OECD Services Trade Restrictiveness Index (STRI): Iceland

Iceland exported services worth USD 6 billion and its services imports amounted to USD 4 billion in 2017. 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 45 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 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, 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. 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 take place when these ensure an adequate level of data protection or, in the absence of this, appropriate safeguards (e.g., binding corporate rules or standard data
protection clauses) are in place. 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**

Legal services, accounting and air transport 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. Domestic law is reserved for locally licenced “advocats” and only licenced “advocats” may own shares, serve on the board or manage law firms. Advocats may not commercially associate with other professions. International law is not subject to sector-specific trade restrictions. Auditing is included in the accounting index and is a regulated profession and Iceland. 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 Economic Area (EEA) 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.

**The sectors with the relatively highest STRI scores**

Construction, computer services, and sound recording 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 trade restricting regulations, but the numerous horizontal measures contribute to the relatively high score. In construction a state-owned enterprise also contributes to the score, while in sound recording third country copy rights holders are protected on a reciprocal basis.

**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, and fixed line telecommunications in 2018. 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 transferes and independent services providers. The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018 providing a comprehensive update on the EU data protection regime.

**Efficient services sectors matter**

Services account for as much as 48% 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