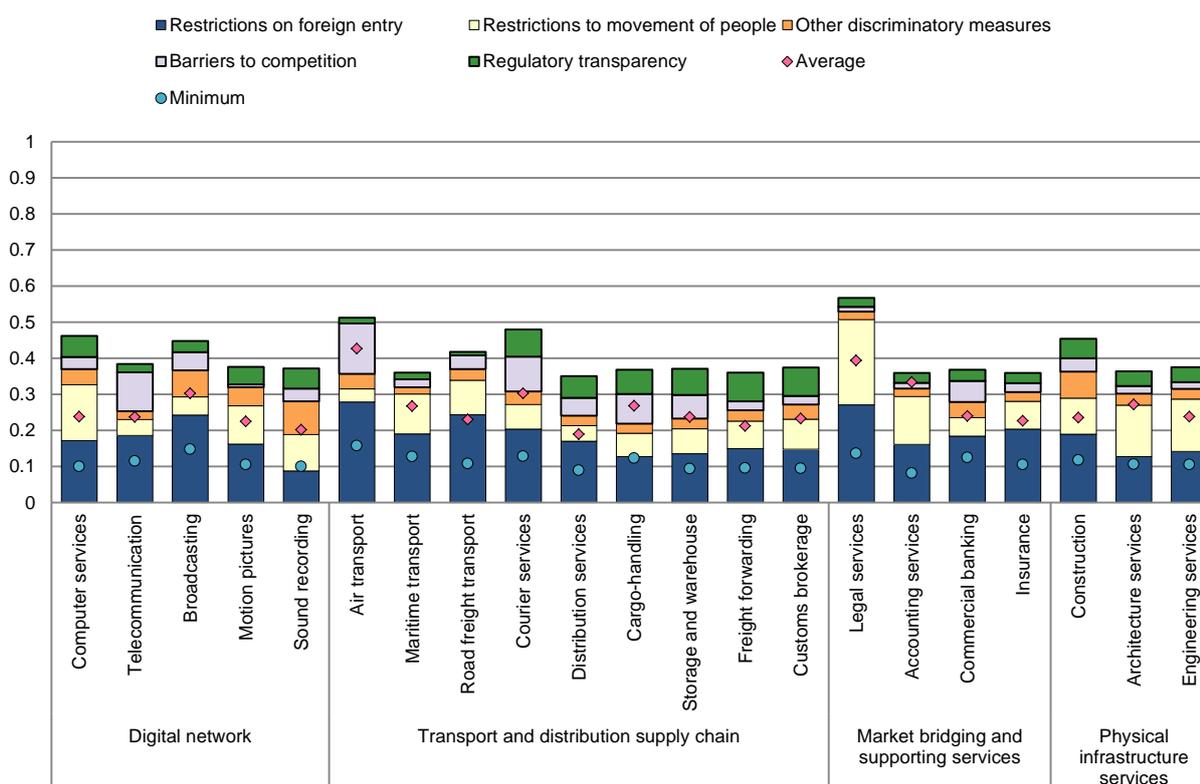


OECD Services Trade Restrictiveness Index (STRI): Iceland

Iceland exported services worth USD 5.4 billion and its services imports amounted to USD 3.2 billion in 2016. Air transport is Iceland's largest services export category and the largest services import category is personal travel.

Iceland's score on the STRI index by sector is shown below along with the average and the lowest score among the 44 countries included in the STRI database for each sector.

STRI by sector and policy area



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). Rail freight transport is not covered for Iceland as there is no rail network in the country.

Horizontal policy measures

Iceland's STRI score is above the average in all sectors. This is largely attributed to horizontal regulation that affects all sectors in the economy. Iceland requires that half of the board members and the manager (CEO) of corporations must be resident in Iceland or a European Economic Area (EEA) member country. Foreign direct investment is subject to screening and is approved unless investment is considered not in the national interest. Additional authorisation procedures apply to foreign state owned enterprises, and access to ownership of land is subject to restrictions. Economic needs tests are applied for natural persons from countries outside the EEA coming to Iceland to provide services on a temporary basis. Intra-corporate transferees and independent services suppliers may stay in the country for up to 12 months on their first entry permit, and contractual services suppliers are only permitted in education and R&D activities. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. 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. A minimum amount of capital must be deposited in a bank or with a notary in order to register a corporation.

The sectors with the relatively lowest STRI scores

Accounting, air transport and architecture are the three sectors with the lowest score relative to the average STRI across all countries. In all three sectors, however, the scores are still higher than the mean. Auditing is a regulated profession and Iceland requires that the majority of the shares in auditing firms must be owned by locally-licensed auditors residing in Iceland or the EEA. Non-EEA auditors can in principle obtain a license provided that they pass local examinations and can demonstrate experience from local practice in Iceland or EEA. Accounting is not a regulated profession. In the air transport services sector, Iceland has foreign equity restrictions as a result of common European Union (EU) regulation on air services. Pursuant to this regulation, non-EU nationals cannot own more than 49% in local 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. An 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. Architecture is a protected title in Iceland, but the title does not entail exclusive rights to provide the service. The sector is thus subject to the horizontal regulations.

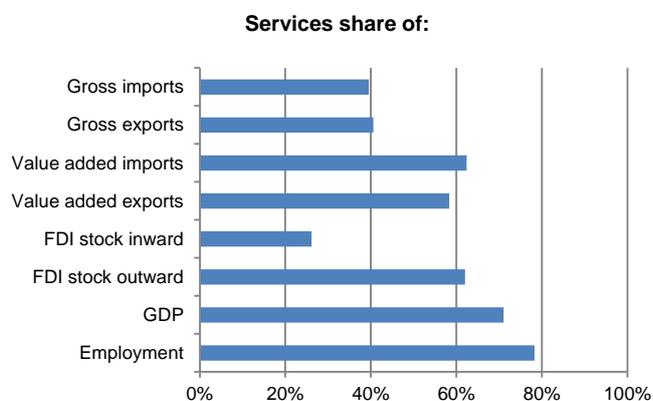
The sectors with the relatively highest STRI scores

Computer services, construction and distribution services are the three sectors with the highest score relative to the average STRI across all countries. Computer services are not subject to any sector-specific regulations, but the numerous horizontal measures contribute to the relatively high score. In construction and distribution services state-owned enterprises also contribute to the score.

Recent policy changes

Temporary capital controls introduced following the financial crisis have been gradually lifted and the remaining controls relevant for services trade were lifted in 2016. Iceland has 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. On the other hand, 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.

Efficient services sectors matter



Services account for as much as 40% of Iceland's gross trade and around 60% when measured in value added terms. The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Iceland. 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, Iceland could benefit from more open markets for services trade through the temporary movement of natural persons.

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