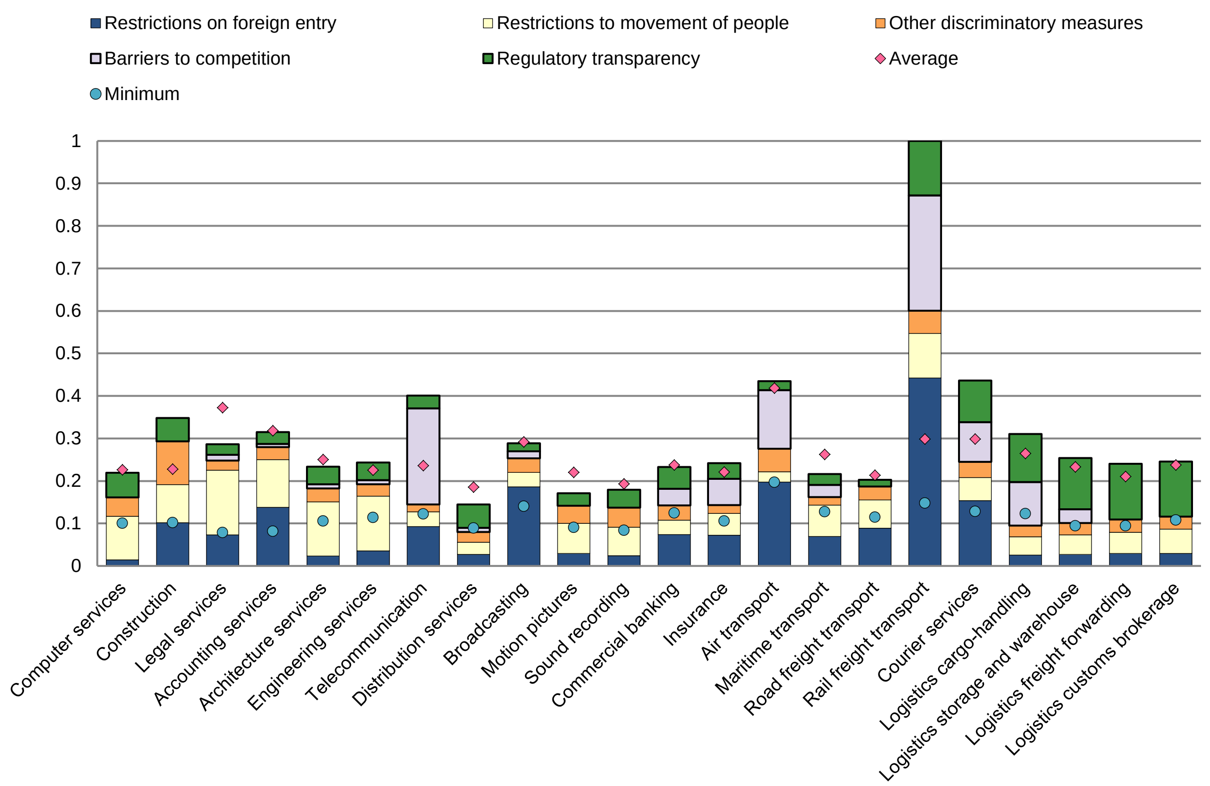
OECD Services Trade Restrictiveness Index (STRI): Israel[1]

Israel exported commercial services worth USD 34.4 billion and its services import value was USD 22.1 billion in 2015. Business services, particularly research and development, are the largest services exporting sector and transport is the main category of services imports.

Israel'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.

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

Israel has a lower STRI score than the sample average in 11 out of 22 sectors. This is partly explained by general regulations applying to all sectors of the economy. The chair of the board of directors of Israeli corporations must be a resident of Israel. Acquisition of land and real estate by foreigners is subject to restrictions and preferences are granted to local suppliers in procurement markets, particularly through the use of offsets. Furthermore, Israel applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. These categories may stay in the country for up to 12 months on their first entry permit. There is also at least one major state-owned enterprise in broadcasting, courier services, maritime and rail freight transport.

[1]. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The sectors with the relatively lowest STRI scores

Distribution services (wholesale and retail trade), motion pictures and legal services are the three sectors with the lowest score relative to the average in Israel. Distribution services and motion pictures are subject to the general regulatory framework, and there are no additional sector-specific trade restricting policy measures or barriers to competition imposed on them. In legal services, residency is required in order to practice domestic law, and law firms must be owned by locally licensed lawyers. By contrast, international law has been liberalised following recently-enacted reforms in the sector.

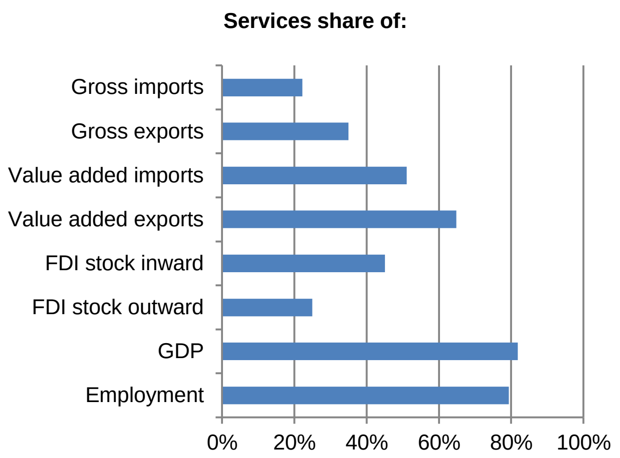
The sectors with the relatively highest STRI scores

Construction, telecommunications and rail freight transport are the three sectors with the highest score relative to the average in Israel. Israel has a statutory state-owned monopoly in rail freight transport. This together with no significant transit rights for foreign suppliers closes the market for international trade and investment. The score for construction services is largely driven by horizontal measures, including restrictions in public procurement which can have a significant bearing in the sector. Only joint ventures are allowed and the majority of members of the board of directors of construction firms must be Israeli nationals and residents. Also, at least one engineer must be licensed for the issuance of construction permits. Lack of pro-competitive measures to address possible anti-competitive practices by telecom operators with significant market power largely explains the score for telecommunications services. Furthermore, Israel maintains a cap of 80% foreign equity and more than half of board of directors' members and the manager of telecoms companies must be Israeli nationals and residents.

Recent policy changes

Israel has liberalised the practice of international law in 2015.

Efficient services sectors matter



Services account for 35% of Israel's gross exports, but 64% in value added terms. This indicates that Israel's exports of goods rely intensively on services inputs. Cost effective state of the art services are therefore of utmost importance for the competiveness of the Israeli industrial sector. Services also account for 80% of GDP and employment, which implies that earnings and aggregate demand depend significantly on productivity in services sectors. Israel could further increase the efficiency of its economy by prioritising reforms that enhance competition in services markets. The STRI suggests that this may be particularly the case for general regulations applying to all services sectors, as well as for some infrastructure and network sectors, which are essential inputs in downstream industries.

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