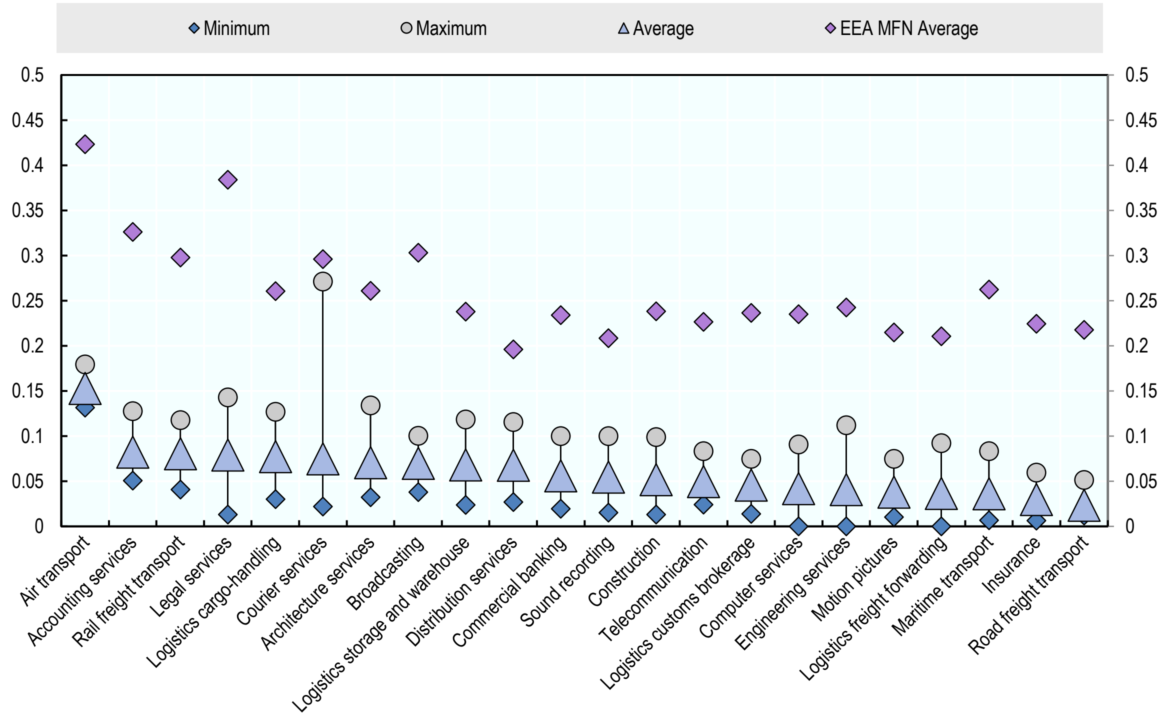
OECD Services Trade Restrictiveness Index (STRI): European Economic Area

Countries of the European Economic Area (EEA) exported services worth USD 2106 billion and their services import value was USD 1866 billion in 2016, corresponding to total services trade of almost USD 4000 billion. Of this, USD 2301 billion pertain to services trade within the EEA. Financial and computer services are the EEA's largest services exports and the largest service imports categories are professional and management consulting services. The intra-EEA STRI database covers 25 countries.[1] It measures the extent of services trade restrictiveness within the within the single market comprising EU and EEA members. Taking into account European Union (EU) rules but also the national law, intra-EEA services trade barriers can differ across countries. The graph below shows the range of intra-EEA restrictiveness on the STRI index in the 22 sectors. The graph also shows the average MFN STRI of the 25 countries, measuring services trade barriers with respect to third countries, not taking into account any preferential trade agreements.

Figure 1. Intra-EEA STRI by sector and policy area



Note: The STRI indices take values between zero and one, one being the most restrictive. The intra-EEA STRI quantifies barriers to services trade within the Single Market of the EEA. By contrast, the STRI database records measures on a Most Favoured Nations basis, where 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

In contrast to the multilateral regime, the movement of people within the EEA is not subject to labour market tests, quotas or visa requirements. The establishment of a commercial presence is not restricted by screening of foreign direct investment. Moreover, public procurement rules explicitly prohibit the discrimination of providers from other EEA member states. The standards for cross-border transfer of personal data are set at the EU level. Data can be transferred freely within the EEA, while transfers to non-EEA economies can take place when these

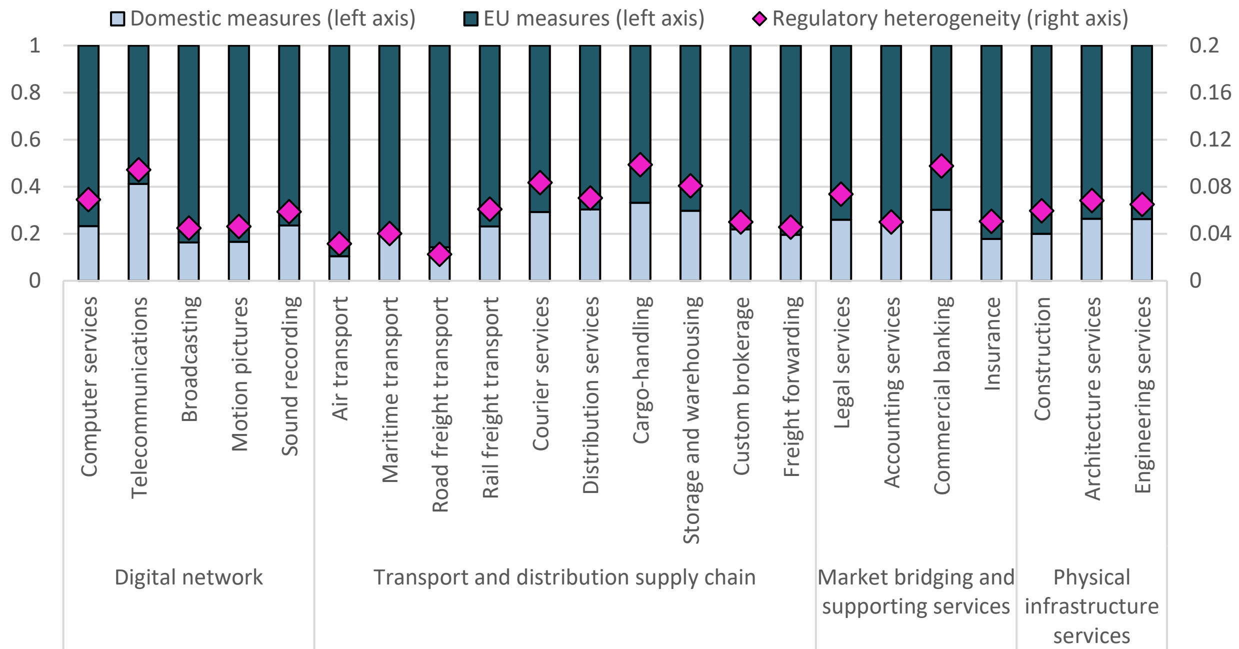
[1] Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom

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. In some EEA countries, national rules and procedures make it relatively burdensome to register a company, measured by the number of working days and the number of mandatory procedures required.

EU rules vs. domestic regulation

The scope of EU rules differs across sectors. In sectors such as air transport, Regulations and Directives of the EU govern almost 90% of all STRI measures. Also road freight transport and audiovisual services reveal a high importance of EU legislation, while the opposite is the case in telecommunications, cargo-handling or distribution. However, even in these sectors, EU legislation is pertinent for between 60% and 70% of all measures. Regulatory heterogeneity is highly correlated with the scope of domestic measures in each sector, suggesting that EU rules have led to regulatory convergence across countries.

Figure 2. Importance of EU legislation and regulatory heterogeneity



Note: The STRI regulatory heterogeneity indices take values between zero and one, one meaning that all measures are answered differently in two countries and zero meaning that all measures are answered identically in two countries. The graph shows simple averages across all country pairs in each sector.

The sectors with the relatively lowest intra-EEA STRI scores

Road freight transport, insurance and maritime transport are the three sectors with the lowest intra-EEA STRI scores, relative to the average MFN STRI across all EEA members. Preferential liberalisation of the road freight transport sector results predominantly from horizontal measures. In addition, managers of road freight undertakings must be EEA residents, establishing a restriction towards services providers from third countries.

Insurance services can be provided within the Single Market under the freedom to provide services, whereas providers of primary insurance from third countries are required to establish a commercial presence in the EEA. Moreover, several EEA countries require that at least one board member is EEA resident. In several countries, there are no legal procedures for the recognition of qualifications as insurance brokers or actuaries from third countries. Moreover, some countries enforce discriminatory financial requirements on branches established by non-EEA insurance companies.

The internal market for maritime transport was established by Council Regulation (EEC) No 3577/92. This Regulation removed all restrictions to maritime cabotage within the EEA for vessels registered in, and flying the flag of a member state. Some EEA countries apply discriminatory port tariffs and other port-related fees to vessels registered in third countries. Remaining restrictions to services trade within the Single Market result mostly from barriers to competition. Examples are the exclusion of certain shipping agreements from the competition law, such as agreements on pooling of vessels, joint operation or use of port terminals, pursuant to Regulation (EC) 906/2009. Moreover, some EEA member states grant port concessions with exclusive rights to operate the port infrastructure or apply a bundling and/or tying of port related services.

The sectors with the relatively highest intra-EEA STRI scores

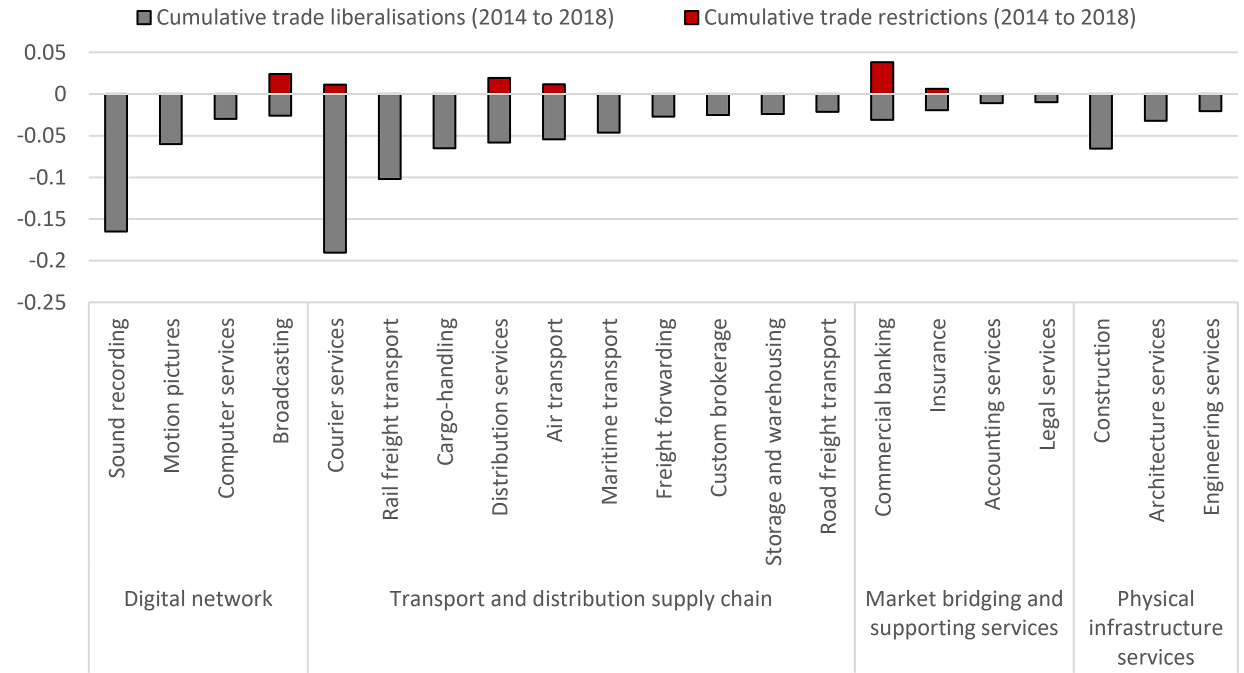
Distribution, logistics cargo-handling, and rail freight transport are the three sectors with the lowest degree of preferential access, indicated by the largest ratio of the average intra-EEA STRI relative to the average MFN STRI across all EEA members. Barriers to competition can represent substantial impediment to trade in distribution services within the EEA. In several member states, the competition in the sector is affected by an upper limit on shop opening hours or regulation of seasonal sales periods. In some countries retailers cannot set up their own recycling system and large retailers may be subject to specific taxes. In addition, in several EEA countries it is very burdensome to obtain a production permit for a warehouse, measured by the time and cost required for this process.

In the majority of EEA members, competition in the logistics cargo-handling sectors is affected by the presence of state-owned companies. The number of customs warehouses in the EEA is restricted by economic needs tests according to the Union Customs Code. Several countries do not apply competitive bidding procedures for the selection of suppliers authorised to provide logistics services at airports and ports. Competition rules do not always follow best practice in cases where the managing body of an airport or port provides cargo-handling services, indicated by the absence of rules on accounting separation and cross-subsidisation or by restrictions to self-handling at airports and ports.

Barriers to competition are of major importance also in rail freight transport. Regulation (EC) No 169/2009 exempts certain technical agreements on rail transportation from the prohibitions on anti-competitive agreements. Directive 2012/34/EU mandates the implementation of laws prohibiting the transfer or trading of infrastructure capacity. In addition, state-owned enterprises are of high relevance in the sector.

Recent reforms

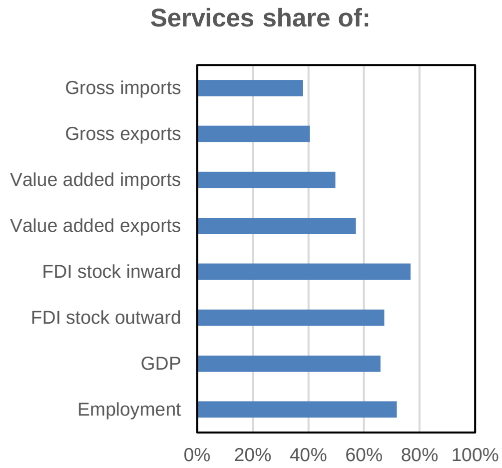
Figure 3. Services Trade Policy Changes (2014-2018)



Services trade within the EEA has become more liberal between 2014 and 2018. This is partly driven by new EU rules, but also by domestic policy reforms in member states. Among the most important reforms on the EU level, 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. In addition, Directive (EU) 2016/943 of 8 June 2016 (on the protection of undisclosed know-how and business information) required member states to explicitly protect confidential information, such as contract contents, internal cost calculations or conditions of purchase, by June 2018. Such laws had not been in force in all member states before.

As of 2016, revised conditions, including on economic needs, apply for authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No 952/2013. In addition, Directive 2014/26/EU required member states to address different aspects related to copyrights management. In particular, this Directive asked member states to introduce rules with respect to the possibility of EEA right holders to join local copyrights management bodies, on non-discriminatory treatment policies of copyright managers, on a non-discriminatory distribution of royalties and on the implementation of arbitration structures to deal with commercial disagreements between rights holders and collective rights managers.

Efficient services sectors matter



Services account for 41% of EEA countries' gross export, but 57% of value-added exports, indicating that exports of goods rely intensively on services inputs. The EEA has a largely open economy to trade in services, and this is supported by the fact that the services share of inward investment is high. Services account for 72% of employment, which implies that earnings and aggregate demand depends crucially on productivity in the services sector. The information and communication technology revolution opens new opportunities for inclusive growth in a services economy. 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.

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