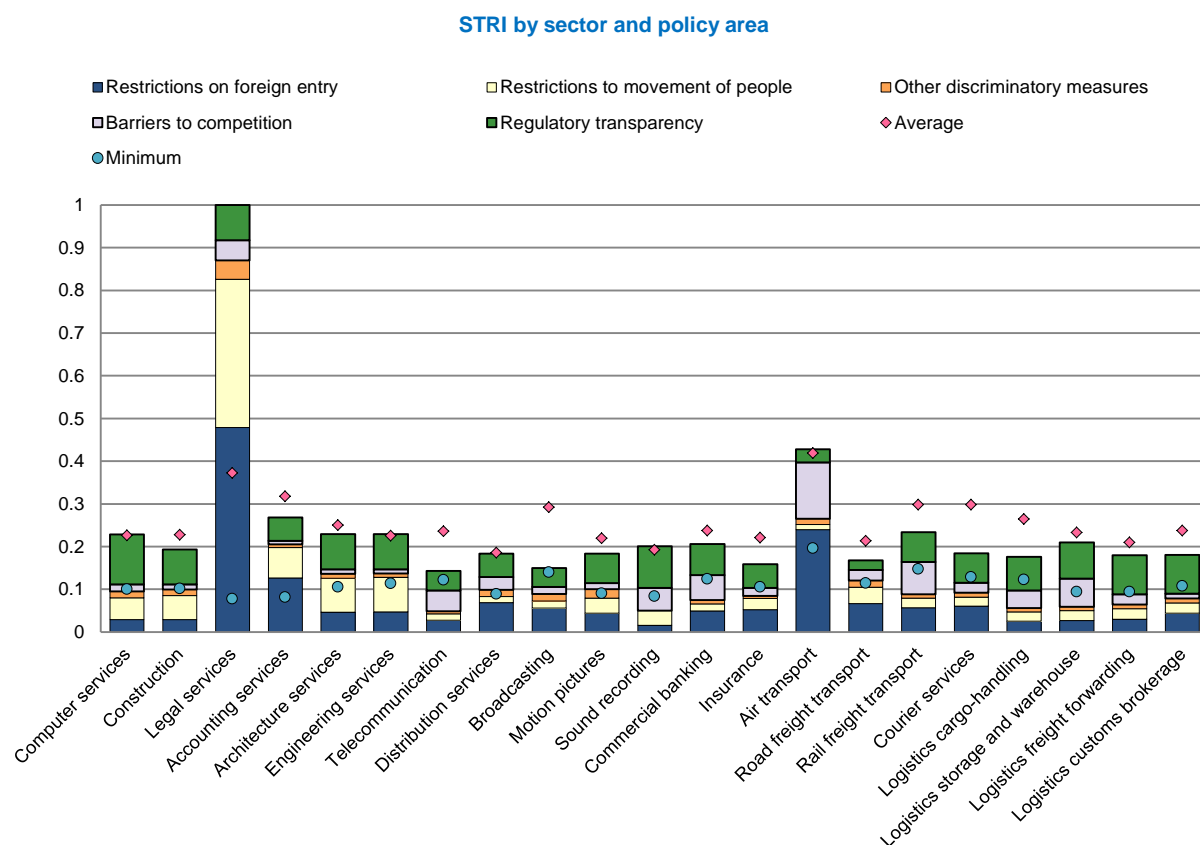


OECD Services Trade Restrictiveness Index (STRI): Luxembourg

Luxembourg exported services worth USD 94 billion and its services import value was USD 71 billion in 2015. Financial services are the largest services exporting and importing sectors. Luxembourg's score on the STRI in the 21 sectors covered by the STRI project is shown below (maritime transport is excluded for landlocked countries), along with the average and the lowest score among the 44 countries included in the STRI database for each sector.



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

Luxembourg's scores on the STRI are below the average in 16 out of 21 sectors. This can largely be explained by a favourable general regulatory framework.

Luxembourg applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers or independent services suppliers. Intra-corporate transferees are not subject to such tests, but for them the duration of stay is limited to 12 months on their first entry permit. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. A minimum amount of capital must be deposited in a bank or with a notary in order to register a business. The standards for the 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. Finally, consulting stakeholders during the legislative process is not mandatory and the legal obligation to publish final and voted law prior to entry into force (three days) is significantly less than best practice.

The sectors with the relatively lowest STRI scores

Telecommunication, broadcasting and courier services are the three sectors with the lowest score relative to the average in Luxembourg. For the telecommunication services sector, one of the major line telecommunication providers is fully owned by the state and state ownership is statutory. Other barriers to competition in this sector are lack of competitive bidding for universal services obligations and missing elements from the obligations imposed on services providers with significant market power in the mobile sector. For broadcasting the sector-specific trade limiting measure relates to advertising, quotas on broadcast time, and subsidies and tax breaks subject to cultural tests. Finally, for courier services, P&T Luxembourg, the leading operator of postal and telecommunication services is fully state-owned and not listed.

The sectors with the relatively highest STRI scores

Air transport, sound recording and legal services are the three sectors with the highest score relative to the average in Luxembourg. In legal services there is a general requirement that all the voting rights in law firms must be owned by lawyers licensed in Luxembourg or in the EU. Furthermore, only nationals of the EU country may obtain a licence to practice legal services in Luxembourg. Finally, no temporary licensing system is in place, and hence the sector is effectively closed to non-EU lawyers (a part from countries with reciprocal or preferential agreements). This regime applies to both domestic and international law.

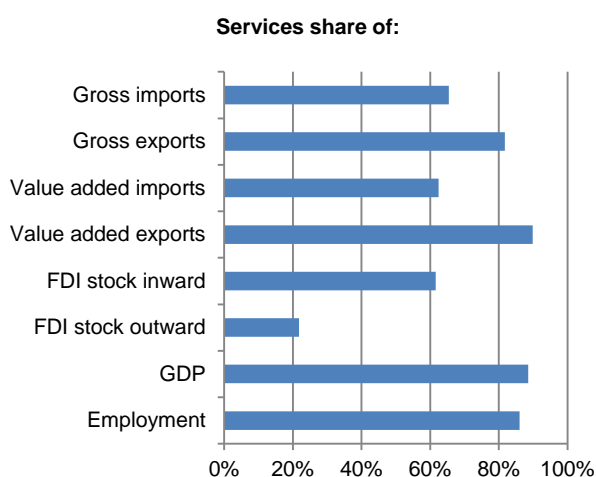
For sound recording, besides horizontal measures, copyright fees are regulated and arbitration structures to deal with commercial disagreement between users of rights and collective rights managers do not exist.

In the air transport services sector, Luxembourg employs foreign equity restrictions as a result of common EU regulation on air services. Pursuant to this regulation, non-EU nationals cannot own more than 49% in Luxembourg airlines. The 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.

Recent policy changes

Since December 2015, foreign branches' capital must be located in Luxembourg and, except for insurance companies having their registered office in an OECD member state, the approval for establishing a branch may be refused if reciprocity for Luxembourg companies is not ensured by national law.

Efficient services sectors matter



Services account for more than 80% of gross exports, value added exports, GDP and employment. The share of GDP is slightly higher than of employment in Luxembourg. This indicates that labour productivity is higher in services than in other sectors. In Luxembourg the difference is largely explained by the importance of highly skilled labour intensive services sectors. Nevertheless, more open and competitive services markets improve effectiveness and productivity both in the services sectors and downstream industries using services as inputs. Luxembourg could further improve the efficiency of its economy by prioritising reforms that enhance competition in services markets, in particular general regulations that apply to all sectors and legal services.

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