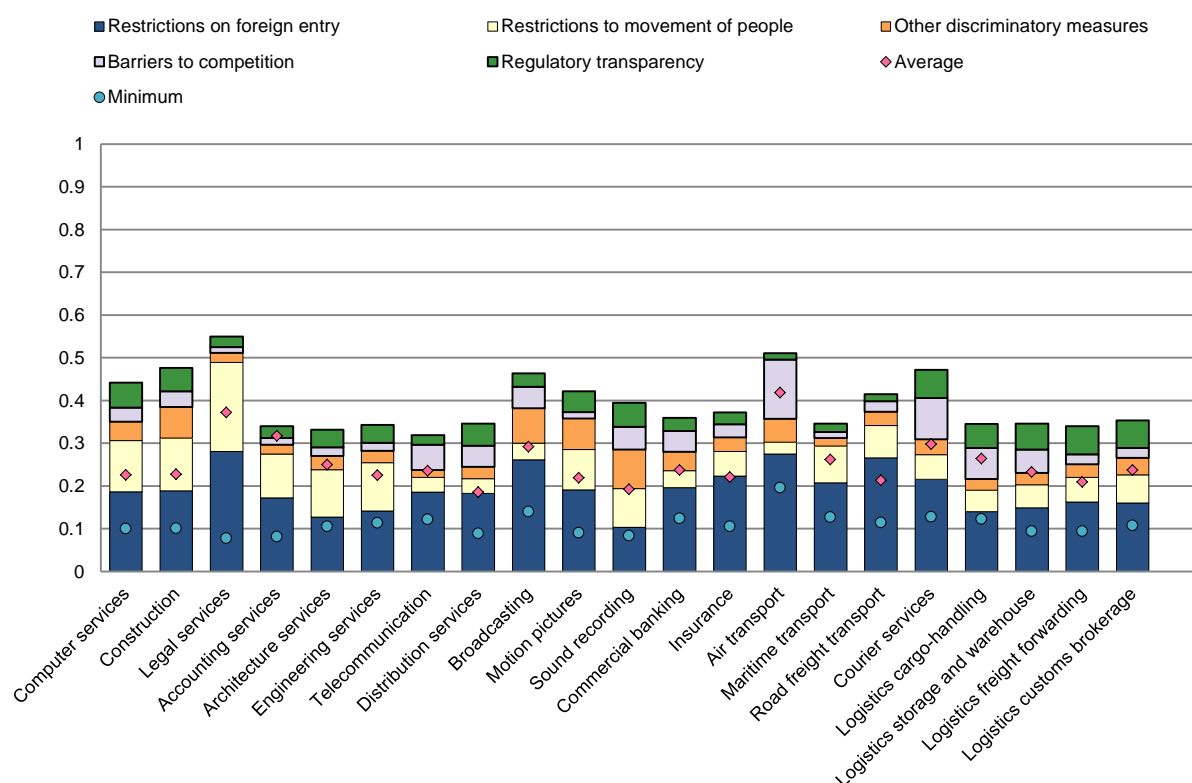


OECD Services Trade Restrictiveness Index (STRI): Iceland

Iceland exported services worth USD 4.2 billion and its services imports amounted to USD 2.8 billion in 2015. Air transport is Iceland's largest services export category and the largest services import category is personal travel. Financial services account for about 40% of inward and 80% of outward foreign investment stock in services. Iceland's score on the STRI index in the 21 of the 22 sectors covered by the STRI project is shown below along with the average and the lowest score among the 44 countries included in the STRI database for each sector. Iceland is not scored in rail freight transport services since there are no significant rail transport services in the country and no regulations that prohibits or limits the establishment of such services.

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).

Horizontal policy measures

Iceland's STRI score is relatively high and above the average in all sectors. This is largely attributed to horizontal regulation that affects all sectors in the economy. As a result of the banking and balance of payment crisis in 2008, Iceland introduced temporary capital controls. Although significantly eased, some are still in force and contribute to the STRI in all sectors. 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 normally not more than 6 months. Furthermore, only firms from countries with which Iceland has an agreement have non-discriminatory access to the public procurement market. 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. Finally, there is no legal obligation to publish laws and regulations prior to entry into force or to consult with stakeholders.

The sectors with the relative lowest STRI scores

Accounting, air transport and maritime transport are the three sectors with the lowest score relative to the average. 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. Air transport is the only services sector in which Iceland employs foreign equity restrictions. In application of the EEA regulation on air services, the air transport investment regime restricts foreign equity participation to less than 50% in relation to both domestic and international traffic. Airport take-off and landing slots are allocated based on historical rights and the commercial exchange of slots is not allowed. Maritime transport is subject to the horizontal regulations in Iceland, but there are very few sector-specific regulations that contribute to the STRI score. Foreign flagged vessels have access to the cabotage market, and port services are also open to competition.

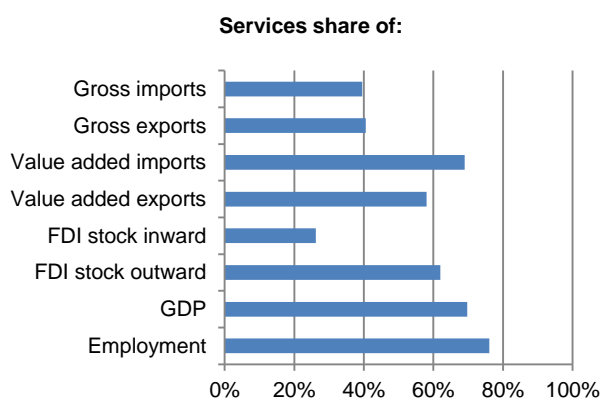
The sectors with the relatively highest STRI scores

Computer, sound recording and construction are the three sectors with the highest score relative to the average. These three sectors are among the least restricted in the STRI database, and Iceland's numerous horizontal regulations contribute to the relatively high score.

Recent policy changes

There are no policy changes that affect the scoring on the STRI during the period 2015-2016.

Efficient services sectors matter



Services account for as much as two fifths of Iceland's gross trade and more than 60% when measured in value added terms. Open, diversified and competitive services markets improve effectiveness and productivity both in the services sectors in question and downstream industries using services as inputs. The small size of the Icelandic market limits the extent of diversification through commercial presence. Therefore, cross-border trade supported by temporary movement of people is of particular importance.

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