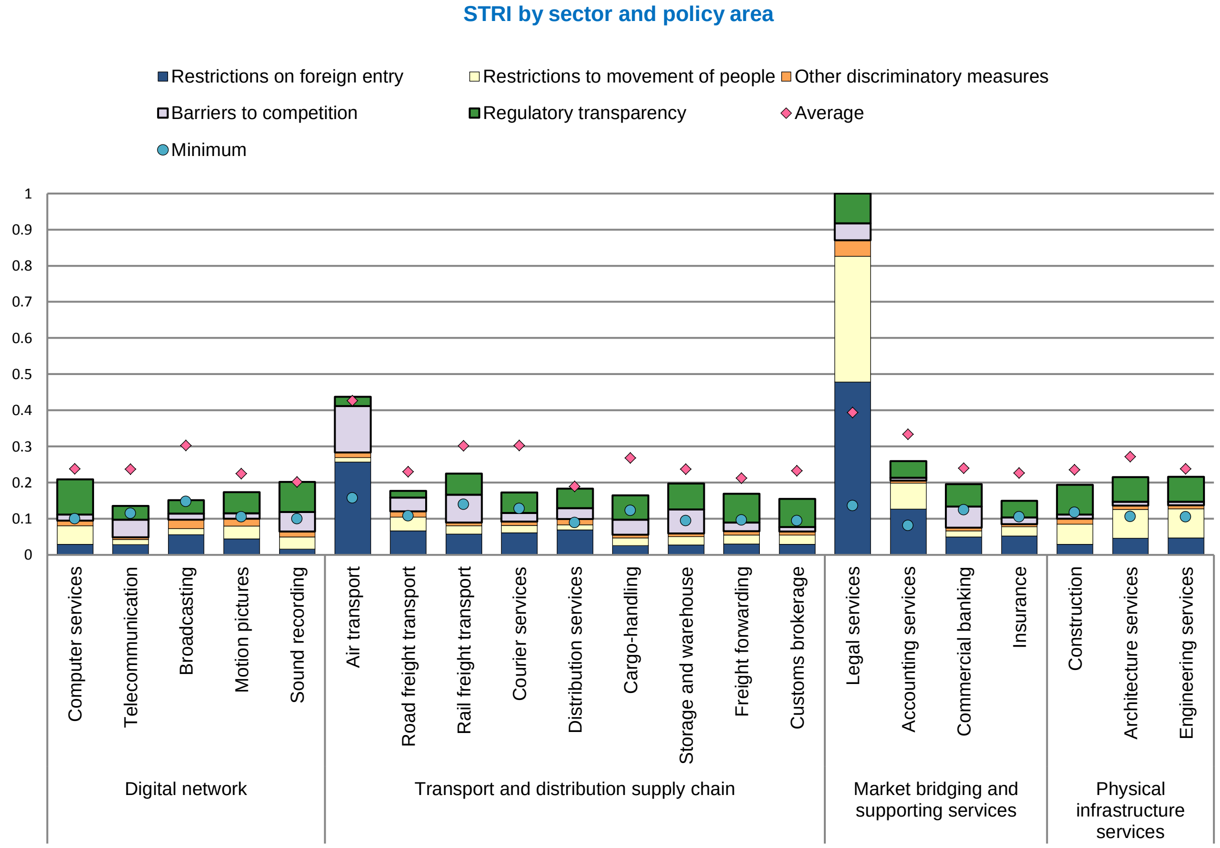
OECD Services Trade Restrictiveness Index (STRI): Luxembourg

Luxembourg exported services worth USD 95 billion and its services import value was USD 72 billion in 2016. 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, 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). Maritime transport services are not covered for landlocked countries.

Horizontal policy measures

Luxembourg has a lower score on the STRI than the average in 18 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

Broadcasting, courier services and telecommunication are the three sectors with the lowest score relative to the average STRI across all countries. For broadcasting, the sector-specific trade limiting measure relates to advertising, quotas on broadcast time, and subsidies and tax breaks subject to cultural tests. For courier services, P&T Luxembourg, the leading operator of postal and telecommunication services is fully state-owned and not listed. Finally, 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.

The sectors with the relatively highest STRI scores

Legal services, air transport and sound recording are the three sectors with the highest score relative to the average STRI across all countries. In legal services there is a general requirement that all the voting rights in law firms must be owned by lawyers licensed in the European Union or in the European Economic. Furthermore, only EU nationals 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.

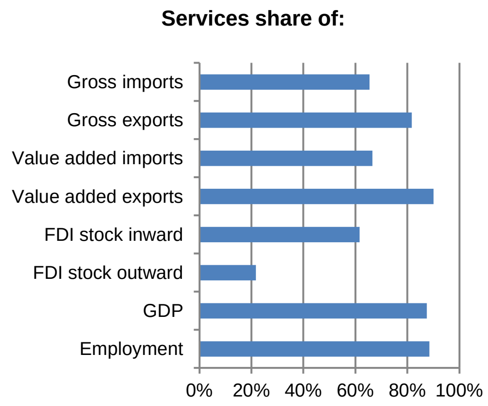
In the air transport services sector (covering establishment only), Luxembourg has foreign equity restrictions as a result of common European Union (EU) regulation on air services. Pursuant to this regulation, non-EU nationals cannot own more than 49% in local airlines. Lease of foreign aircrafts with 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.

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.

Recent policy changes

Since December 2015, 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.

The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Luxembourg. 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, Luxembourg could benefit from more open markets for services trade.

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