STRI shows a diverse and complex regulatory environment affecting trade in digitally-enabled services (Figure 9). Countries commonly maintain policies that impede access to communication infrastructure and movement of information across networks, but barriers affecting electronic transactions and payments are less common. Other impediments, such as the obligation to establish a local presence before engaging in digital trade, are common across the board as well.

Figure 9. Digital STRI, 2018



Source: OECD Digital STRI.

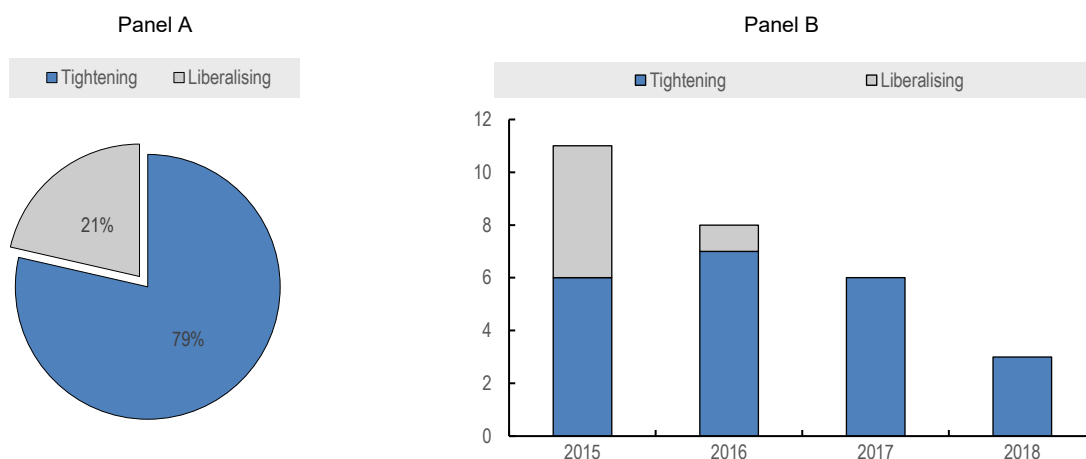
The Digital STRI shows that the global regulatory environment for digital trade has tightened over the past few years. Compared to 2014, the first data point in the STRI, ten countries have higher index values in 2018 and only three countries have lower values. The average rate of increase in the index among the ten countries is 32% between 2014 and 2018, with the highest being 50% over the same period.

During this period, close to 80% of the changes captured in the Digital STRI were trade restrictive (Figure 10, Panel A). Spread across the years, the number of restrictive policy changes has been constant, whereas the extent of liberalisation has gradually decreased (Figure 10, Panel B).

**Figure 10. Policy changes affecting trade in digitally enabled services (2014-2018)**

Panel A: Nature of changes over the period 2014-2018

Panel B: Number of changes across years

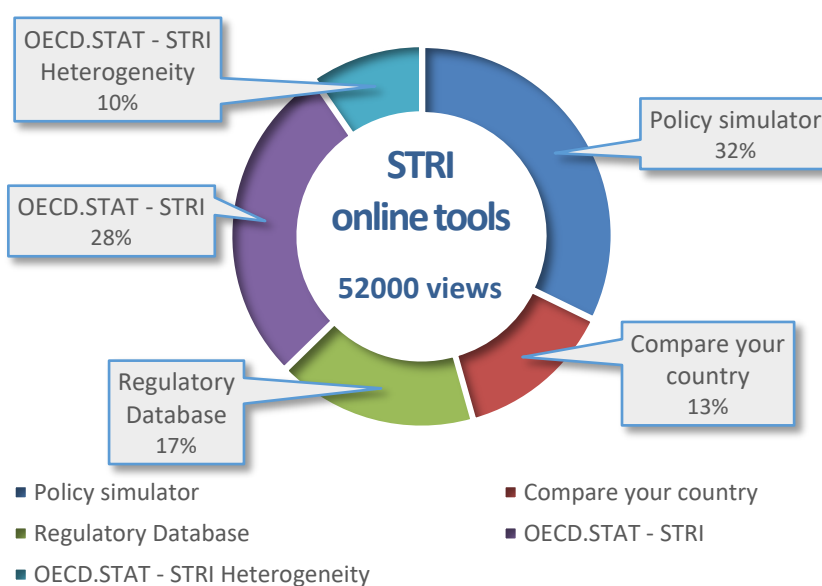


Source: OECD Digital STRI.

### STRI user statistics in 2018

In 2018, the Internet pages of the OECD STRI tools received more than 52 000 views (Figure 11), making STRI the most widely consulted qualitative data dissemination tool in the OECD that year. The OECD STRI Policy Simulator is the most consulted STRI tool with close to 17 000 views, followed by the statistical repository of indices on OECD.STAT with 14 500 views. These two databases account for 60% of the online views. Other tools, including the STRI Regulatory Database and Compare Your Country instrument account for 30% of Internet views with 9 000 and 7 000 views, respectively. The STRI heterogeneity indices are among the most popular STRI instruments with 5 000 views in 2018.

**Figure 11. User statistics on most frequently used STRI instruments, 2018**



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## Annex A

### Policy Changes Across Countries

This annex presents some of the main policy changes identified in the annual STRI updates for the countries covered. Detailed country information and summary notes can be found on the STRI website and online database.<sup>4</sup>

#### Australia

In June 2016, New South Wales introduced a 4% surcharge for foreign persons (including foreign corporations) in addition to the duty payable on the purchase of residential property. Furthermore, foreigners are also subject to a land tax surcharge of 0.75% (in 2017) for residential property.

With the introduction of the Temporary Skill Shortage visa (subclass 482) in March 2018, foreign services providers are allowed to stay in the country for up to four years, compared to three years with the old 457 visa.

#### Austria

As of 2016, revised conditions, including on economic needs, apply for authorisations for to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. A new permit for intra-corporate transferees was introduced in October 2017. The period of validity has been extended from one year to three years for managers and specialists. In addition, parts of the fixed line telephony market were deregulated in May 2017 following market analyses by the regulator. The EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

#### Belgium

One of the main rail freight operators in Belgium, B Logistics, was partly privatised in 2015, with the state-owned Belgian national railway company, SNCB, now owning only 31% of its equity shares. As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

#### Brazil

The Federal Supreme Court ruled in 2015 to exempt the designated postal operator from VAT and other local taxes for both its postal and courier services. In the same year, the temporary licensing for accountants and auditors was removed.

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4. Available at <http://oe.cd/stri>.



## Canada

As of May 2018, Bill C-49, an amendment to the Canada Transportation Act, eased foreign ownership restrictions by lifting the foreign equity limit in the air transport sector from 25% to 49%. However, the voting share limits in Canadian airlines for individual foreign investors and foreign air carriers collectively remain at 25%.

## Chile

In 2017, Chile revised its customs regulation, introducing, *inter alia*, an Authorised Economic Operators Scheme open to foreign firms and authorising the release of goods before the determination and payment of duties.

## China, People's Republic of

In September 2016, the general requirement for prior approval of foreign investments has been replaced with an online notification requirement. In the same year, the Telecom Business Classification Catalogue introduced the mandatory resale of mobile communication services while in professional services, the applicable standards on fee setting were eased. Nationality requirements for directors of accounting and auditing firms were lifted but residency requirements were maintained.

A new Cybersecurity Law entered into effect in 2017, introducing new restrictions affecting data transfers abroad.

On 28 July 2018, the Special Administrative Measures for the Access of Foreign Investment (Negative List), issued by the Ministry of Commerce and the National Development and Reform Commission came into effect, replacing sections of the 2017 Catalogue of Industries for Guiding Foreign Investment. Compared to the 2017 entries, the 2018 list relaxes or removes restrictions on foreign investments in several areas, including legal services, insurance, maritime transport and logistics cargo-handling services. Nonetheless, services sectors that are included in the Negative List remain subject to government approval as well as sector specific requirements.

## Colombia

In 2015, the Financial Superintendence gained financial autonomy. In 2016, the New Customs Statute (*Nuevo Estatuto Aduanero*) introduced a *de minimis* regime, imposed minimum warehouse surface for postal operators and introduced an obligation for courier services operators to be available 24/7. In 2017, Colombia passed an immigration reform to streamline the immigration process. The reform extended the duration of stay for certain visa categories, but not to others such as Intra-Corporate Transferees, who according to the new V-type visa can now stay for up to two years only (down from three years).

## Costa Rica

In 2015, the *Ley de Garantías mobiliarias* introduced a securities system that facilitates the constitution, publicity, and execution of warranties, which contributed to liberalise further the banking sector. In 2017, Costa Rica ratified the United Nations Convention on Contracts for the International Sale of Goods, which aligned national contract rules for cross-border transaction to international standardised rules.

## Czech Republic

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. In April 2017, the Regulatory Body for Access to Transport Infrastructure (*Úřad pro přístup k dopravní infrastruktuře*) was established as an independent regulator to oversee access to the rail infrastructure for rail transport operators. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Denmark

As of 2016, revised conditions, including on economic needs, apply for authorisations to operated storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Estonia

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. In 2017, the duration of stay for intra-corporate transferees was extended from 24 to 36 months, while in 2018, the duration of stay for independent services suppliers was extended from 24 to 60 months. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Finland

A major state-owned construction enterprise, Destia, was privatised in 2014. In the distribution sector, shop opening hours were deregulated and labelling standards reformed in 2016. As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## France

Since 2015, transport company established outside of France and seeking to provide cross-border transport services to France, must submit a notification to the labour inspectorate where the service will be provided (*déclaration préalable de détachement transnational*). Credit registry with equal access of all lending institutions was recently revoked. As of 2016, revised conditions, including on economic needs, apply for authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. SNCM was a major firm in the maritime sector, it ceased its activity on the 5 January 2016. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Germany

As of 2016, revised conditions, including on economic needs, apply for authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Greece

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Hungary

Since 2015, Hungary applies quotas on work permits for natural persons with non-EU nationalities travelling on a temporary basis to the country. As of 2016, intra-corporate transferees from third countries can stay in Hungary for up to 12 months on their initial permits. Also since 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Iceland

Temporary capital controls introduced following the 2008 financial crisis have been gradually lifted and the remaining controls relevant for services trade were lifted in 2016. Iceland also reformed its copyright enforcement regime, abolishing a statutory monopoly in copyright management in sound recording, and aligning its regulation of copyright management and subsidies in the film industry with EU directives. Deregulation of mobile telecommunications services took effect in 2017, and fixed-line telecommunications in 2018. However, new restrictions on movement of people were introduced in 2017, limiting access for contractual services providers to education and R&D activities, and introducing an obligation to purchase local health insurance as a condition for obtaining work permits for intra-corporate transferees and independent services providers. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## India

In 2015 India lifted foreign equity limits from 26% to 49% in the insurance sector and foreign branches were permitted to work in the area of reinsurance. Further investment liberalisation took place in 2016 when foreign equity limits were removed for airport services and cable and satellite broadcasting, and foreign equity limits were eased in civil aviation. Minimum capital requirements for establishing a company were eliminated in most sectors in 2016. However, India introduced an equalization levy of 6% on purchases of advertising services from non-resident companies in 2017. India lifted a number of restrictions on cabotage in maritime transport in 2018.

## Indonesia

Indonesia has fully or partially opened several sectors to foreign investment under the 2016 Negative Investment List. These include air freight transport, logistics services, telecommunications, audio-visual services, architecture, and engineering services. Minimum capital requirements were removed in 2016.

In 2017, more favourable conditions for the release of imported goods before determination and payment of duties have benefitted distribution, courier and logistic services. It also revoked minimum capital requirements for maritime transport services. However, the Construction Act of 2017 imposed nationality requirements on the management of construction and architecture companies.

As of 2018, the foreign equity limit in accounting firms has been lowered to 20%, from 49% previously. The law also requires that one half of all partners be licensed accountants. Furthermore, technical specifications should now use local products and follow national standards subject to availability in the construction sector; this affects the conditions of competition in public procurement in favour of local providers.

## Ireland

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. In 2016, Ireland has introduced a time frame of six months within which the Central Bank of Ireland, the sector regulator, must decide on applications for authorisations to provide insurance services. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Israel

In 2018, conditions affecting foreign ownership of terrestrial broadcasting companies were eased by raising foreign equity limits to 74%, from 49% previously. Also in 2018, a temporary licencing procedure for foreign architects and engineers was put in place. In 2017, the residency requirement for two-thirds of board members of commercial banks was lifted. In 2016, the Capital Market, Insurance and Savings Authority, the sector regulator for insurance services, was made independent from the Ministry of Finance.

## Italy

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. In 2017, Italy implemented Directive 2014/66/EU regarding intra-corporate transferees from non-EU countries. Accordingly, the maximum stay for intra-corporate transferees was reduced from five to three years. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Japan

In 2017, Japan amended the Customs Business Act by removing the economic needs test. Customs brokerage firms are no longer required to place at least one qualified customs specialist in each office. A new data protection law also entered into force in 2017.

## Korea

The requirement that foreign investors shall transfer stocks to Korean national(s) within six months in cases where their registration is cancelled was lifted in 2015. Restrictions on internet banking were also lifted. Conversely, a requirement that only licensed architects may establish an architectural firm was introduced.

## Latvia

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. As of January 2017, the fixed telecommunication market segment is deregulated following market analyses by the regulator. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Lithuania

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. Since September 2016, Lithuania no longer applies a labour market test for contractual services suppliers staying in the country for less than 12 months. As of June 2017, the market for fixed telephony was deregulated following market analyses by the regulator. In 2017 also, foreign professionals were no longer required to take a local examination to become a licensed auditor. Up to 28 November 2017, at least one person of the administration of a company providing banking services had to live in Lithuania; this requirement was lifted. By adoption of Law No. XIII-885 in 2018, state funding is not available to non-national film companies. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Luxembourg

Since December 2015, the approval to establish a branch may be refused if reciprocity for Luxembourg companies is not ensured by national law. As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Mexico

In recent years, Mexico has passed a series of reforms, including, *inter alia*, a new telecommunications and broadcasting law, and financial law. The telecommunications reform eased foreign participation in the mobile and fixed-line services segments of the sector. It introduced a new independent regulator, with exclusive authority over the sector and new sanctioning powers, as well as a series of pro-competitive measures challenging the dominant position of incumbent firms. The financial reform aimed to strengthen prudential regulation, increase credit penetration, and promote competition. As a result, foreign financial institutions can now open branches in Mexico to provide insurance services. Although this possibility is still subject to government authorisation, and granted on the basis of reciprocity, it nevertheless increases certainty and clarity on the regulatory environment applied to insurance services. In 2015, Mexico established an independent rail regulatory agency. In 2017, it rolled back the foreign equity

restrictions on domestic air transport services; foreign ownership of air companies is now permitted up to 49%.

### Malaysia

Malaysia has eased foreign investment conditions in services in the course of recent years, including in telecommunications, professional, distribution, and courier services. In 2015, the Registration of Engineers (Amendment) Regulations entered into force, allowing full foreign ownership of engineering firms.

### Netherlands

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. The divestment of ASR Nederland N.V., a previously state-owned insurance provider, was completed in September 2017. Also in 2017, the government's share in ABN AMRO Group N.V. was reduced to 56% (from 63%). In October 2018, a new law was introduced to strengthen the protection of trade secrets. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

### New Zealand

In May 2015, the Companies Act 1993 was amended to require all companies to have at least one director with domicile in New Zealand or an "enforcement country" (currently only Australia). A temporary ban on the parallel importation of films for commercial sale for a period of five months from the film's international release ended on 31 October 2016. The Trade Single Window (TSW) was deployed in April 2017, including the introduction of a system for pre-arrival processing of shipments.

### Norway

Courier services were liberalised in 2016 with the adoption of the EU postal directive. In telecommunications, fixed-line origination was deregulated in 2016. However, as of that same year only EEA operators benefit from regulated termination rates in fixed and mobile markets. In 2017 pro-competitive regulations overseen by an independent regulator were introduced in the rail freight sector and an independent appeals body was established under the competition law. The government sold all its share in the Scandinavian Airlines in 2018. A new law on copyright protection entered into force in 2018, improving the protection of rights holders. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

### Poland

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. In 2018, Poland introduced the Act Governing the Business Operations of Foreign Enterprises and other Foreign Persons on the Territory of the Republic of Poland. This Act improves the situation of entrepreneurs by merging previously dispersed provisions into a single law and eliminating several legal uncertainties. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.



## Portugal

A liberalisation measure in the architecture services sector in 2015 repealed a reciprocity requirement for admission to the Portuguese Order of Architects, which was a prerequisite to practice in Portugal. However, a similar reciprocity requirement was introduced that same year for the Order of Portuguese Engineers and the Order of Portuguese Technical Engineers. As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. A reform implemented in 2017 extended the duration of visas for contractual services suppliers and independent services suppliers on their first entry permit from four to twelve months. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Russian Federation

In 2015, a new legal requirement came into force requiring that certain personal data collected in the Russian Federation be stored on local servers. A regulation on number portability entered into force. In 2016, the Russian Federation introduced limitations on foreign participation in the total authorised capital of credit institutions and lowered the threshold for foreign equity allowed in broadcasting companies. According to the amendment of April 2017, the law restricts cross-border money transfers from the Russian Federation to countries barring activity of its national payment system.

## Slovak Republic

A dispute settlement mechanism for courier services, under the auspices of the regulatory authority, was introduced in 2016. That same year, revised conditions, including on economic needs, have applied for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. As of 2018, the Slovak Republic eased its procedures for recognition of qualifications gained in accounting in third countries. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Slovenia

Slovenia adopted a new Collective Management of Copyright and Related Rights Act in 2016, in which conditions for membership in a collective copyright management body are based on objective, transparent, and non-discriminatory rules. That same year, revised conditions, including on economic needs, have applied for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. As of 2018, intra-corporate transferees from third countries can stay in Slovenia for up to 36 months on their initial permit. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## South Africa

The Protection of Investment Act entered into force in 2018 stipulating new restrictions on foreign investments. As of 2018, foreign insurance companies can establish branches in the country and insurance providers shall appoint a resident person as its public officer.

## Spain

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. Parts of the telecommunications market were deregulated in 2017 following market analyses by the regulator. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update of the EU data protection regime.

## Sweden

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. Fixed-line telephony was deregulated in 2017, and the market for high-quality access to leased lines were deregulated in 2018 following market analyses by the regulator, which found the markets to be competitive. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## Switzerland

There were no significant policy changes that affected the score of the STRI during the period 2014-2018.

## Turkey

In 2015, Turkey adopted a regulation implementing the 2013 Law on Liberalisation of the Turkish Rail Transport. The new regulation paved the way for operationalising the reforms prepared for the rail transport sector. In 2016, Turkey adopted a new law on the protection of personal data.

## United Kingdom

As of 2016, revised conditions, including on economic needs, apply for authorisations to operate storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. As of 2017, under the new Immigration Skills Charge Regulations, a sponsor must pay a charge to the Secretary of State in the amount of GBP 1 000 per year each time it assigns a certificate of sponsorship to a non-EEA skilled worker (Tier 2). Small employers pay a lower amount, GBP 364 per year, and certain exemptions may be granted. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

## United States

Since 2016, foreign attorneys can obtain a temporary authorisation to practice law in New York. As of July 2016, foreign banks with USD 50 billion or more in US assets must form a US intermediate holding company (IHC) to act as the parent company of all the foreign bank's US subsidiaries. In 2016, the threshold for *de minimis* regime on customs duties for imported merchandise was raised to USD 800.

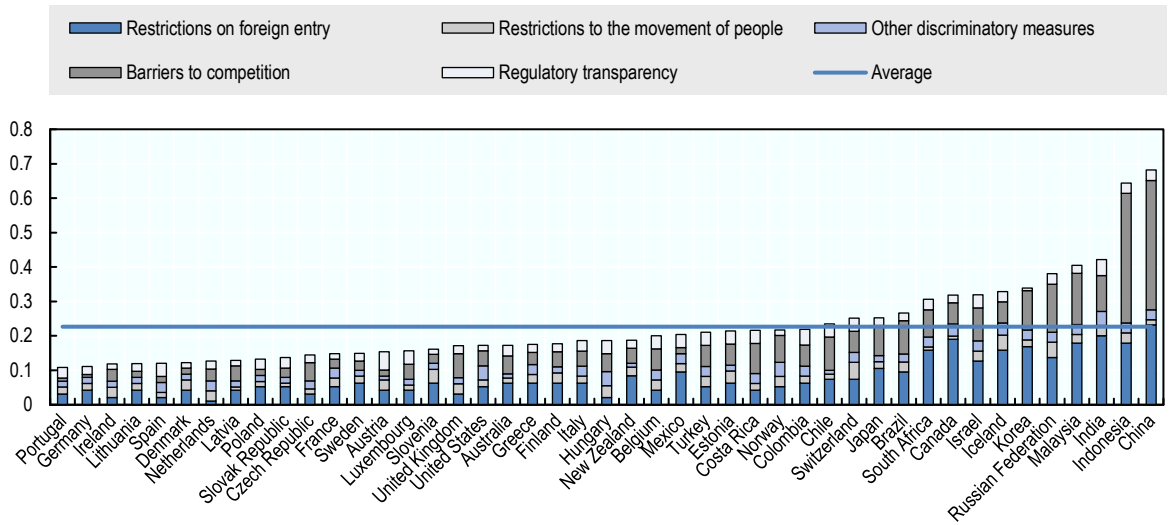


## Annex B

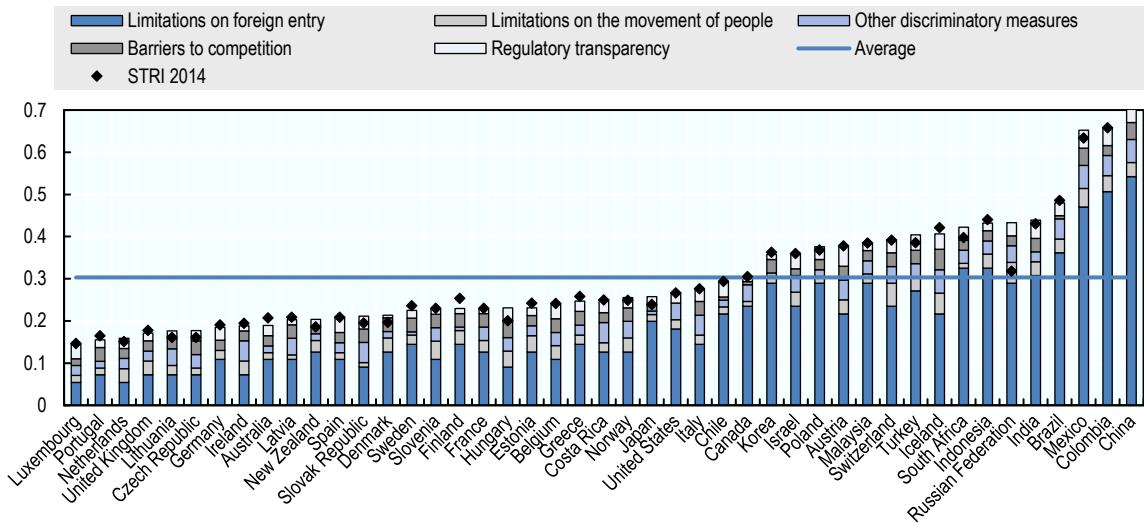
### STRI Indices by Sector

#### The digital network

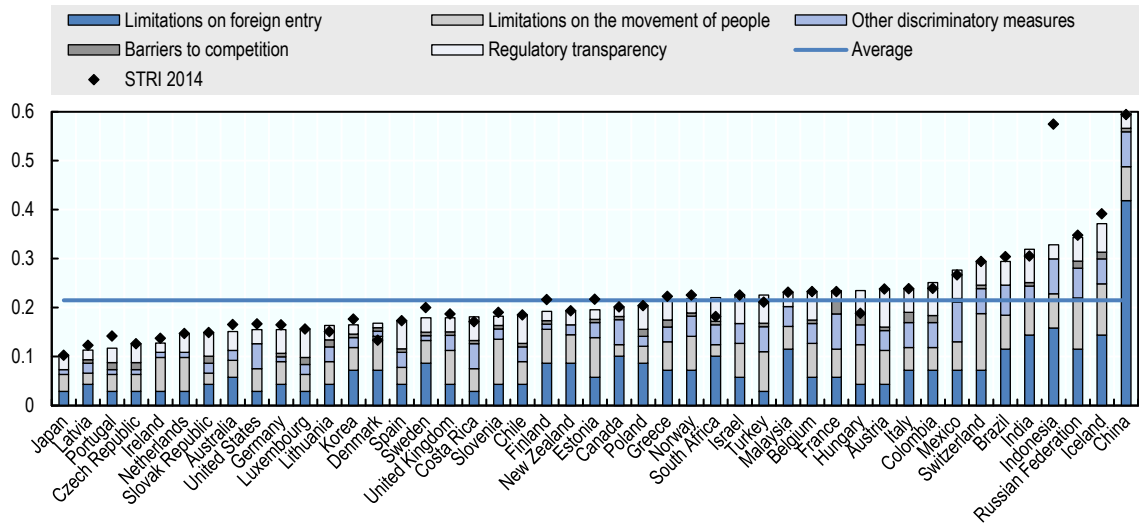
**Figure A.1. Telecommunications services, 2018**



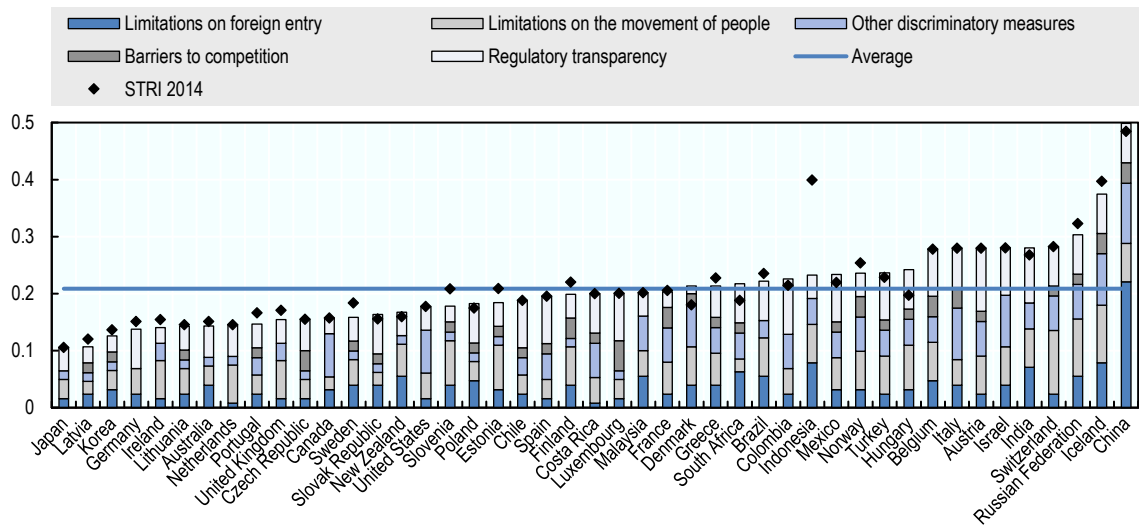
**Figure A.2. Television and broadcasting services, 2018**



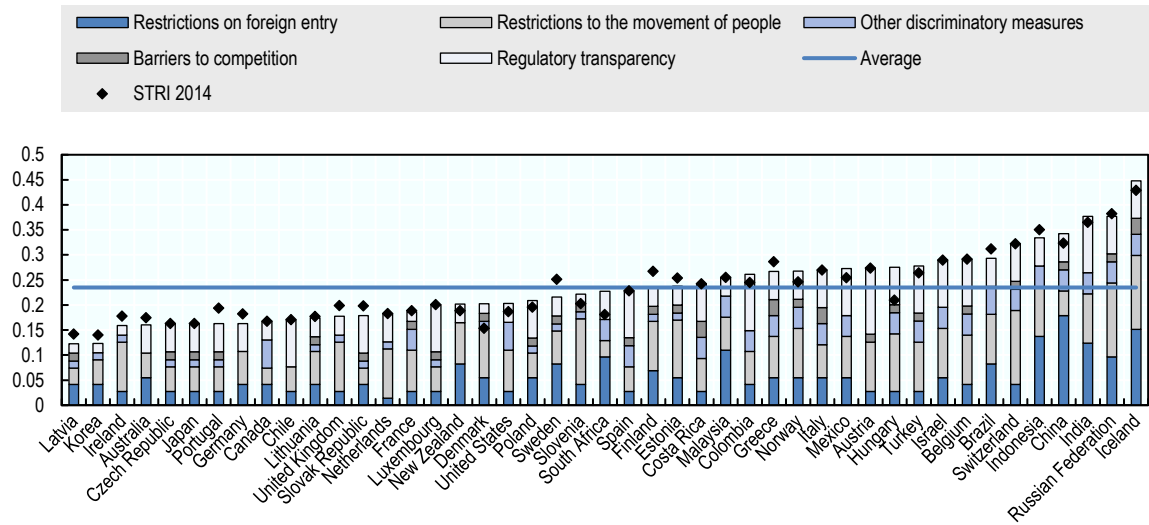
**Figure A.3. Motion pictures services, 2018**



**Figure A.4. Sound recording services, 2018**



**Figure A.5. Computer services, 2018**



**The transport and distribution supply chain**

**Figure A.6. Air transport services, 2018**

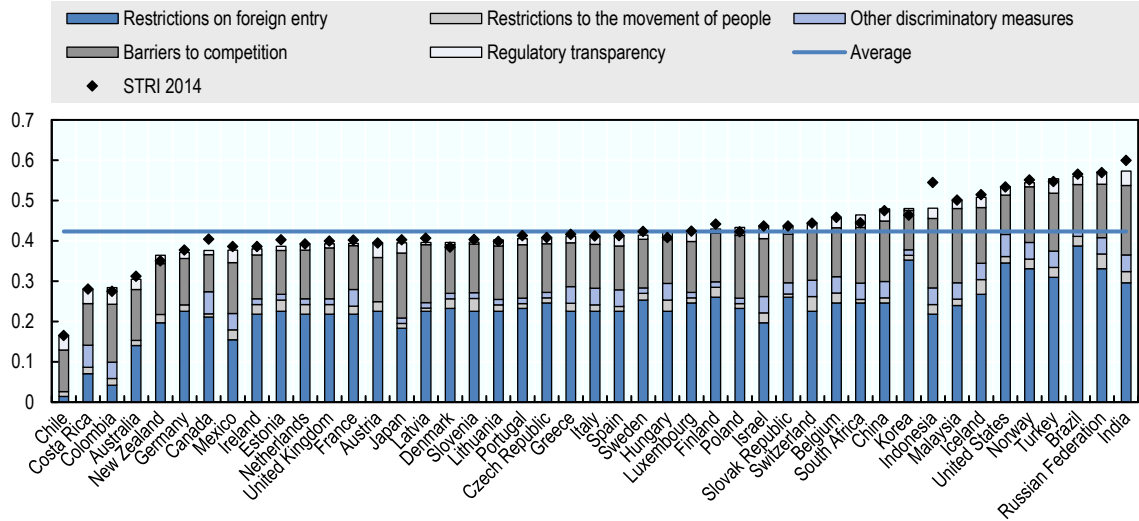


Figure A.7. Maritime transport services, 2018

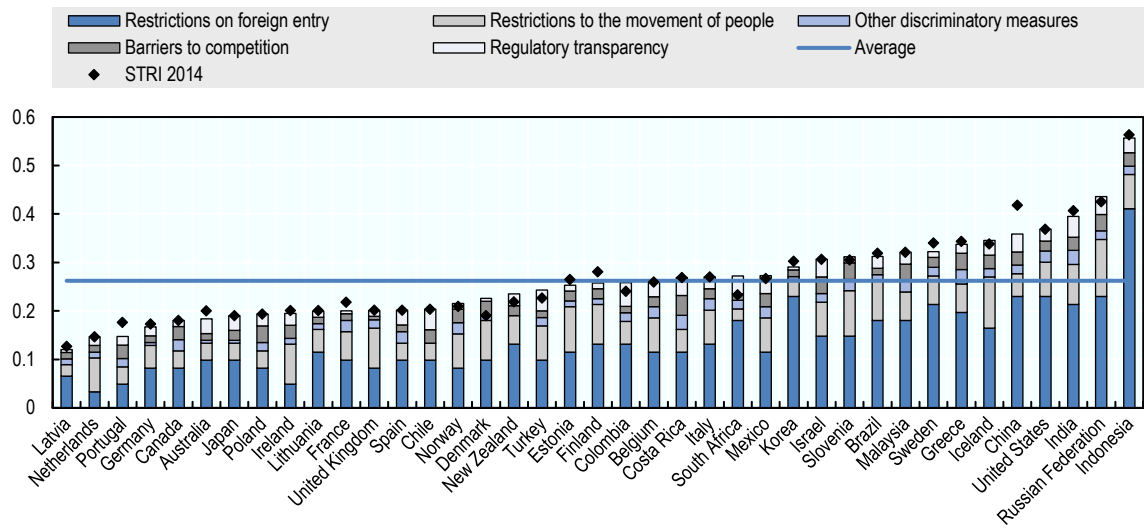


Figure A.8. Rail freight transport services, 2018

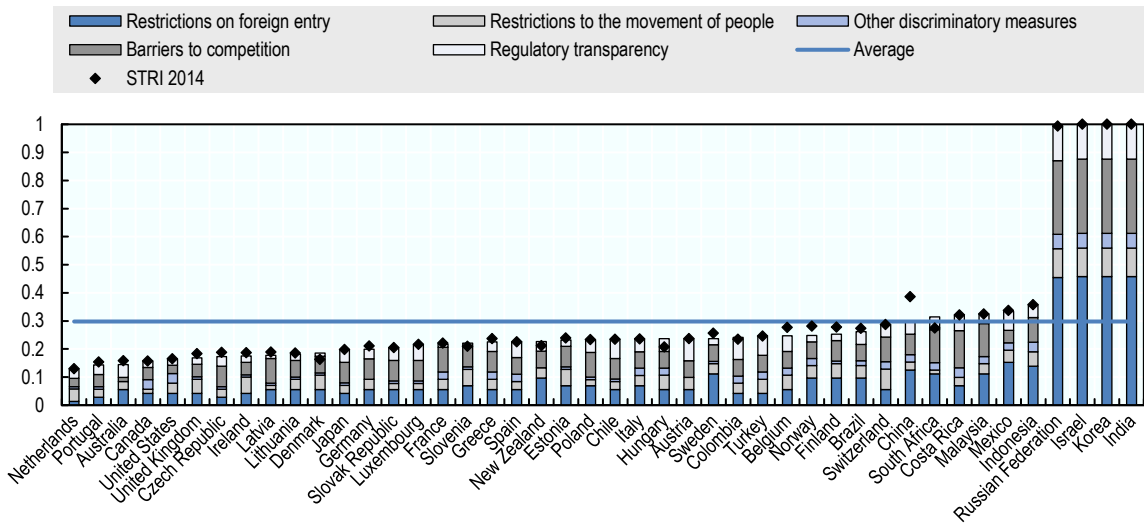


Figure A.9. Road freight transport services, 2018



Figure A.10. Courier services, 2018

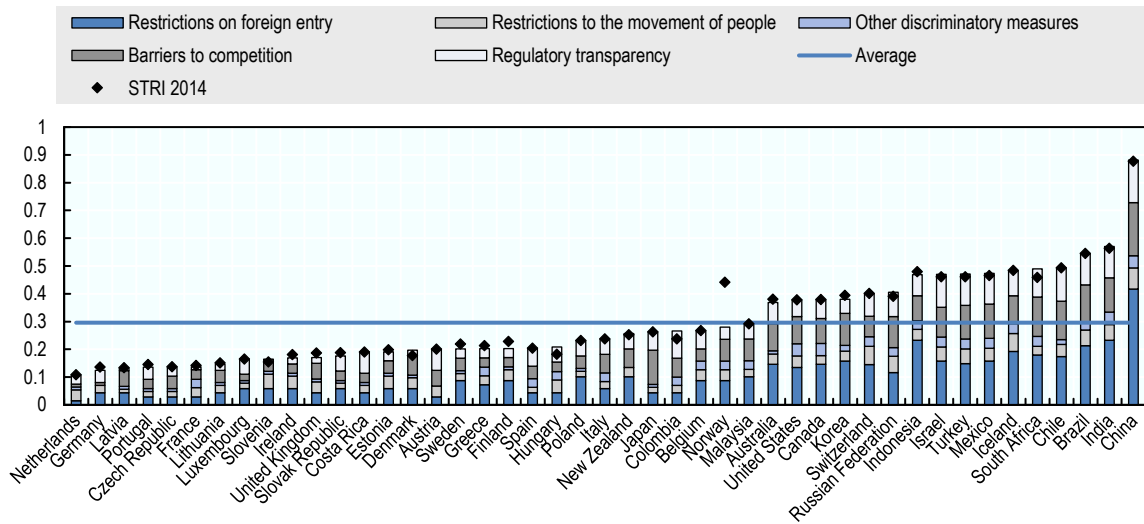


Figure A.11. Distribution services, 2018

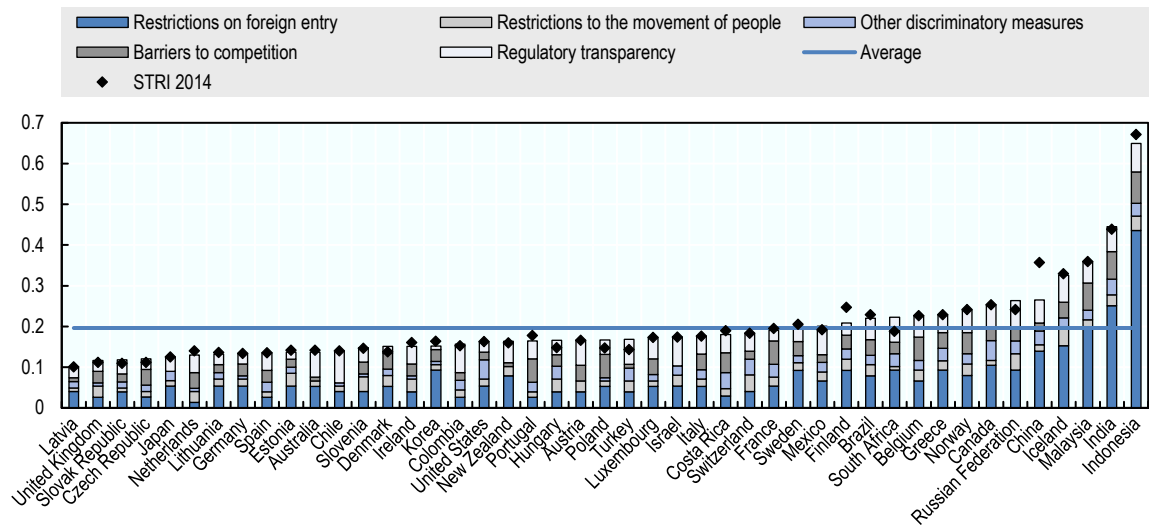
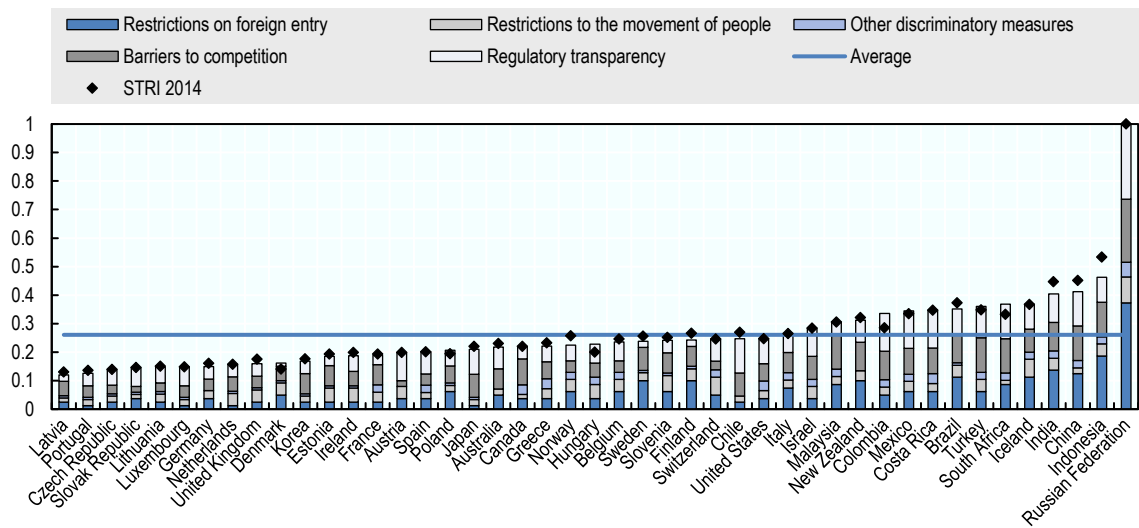
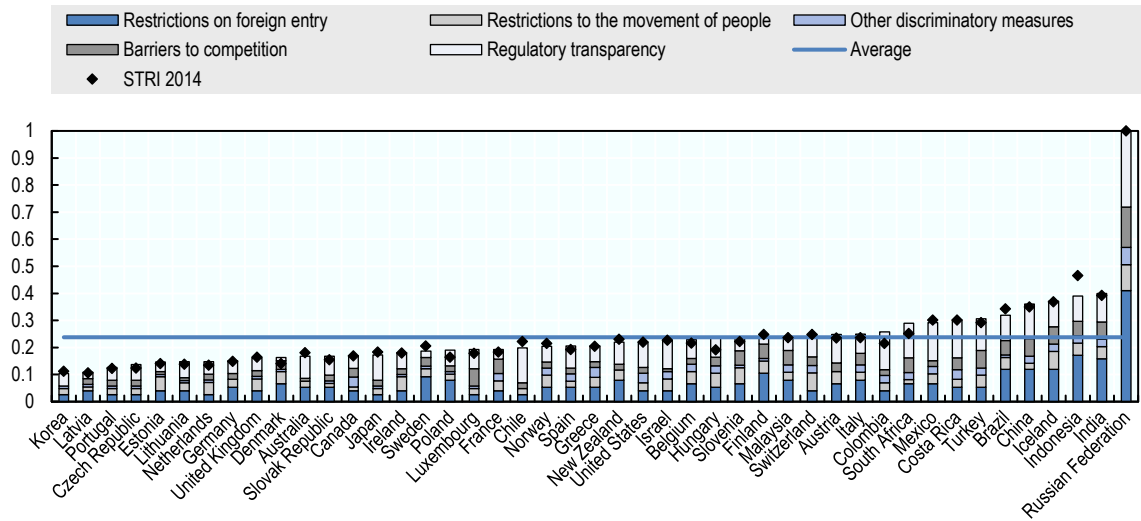


Figure A.12. Logistics cargo-handling services, 2018



**Figure A.13. Logistics storage and warehouse services, 2018**



**Figure A.14. Logistics freight forwarding services, 2018**

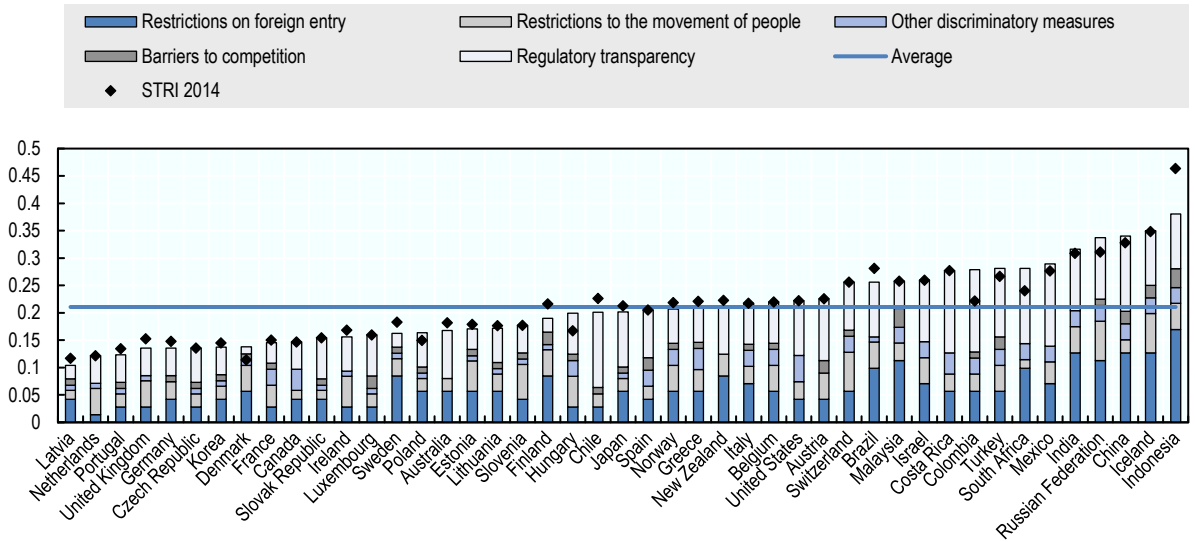
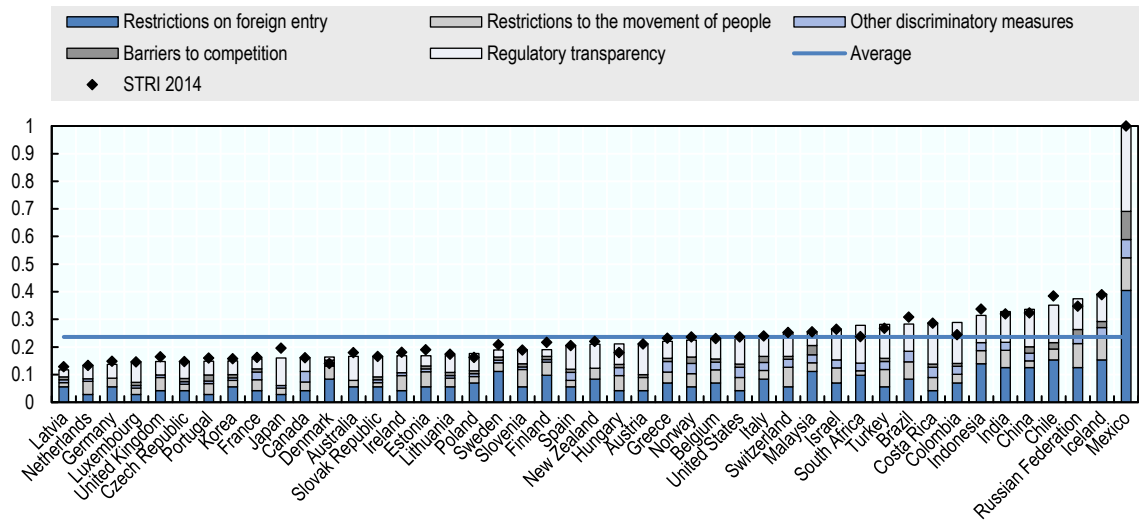


Figure A.15. Logistics customs brokerage services, 2018



### Market bridging and supporting services

Figure A.16. Commercial banking services, 2018

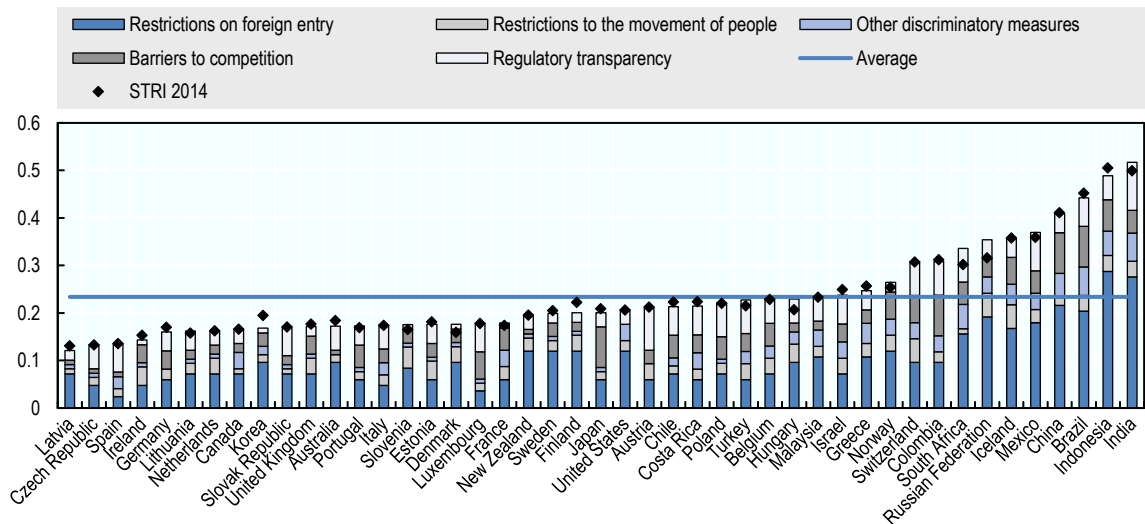




Figure A.17. Insurance services, 2018

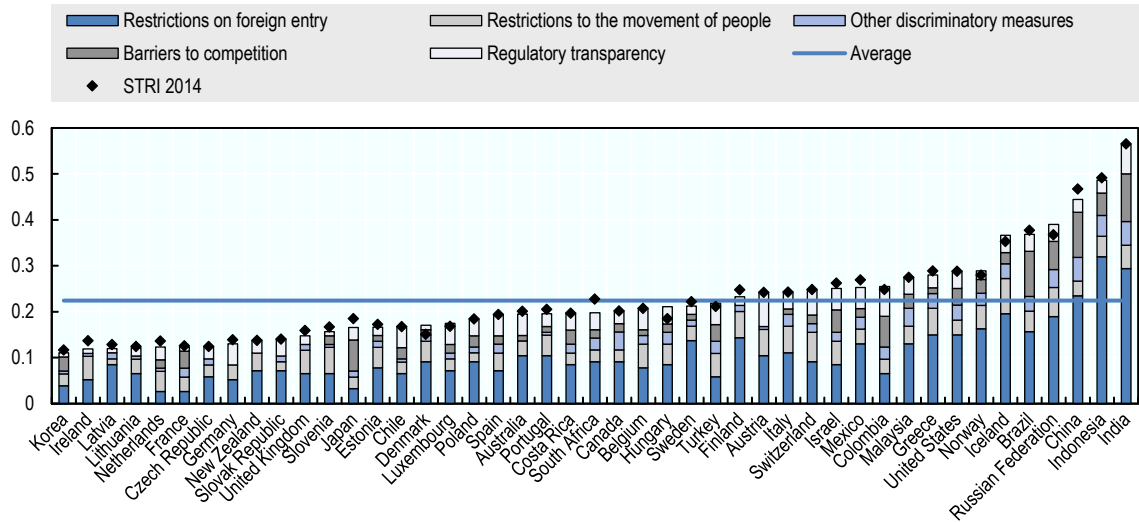
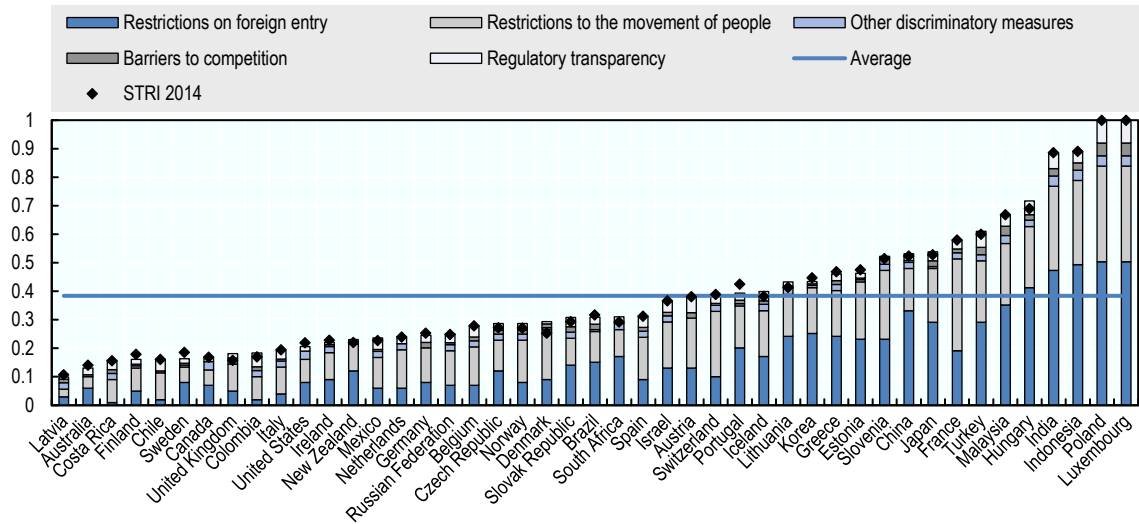
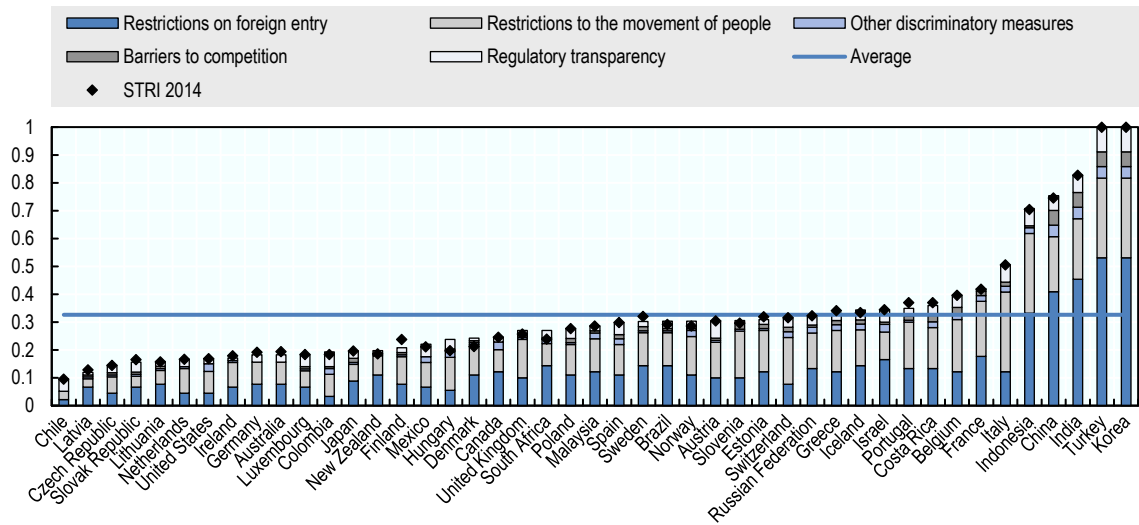


Figure A.18. Legal services, 2018



**Figure A.19. Accounting and auditing services, 2018**



**Physical infrastructure services**

**Figure A.20. Construction services, 2018**

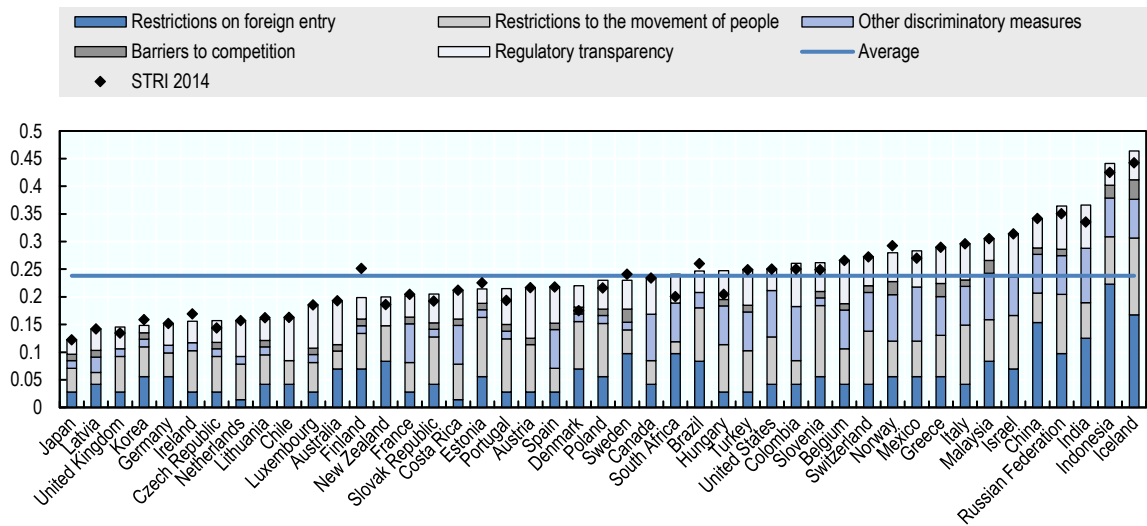


Figure A.21. Architecture services, 2018

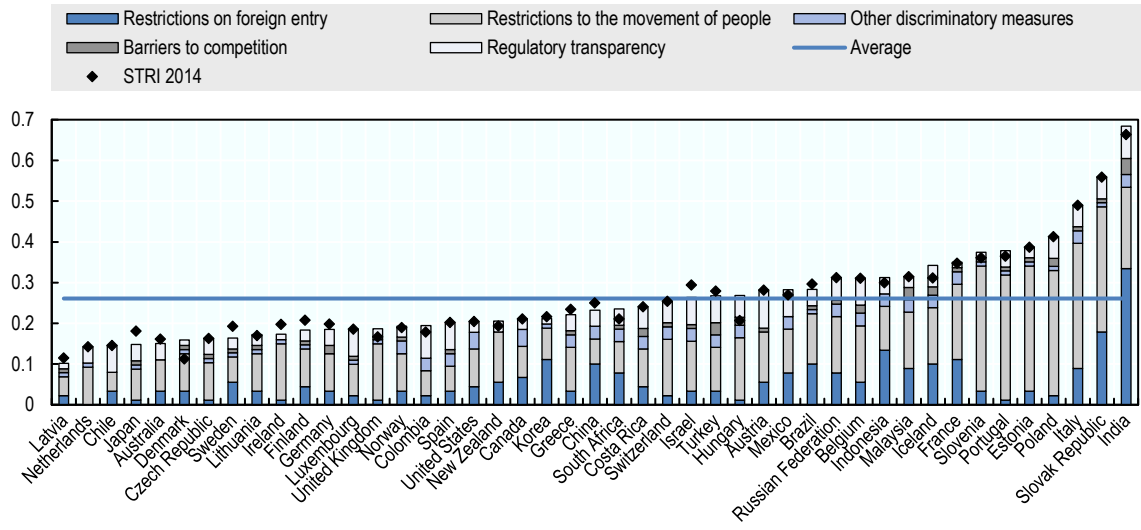
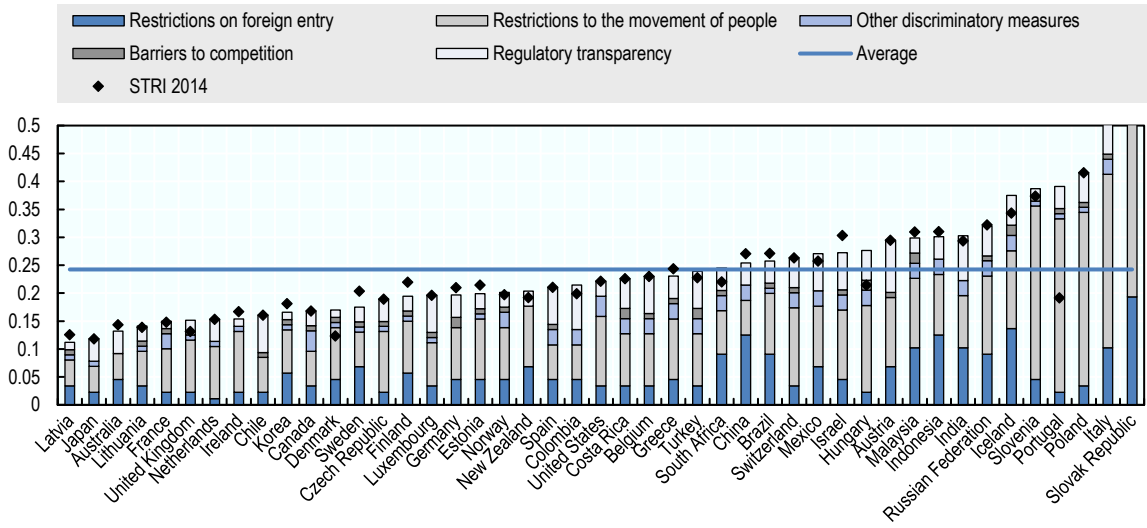
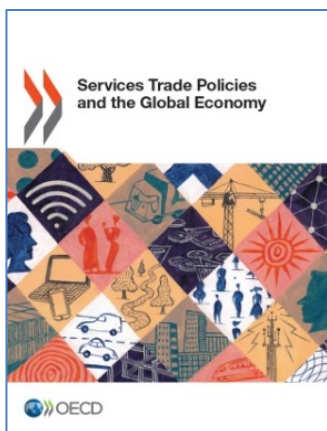


Figure A.22. Engineering services, 2018



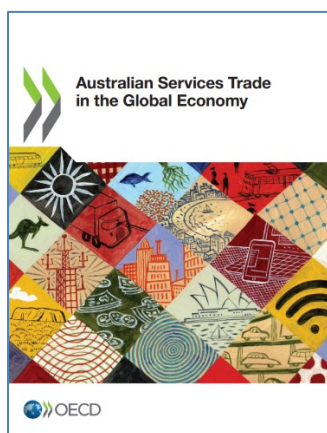
## For more information



The STRI analytical findings, presented in *Services Trade Policies and the Global Economy*, demonstrate the potential gains from strategic regulatory reforms such as:

- Scaling back restrictions on foreign entry and barriers to the movement of professionals that discriminate against foreign services providers.
- Adopting strategic reforms across a spectrum of trade, investment and competition policies to facilitate trade in services.
- Targeting bottlenecks in transportation and logistics services to reduce trade costs.

Available at: <https://doi.org/10.1787/9789264275232-en>



This book presents an in-depth analysis of the contribution of services to the Australian economy, the regulatory environment of the services sector and its performance in an international context.

The analysis highlights the importance of co-ordinated domestic policy action, priorities for promoting behind-the-border regulatory reforms in strategic international markets, and the benefits of an ambitious bilateral, plurilateral and multilateral trade policy agenda that contributes to rules-based certainty and predictability in services trade globally.

Available at: <https://doi.org/10.1787/9789264303911-en>

## STRI online tools

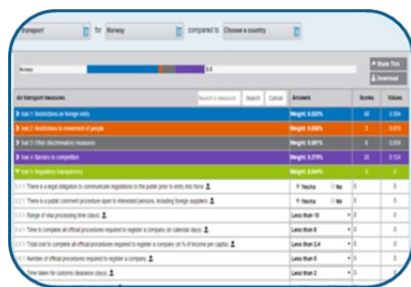
The STRI webpage (<http://oe.cd/stri>) is a single window to the STRI regulatory database, interactive tools such as Compare Your Country and Policy Simulator, methodological notes, and links to analytical OECD Trade Policy Papers on services trade.

**Compare your country** (<http://oe.cd/stri-cyc>)



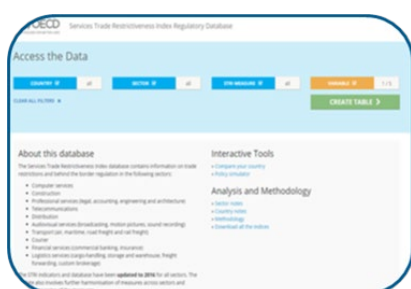
This interactive website can be used to compare services trade restrictiveness across 22 sectors in 45 OECD countries and partner economies. Key economic indicators are projected onto a world map to give a comparative view of the importance of services in the countries covered by the STRI.

### Policy simulator (<http://sim.oecd.org/>)



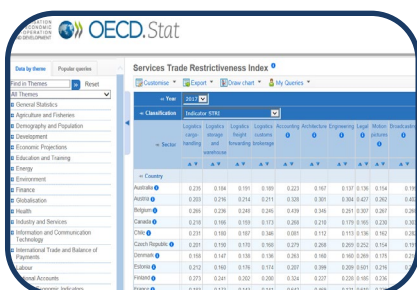
The policy simulator provides all STRI information by country and by sector. It can be used to understand how the STRI indices are calculated, to analyse the contribution of each policy measure to the index, to compare countries in detail, and to simulate the impact of a policy change on the index value. Simulations can be saved and shared with other users, and the relevant data can be downloaded.

### Online STRI regulatory database (<http://oe.cd/stri-db>)



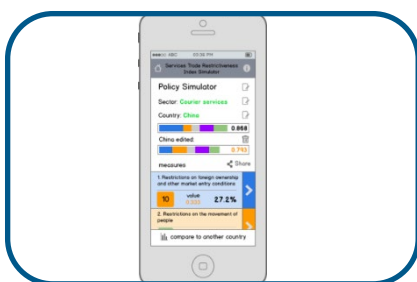
The online STRI regulatory database displays complete and up-to-date regulatory information collected for the sector composite indices. This qualitative database contains information on trade restrictions and behind-the-border regulations in the 22 STRI services sectors. The database entries are documented with reference to the sources (title and articles of the relevant law), with an internet link to each legal source.

### STRI Composite Indices on OECD.Stat (<http://oe.cd/stri-stat>)



The STRI indices are easily accessed and extracted from OECD.Stat (under the heading: Industry and Services, subheading: Services Trade Restrictions). In addition to the five policy areas, the indices are presented by four additional classifications: GATS market access/national treatment and domestic regulation/other, GATS modes of supply, Discriminatory versus non-discriminatory measures, Firm's establishment versus on-going operations. The indices of regulatory heterogeneity based on the same information included in the STRI regulatory database are also available under this section.

### STRI mobile application (available for iOS and Android devices)



This mobile application features an integrated policy simulator function with downloadable data for offline use. Built-in quick links guide users to other STRI tools and materials. The application is available on Apple's App Store and Google Play Store.

