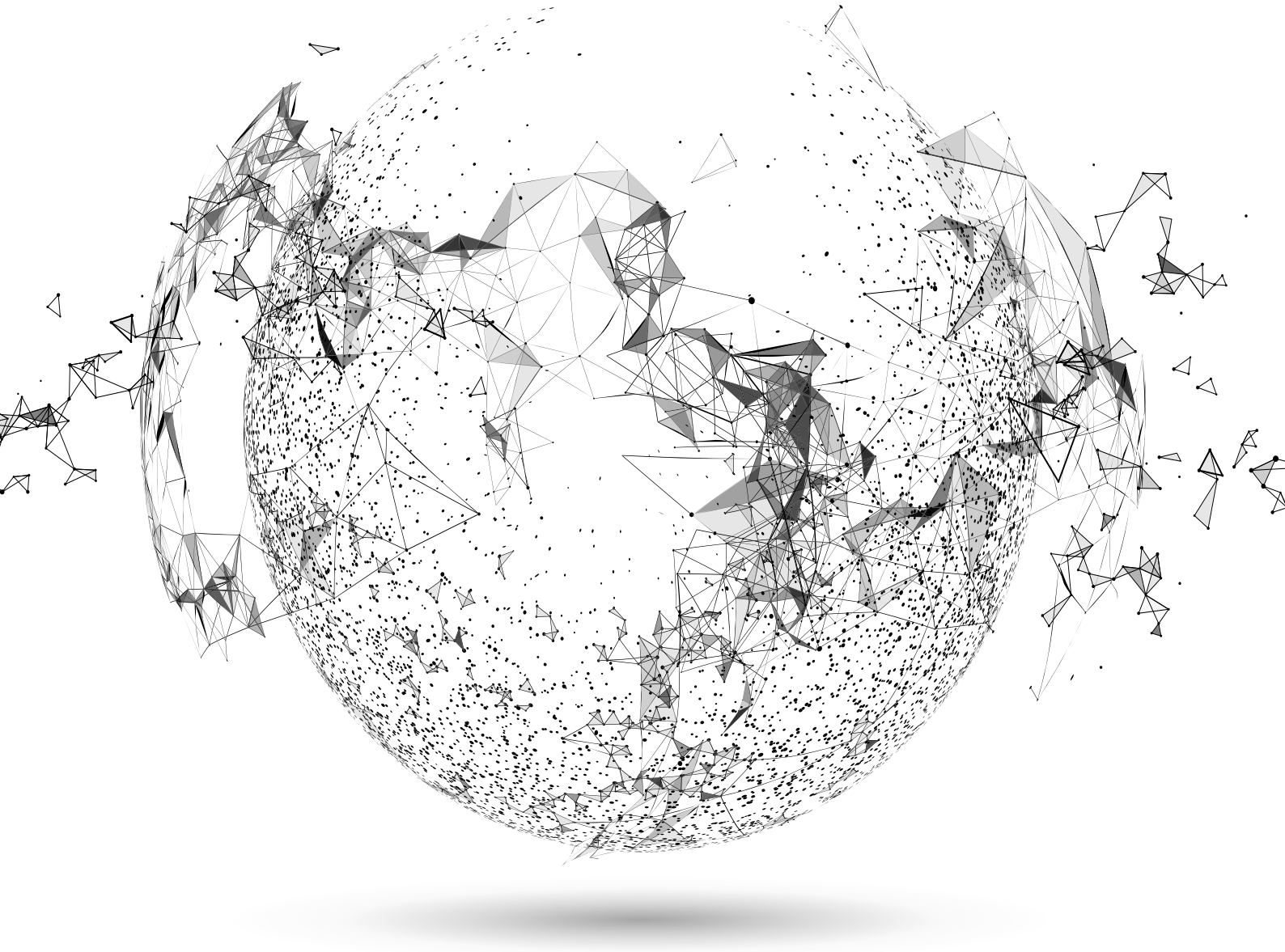
# OECD Services Trade Restrictiveness Index: **Policy trends up to 2021**

February 2021



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# OECD Services Trade Restrictiveness Index: Policy Trends up to 2021

This report highlights the key outcomes of the 2020 OECD Services Trade Restrictiveness Index (STRI) update. The OECD's quantification of services regimes across countries and over time seeks to inform the decisions of policy makers and regulators, convey transparent and accessible information to exporters, and provide a source of data for academic research on drivers of and impediments to services trade.

Main findings:

- **The global regulatory environment became more restrictive in 2020 across all services sectors covered by the STRI**. Moreover, the pace of tightening has also been accelerating compared to previous years. The COVID-19 pandemic may have acted as a catalyst, although several tightening measures were planned already before the pandemic.

- **The Czech Republic, Latvia and the Netherlands had the best regulatory performance** on the STRI in 2020. **Brazil, the People's Republic of China and Iceland were the main reformers in 2020**.

- **Trade restrictions increased the most in computer services, commercial banking and broadcasting services sectors.** Most liberalisations were in courier services, insurance, and commercial banking. **Tightened measures affected primarily services traded through commercial establishments (Mode 3),** and to a lesser degree the other modes of supply.

- **Governments lowered barriers to cross-border digital trade in 2020** as part of the overarching policy response to the COVID-19 pandemic. More facilitation measures were introduced than in previous years, helping remote working and online business operations. These developments are in contrast with the build-up of restrictions applied to digital trade over the last few years and the restrictions that continue to apply in certain sectors, such as computer and telecommunications services.

- **Open markets to services trade are key to promoting a strong and sustainable recovery**, **strengthening competition, and levelling the playing field for global trade**. New services market access commitments, including in comprehensive trade and investment agreements, are essential to revitalising trade and finding new sources of growth supported by technological innovation.

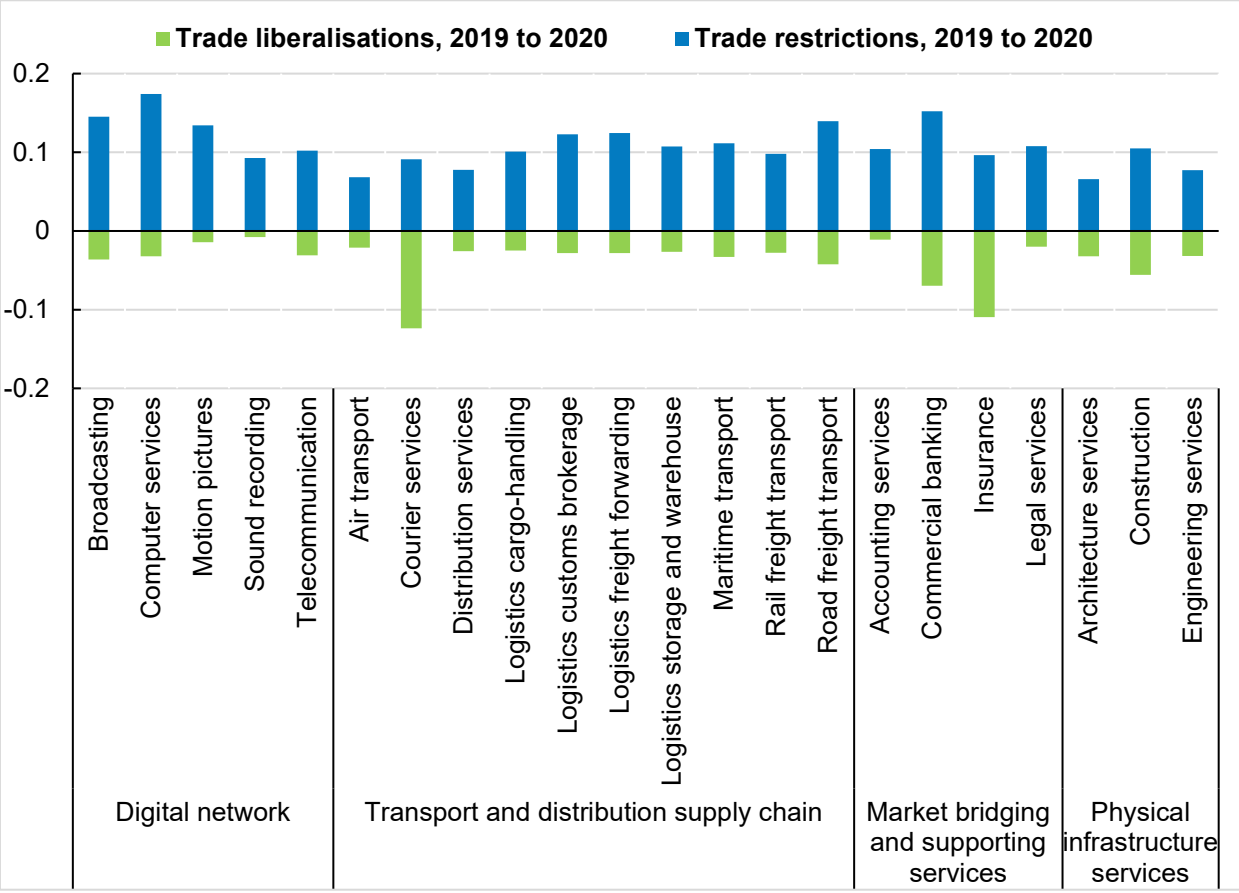
# Monitoring services trade policy changes in 2020

*The global regulatory environment for services trade became more restrictive in 2020 across all services sectors.*

Regulations have been tightening in recent years, with a notable acceleration in 2020 compared to 2019. Trade liberalising changes, however, remained on par with 2019, except in certain sectors such as courier services where several countries introduced more comprehensive reforms.

Overall, the 2020 STRI update identified 115 policy changes across 26 economies affecting 750 measures in the STRI database. This is more than twice the number of policy changes recorded a year earlier.

**Figure 1. Changes in the STRIs per sector, 2019-2020**

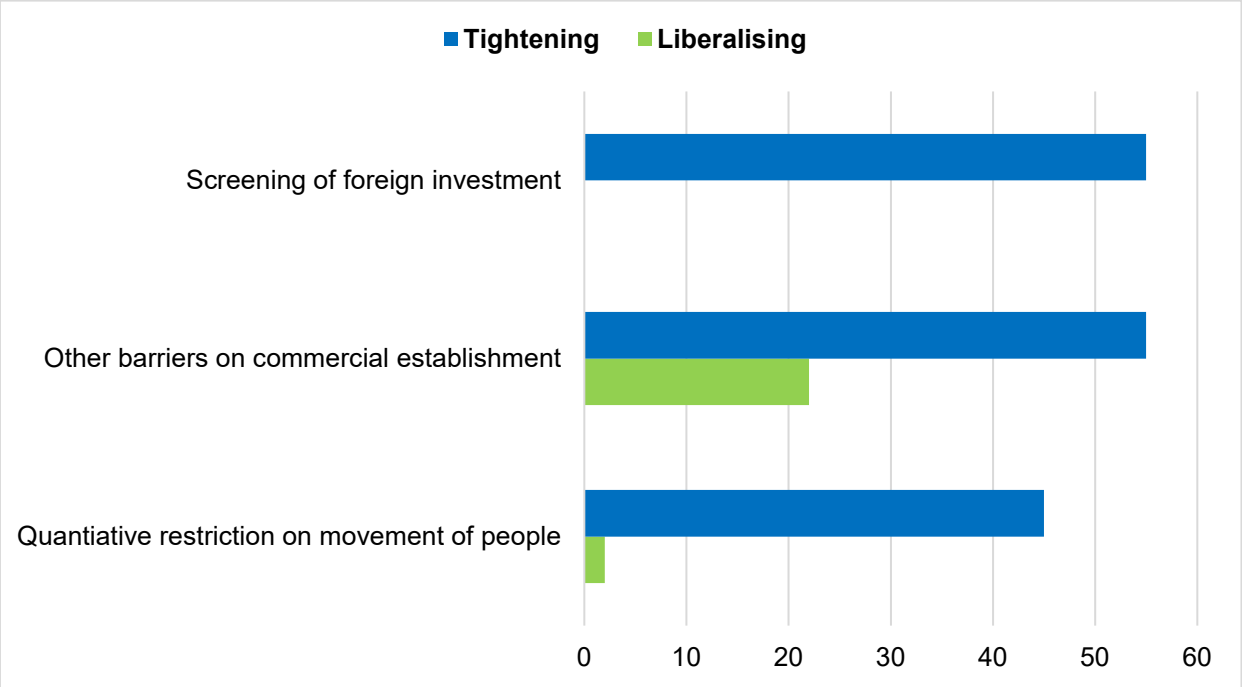



*Note*: Sum of all the positive (restrictions) and negatives changes (liberalisation) across all the measures over the period considered.
*Source*: OECD STRI database (http://oe.cd/stri-db).

The highest increases in trade restrictions were in computer services, commercial banking services, and broadcasting services, whereas the highest rates of liberalisation measures were in courier services, insurance, and commercial banking. Common regulatory barriers were those that applied across the economy affecting all services sectors, such as tighter conditions on screening of foreign investment and other conditions related to commercial establishment (Figure 2). In addition, business travel was affected by an increase in fees for business visas and longer processing times in several countries covered in the STRI. The STRI does not capture temporary entry suspensions or other short-term changes in the entry conditions for foreigners as a result of the COVID-19 pandemic.

**Figure 2. Changes in economy-wide measures in 2020**

*Number of measures changed in the STRI database across 48 countries covered*




Source: OECD STRI database (http://oe.cd/stri-db).

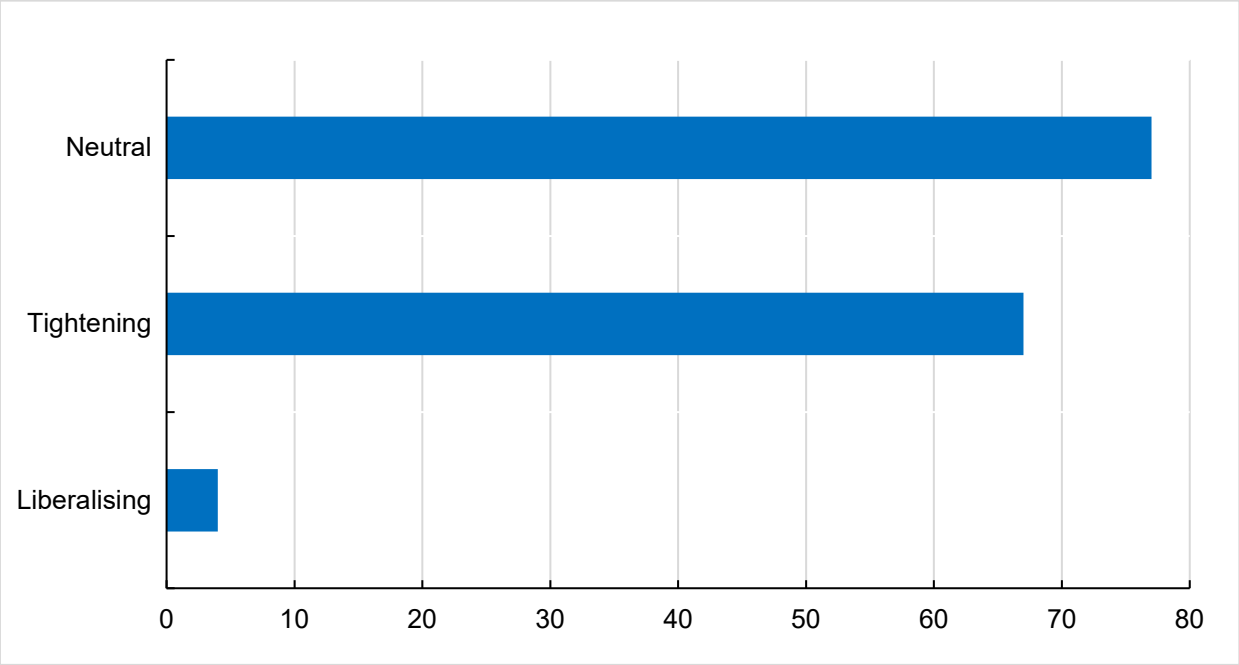
Some of the regulatory changes were in response to the COVID-19 pandemic as governments implemented measures to protect public health and to mitigate the economic consequences of the crisis.[1] However, most COVID-19 policy measures recorded in the STRI database did not have an effect on the indices as measures were temporary in nature (Figure 3). Moreover, the COVID-19 pandemic acted as catalyst for some policies that had been planned before the crisis.

[1] In response to the COVID-19 pandemic, governments adopted a wide range of measures affecting international trade, including services trade. These measures were generally taken on grounds of protecting public health and safeguarding public order, or to support the recovery of firms and protect vulnerable workers. In most cases, these have been targeted and temporary measures. In line with WTO law and general practice in international treaties, the STRI does not consider legitimate public policies to create trade restrictions. Nonetheless, some measures may have far-reaching consequences, lack transparency, or empower authorities with a level of discretion that could disproportionately and adversely affect foreign services suppliers.

Some policy responses were relevant for the STRI in line with the existing methodology and interpretation of certain measures in the regulatory database. For example, tightening measures across multiple countries included stricter conditions on screening of foreign investments, increased government participation in strategic sectors – notably in transport services – and long-term changes in entry and visa conditions. Liberalisation measures introduced in 2020 included easing procedures for customs clearance and widening the recognition of electronic authentication methods.

The COVID-19 pandemic had major implications for trade in services in 2020. Global services trade fell by 24% in the third quarter of 2020 compared to a year ago, a small uptick from the 30% year-on-year decline registered in the second quarter (WTO, 2021[1]). Trade on travel and transport services collapsed, while ICT services contributed to economic resilience (OECD, 2021[8]) The pandemic highlighted the importance of timely cross-border services trade data to inform policy discussions and new approaches are being developed by the OECD to fill some of the existing gaps.

**Figure 3. COVID-19 policy response measures in the STRI database, 2020**



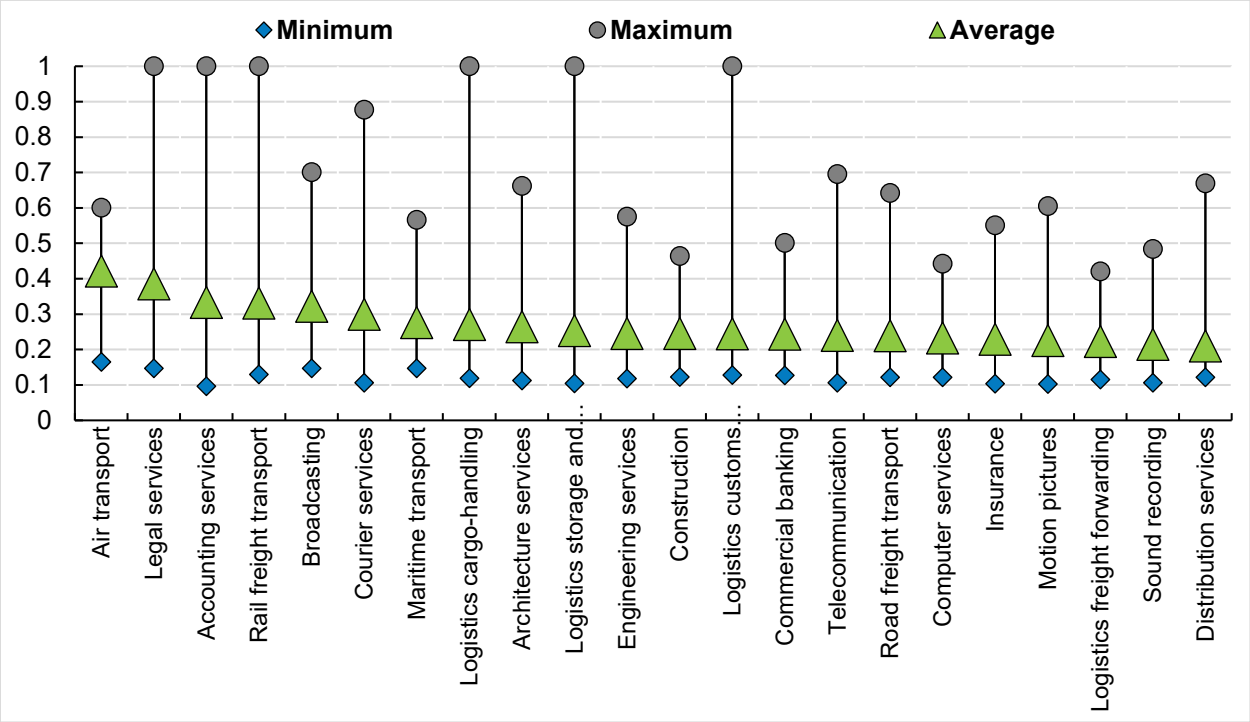

*Source*: OECD STRI database (http://oe.cd/stri-db).

# Most and least restrictive services sectors in 2020

Distribution services, sound recording, and logistics freight forwarding were the most liberal services sectors in 2020.

Air transport services, legal services, and accounting and auditing services were the most restrictive sectors on average.

**Figure 4. STRI, minimum and maximum values by sector, 2020**




*Note*: The STRI takes values between zero and one, one being the most restrictive. 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).
*Source*: OECD STRI database (http://oe.cd/stri-db).

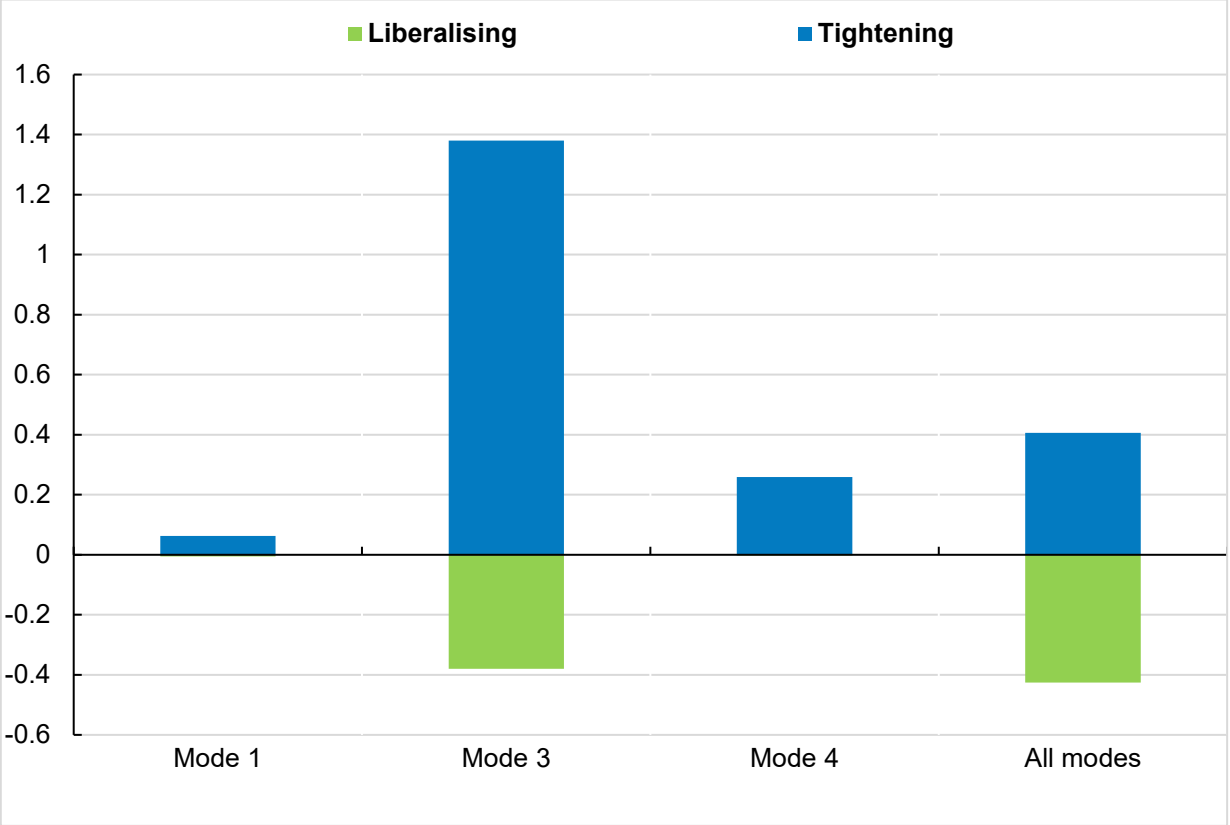
# Policy changes across modes of supply: commercial establishment is most affected

The STRI differentiates between the nature of policy changes by modes of services supply, including cross-border trade (Mode 1), commercial establishment (Mode 3), temporary movement of natural persons (Mode 4), and changes that affect services irrespective of the mode through which they are supplied (all modes).

In 2020, tightening measures affected mostly Mode 3 services supplies, and to a lesser degree the other modes (Figure 5). This was due to new restrictions in some countries on FDI screening conditions and processes, restrictions affecting foreign equity, legal forms, and firm control through board of directors and managers.

Most trade liberalisation were for measures that support all modes of services trade. Examples include measures that promoted regulatory transparency.

**Figure 5. Policy changes and modes of supply, 2019-2020**

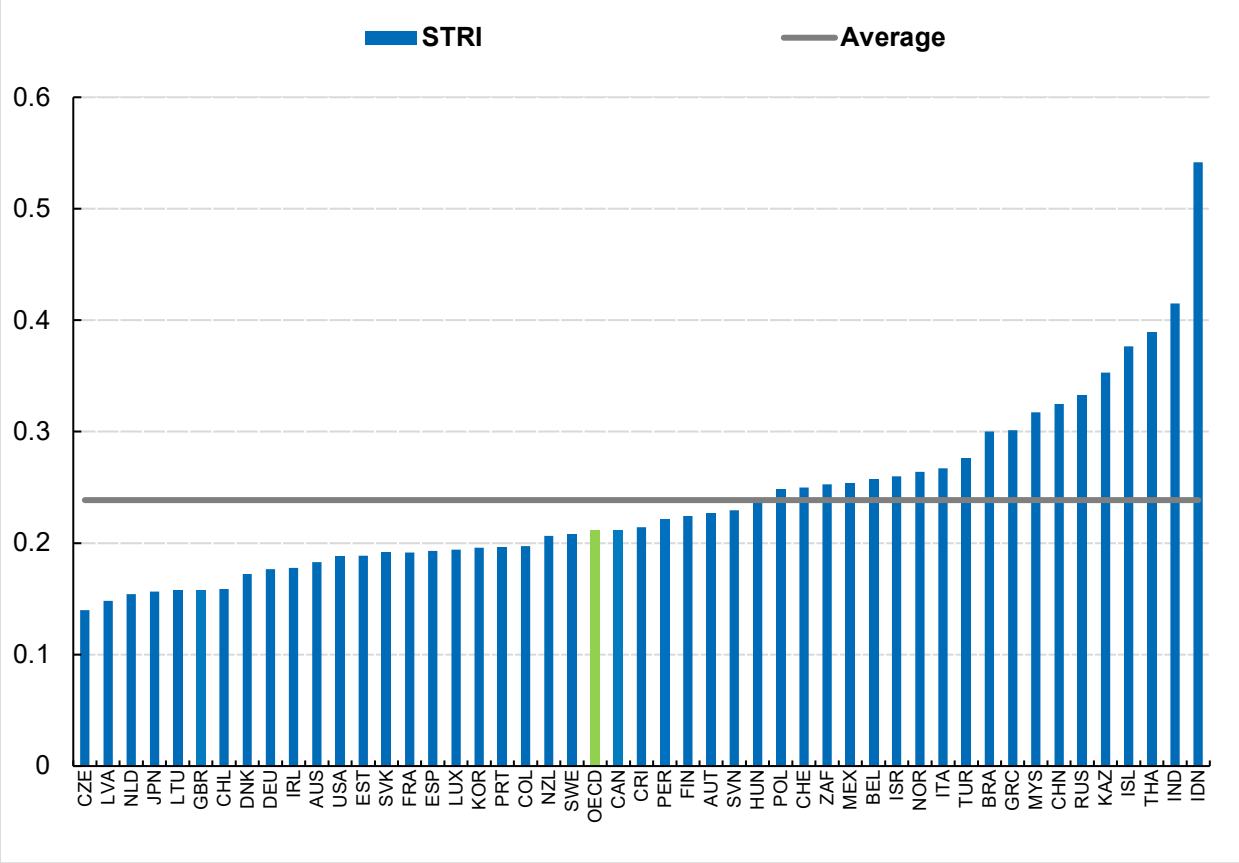



*Source*: OECD STRI database (http://oe.cd/stri-db).

# Overall STRI performance in 2020

The top ten economies with the best regulatory performance on average in the 2020 STRI were the Czech Republic, Latvia, the Netherlands, Japan, Lithuania, the United Kingdom, Chile, Denmark, Ireland, and Australia (Figure 6). However, more than half of the economies covered (25 out of 48) have an STRI above the OECD average.

**Figure 6. Average STRI across countries, 2020**




*Note*: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, the People's Republic of China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, South Africa, and Thailand.
*Source*: OECD STRI database (http://oe.cd/stri-db).

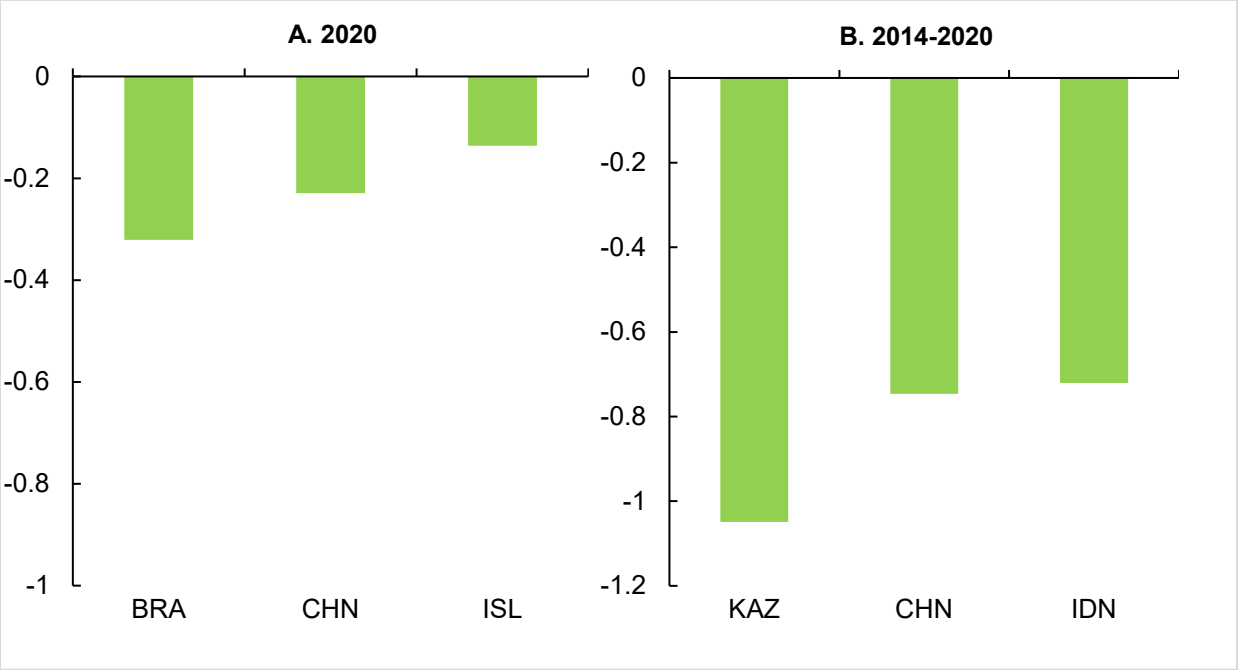
# Leading reformers

*Ambitious efforts to ease barriers could yield substantial benefits in reducing trade costs for services firms.*

Economies with the highest STRI decrease in 2020 were Brazil, China and Iceland (Figure 7, Panel A). Brazil introduced reforms in financial services and started applying a new General Data Protection Law in 2020. China eased foreign entry barriers for life insurance services and consolidated its regulatory framework for foreign investments under the new Foreign Investment Law. Iceland liberalised the postal sector by eliminating the existing state monopoly on the delivery of letters.

Over the period 2014-2020, Kazakhstan, China and Indonesia were the three leading reformers (Figure 7, Panel B). Indonesia has been implementing extensive reforms since 2014, with comprehensive and far-reaching reforms on foreign investment regulations in several services sectors in 2015 and 2016. Kazakhstan demonstrated significant progress in liberalising its services industries over the past years, especially after its accession to the WTO in 2015. China recorded significant decreases in the STRI between 2014 and 2020 as a result of liberalisation of some regulations governing foreign direct investment.

**Figure 7. Countries with significant reductions in the stringency of services regulations**
Cumulative decrease in STRI results across all sectors in 2020 and since 2014

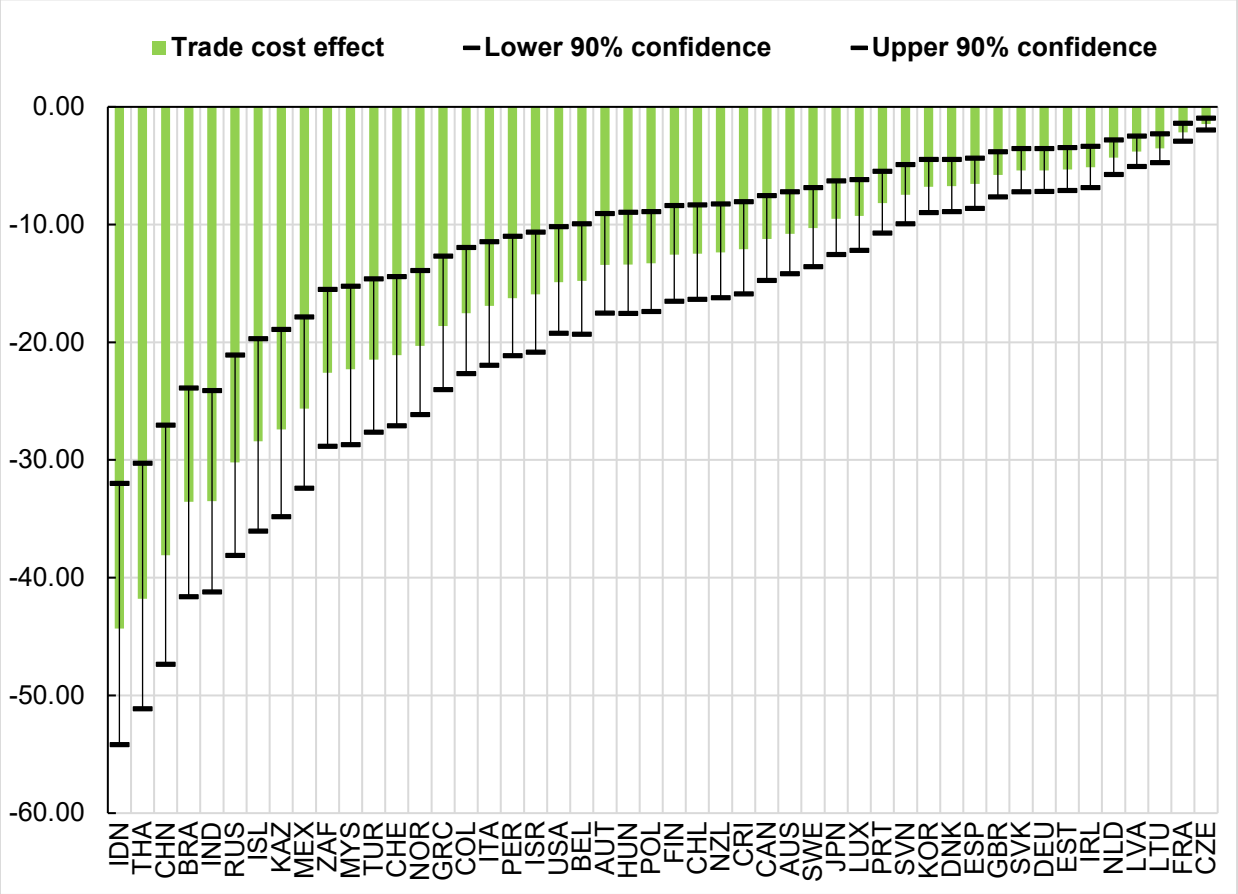



*Source*: OECD STRI database (http://oe.cd/stri-db).

Ambitious efforts to ease barriers could yield substantial benefits in reducing trade costs for firms that provide services across borders (Figure 8). On average across sectors and countries, services trade costs could decline by more than 15% after 3-5 years, under the assumption countries close half of their regulatory gaps, in terms of STRI, with best performers. Gains would be sizeable in emerging-market economies.

**Figure 8. Trade cost effects of services liberalisation**

*Trade cost implications of policy reforms in the STRI, 2020 (% of export values)*




*Note*: The note presents the trade cost implications of closing 50% of the gap to the best performing countries. The following sectors were not covered in the estimations due to lack of data: broadcasting services, construction services, distribution services, motion pictures and sound recording services.

*Source*: Calculations based on methodology in (Benz and Jaax, 2020[1])

# Barriers to cross-border digital trade have been lowered in 2020

The OECD Digital Services Trade Restrictiveness Index (Digital STRI) identifies, catalogues, and quantifies cross-cutting barriers that affect trade in digitally enabled services (Ferencz, 2019[1]). The 2020 update of the OECD Digital STRI showed that fewer barriers to cross-border trade in digitally enabled services were introduced in 2020 than in 2019. Moreover, new policy measures that facilitated digital trade, particularly regarding e-signatures and e-payments, were on the rise.

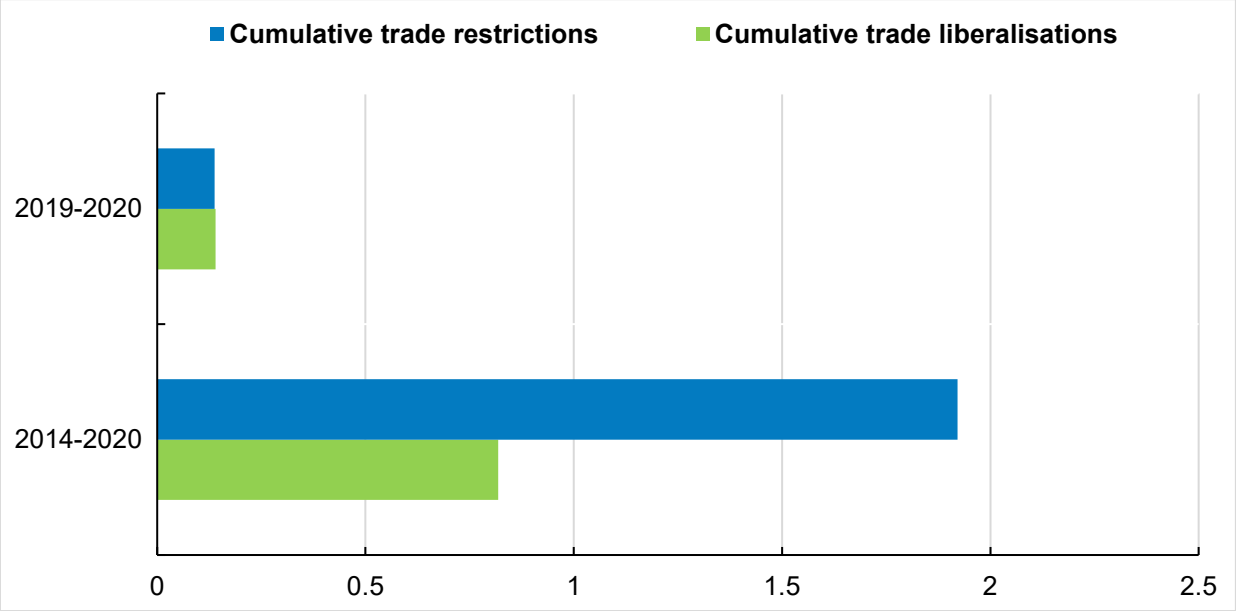
**Did you know?**

Since the start of the COVID-19 crisis, demand for broadband communication services has soared, with some operators experiencing as much as a 60% increase in Internet traffic compared to before the crisis.

*Source*: OECD

The COVID-19 pandemic has likely contributed to these developments as governments have been eager to support efforts by companies to accommodate remote working and expand online operations. Moreover, supporting changes in consumer habits (e.g. facilitating online shopping or contactless payment) are likely to have paved the way for long-term changes in digitally enabled services, particularly for those traded across borders (OECD, 2020[2]).

**Figure 9. Change in barriers to digital trade in 2020 and in 2014-2020**
*Changes in the OECD Digital STRI over time, aggregate across countries*



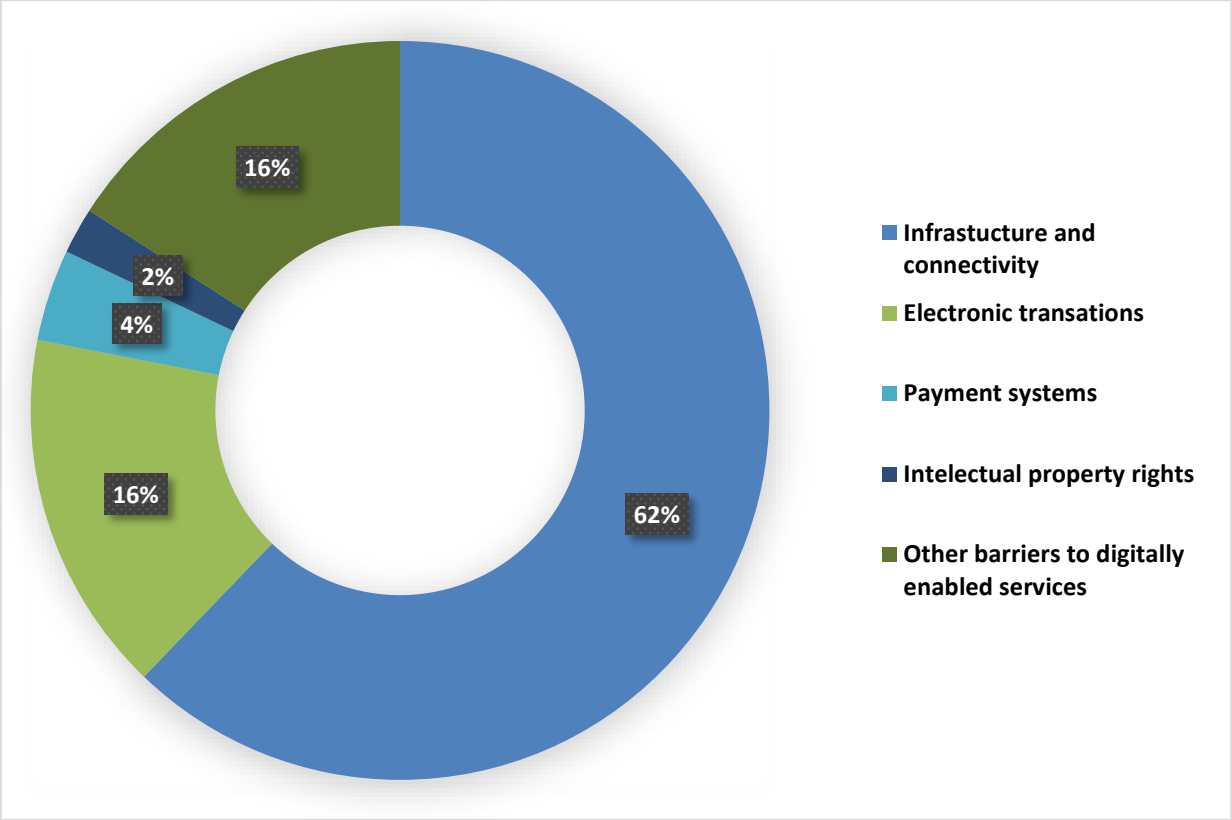

*Source*: OECD Digital STRI database (http://oe.cd/stri-db).

While this is a welcome change, further policy action is needed to address the extensive build-up of barriers over the past years, particularly in key enabling services such as computer and telecommunications services. Moreover, the slowdown relates to barriers that affect mainly cross-border trade, whereas barriers affecting other modes of supply such as commercial establishment (Mode 3) and movement of people continue to increase, especially with respect to computer services.

While barriers have been lowered, the global regulatory environment for digital trade in 2020 continues to be complex and diverse across countries (see Annex C). Key challenges include reducing barriers on digital infrastructure and connectivity, which account for close to two-thirds of barriers across all countries (Figure 10). These include regulations that limit access to high quality communications services as well as measures that inhibit the seamless transfer of data across borders. Further reforms are also needed to enable more electronic transactions and remove other barriers such as localisation requirements and limitations on online content providers. Strengthening intellectual property protection and effective enforcement measures against online infringements can further improve the regulatory environment for digital trade.

While digitalisation enables easier cross-border trade, rules and regulations remain fragmented by borders. Regulatory divergences can result in additional costs for firms as activities need to be aligned across multiple regulatory frameworks.

**Figure 10. Trade barriers on digital infrastructure and connectivity are high**
*Composition of the OECD Digital STRI, 2020*




*Source*: OECD Digital STRI database (http://oe.cd/stri-db).

# Services trade in the European Economic Area

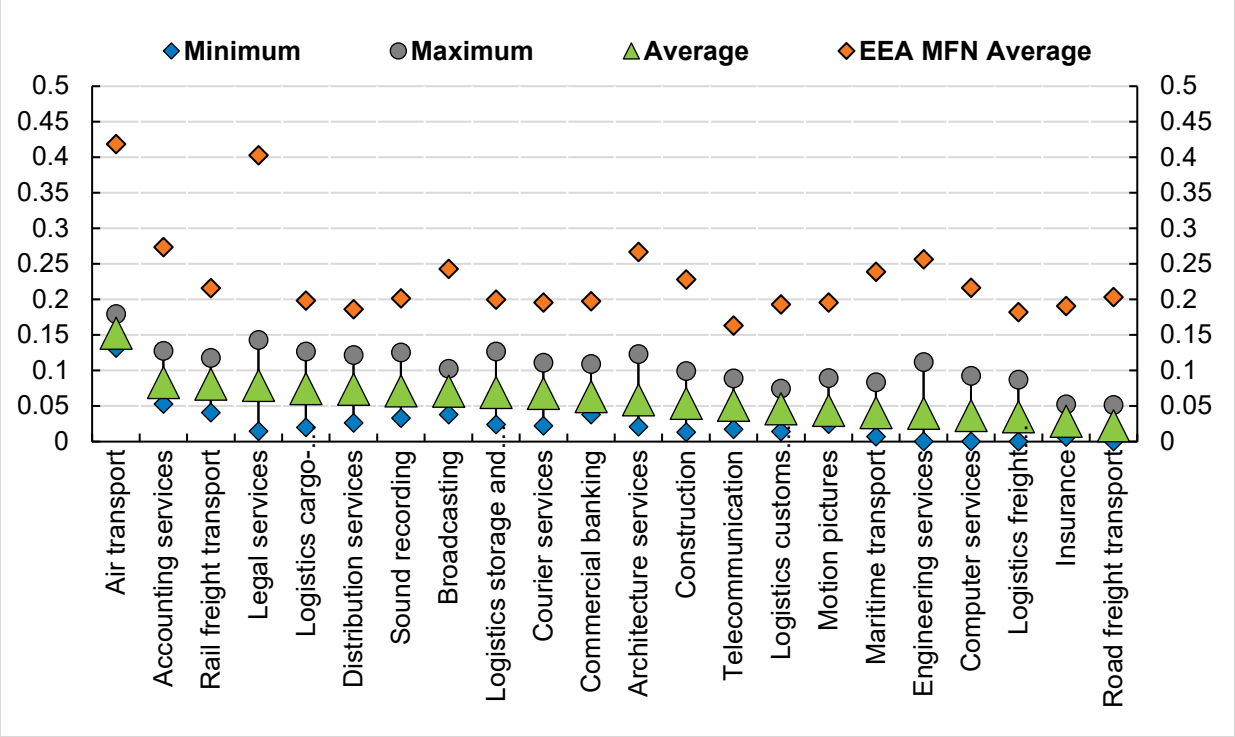
The intra-EEA STRI database measures the extent of services trade restrictiveness within the European Economic Area (EEA) Single Market (Benz and Gonzales, 2019[3]) and covers 25 countries. It shows that services trade within the EEA is substantially more liberal than the multilateral policies applied by EEA member countries towards non-members (Figure 11). However, a certain level of restrictiveness remains within the Single Market, demonstrating the potential for further market integration, which at present varies widely across services sectors. When taking into account both EU rules and national laws, intra-EEA services trade barriers can also differ across countries.

**Did you know?**

Services exports within the European Union reached EUR 960 billion in 2018. Germany was the largest exporter of services to other EU Members (EUR 124 billion), followed by the Netherlands (EUR 111 billion) and France (EUR 110 billion).

*Source*: Eurostat

**Figure 11. Intra-EEA STRI average, minimum and maximum scores by sector, 2020**

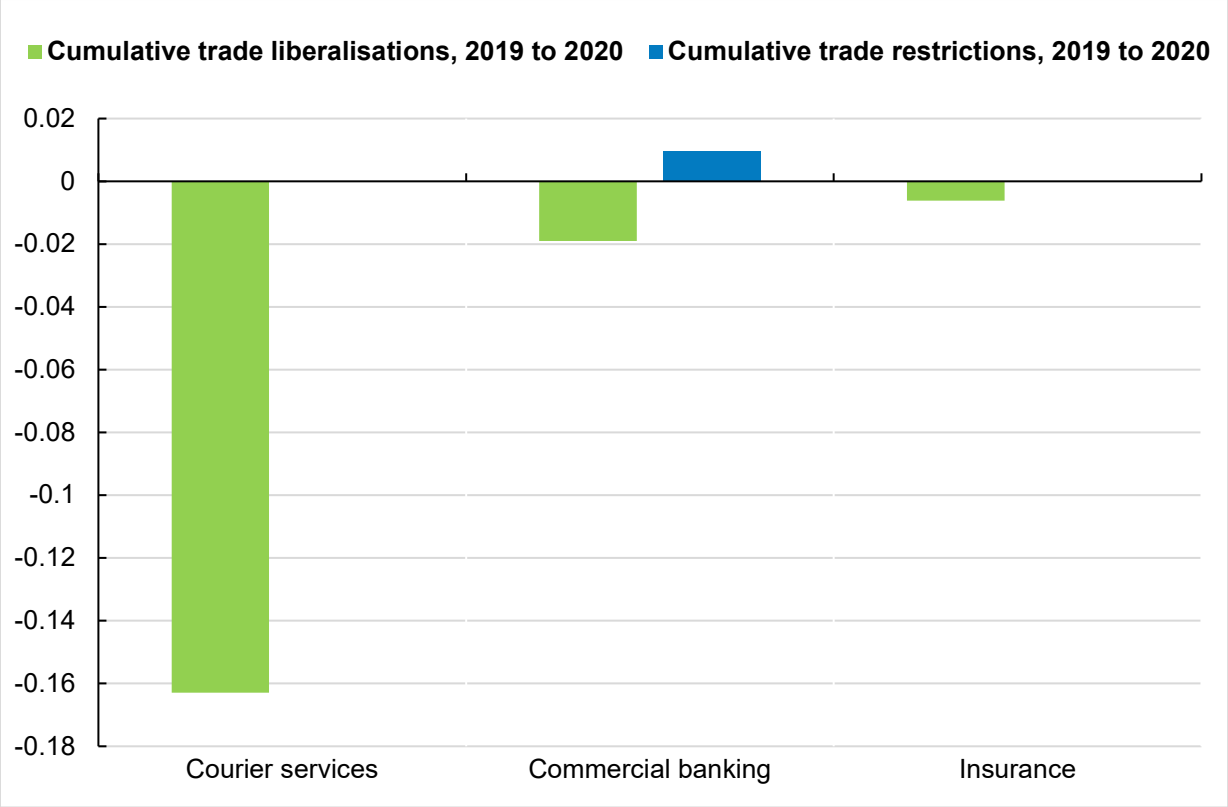



*Note*: The STRI indices take values between zero and one, one being the most restrictive. The intra-EEA STRI quantifies barriers to services trade within the Single Market of the EEA. By contrast, the STRI database records measures on a Most Favoured Nations basis, where preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).
*Source*: Intra-EEA STRI database (http://oe.cd/stri-db).

In 2020, the regulatory environment in the EEA became more liberal in courier services, commercial banking, and insurance services (Figure 12). The liberalisation in courier and postal services was driven by policy reforms in Iceland, where the existing state monopoly on letters was eliminated. Iceland also introduced reforms in financial services. Its Financial Supervisory Authority was merged with the Central Bank of Iceland, and the term of the Head of the Authority was extended to five years, as compared to four years before. Finland also introduced new regulations on interest rates in commercial banking and conditions for consumer credits.

Other EU legislation introduced in 2020 include, among others, new rules on the screening of foreign direct investments on grounds of security or public order, regulations aimed at easing rules on airport slot allocations in light of the COVID-19 pandemic, and rules aimed at extending the block exemption to agreements by liner shipping consortia from competition law until April 2024.

**Figure 12. Intra-EEA services trade policy changes, 2019-20 percentage point**




*Source*: Intra-EEA STRI database (http://oe.cd/stri-db).

# About the STRI

This note highlights the key outcomes of the 2020 OECD Services Trade Restrictiveness Index (STRI) update and the latest trends affecting services trade and digital trade. It also indicates best practices and the countries that lead in services reforms. Since 2014, the OECD STRI has been a unique tool providing annual information on regulatory changes that affect trade in 48 countries and 22 key services sectors. The indicators take values between zero and one, with one indicating the most restrictive trade environment. The STRI is complemented by the OECD Digital STRI that measures barriers to trade in digitally enabled services as well as the OECD Intra-EEA STRI that covers barriers within the European Economic Area.

The STRI offers a comprehensive and transparent overview of global trends in services trade regulations, facilitating deeper analysis of the effects of such regulations on trade in services and the wider economy. This year, the STRI covers policy developments on services trade that were implemented up to 31 October 2020. This update includes changes introduced through new or amended laws and regulations. This evidence-based tool allows policy makers to benchmark their policies relative to global best practice, and to consider the likely impact of any reform options. The STRI also helps trade negotiators identify restrictions that impede trade and is a source of regulatory transparency for businesses seeking to enter foreign markets.

**STRI online tools**

The STRI web presence (http://oe.cd/stri) is a single window to the STRI regulatory database, interactive tools, methodological notes, and links to analytical OECD Trade Policy Papers on services trade, including:

- **Compare your country** (http://oe.cd/stri-cyc)
- **Policy simulator** (http://sim.oecd.org/)
- **Online STRI regulatory database** (http://oe.cd/stri-db)
- **STRI Composite Indices on OECD.stat** (http://oe.cd/stri-stat)

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# Annex A. Policy changes across countries

This annex presents the main policy changes identified in the annual STRI update for the countries covered. Detailed country information and summary notes can be found on the STRI website and online database.[1]

**Australia**

In response to the COVID-19 pandemic, an obligation of 55% Australian content on free-to-air and subscription television was suspended for 2020 for Australian drama, children's and documentary content. Moreover, Australia improved conditions for the recognition of professional qualifications gained abroad as actuaries.

With the introduction of the Temporary Skill Shortage visa (subclass 482) in March 2018, foreign services providers are allowed to stay in the country for up to 4 years, compared to 3 years with the old 457 visa.

In June 2016, New South Wales introduced a 4% surcharge for foreign persons (including foreign corporations) in addition to the duty payable on the purchase of residential property. Furthermore, foreigners are also subject to a land tax surcharge of 0.75% in 2017 for residential property.

**Austria**

The maximum foreign equity share allowed in legal services was reduced to 25% for domestic as well as international law in 2020. Moreover, the new Austrian investment control act, which entered into force in July 2020, expanded the scope of the screening of foreign investments. Screening exists without exclusion of economic interests in 14 services sectors in Austria.

A new permit for intra-corporate transferees was introduced in October 2017. The period of validity has been extended from one to three years for managers and specialists. In addition, parts of the fixed line telephony market were deregulated in May 2017 following market analyses by the regulator.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Belgium**

One of the main rail freight operators in Belgium, B Logistics, was partially privatised in 2015, with the state-owned Belgian national railway company, SNCB, now owning only 31% of its equity shares.

Changes resulting from EU law are described under the European Union heading in this Annex.

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1 Available at http://oe.cd/stri.

**Brazil**

In 2020, Brazil eased the licensing conditions for foreign banks and insurance providers, levelling the playing field compared to domestic financial services providers. A new General Data Protection Law (*Lei Geral de Proteção de Dados Pessoais*) entered into force in September 2020. The new law provides for the possibility to transfer personal data abroad if certain private sector safeguards are in place.

In distribution services, policy changes in 2019 removed upper limits on shop opening hours.

On 13 December 2018, Brazil implemented significant reforms on foreign investment in local airlines through Presidential Measure (PM) No. 863/2018. Congress converted the PM into Federal Law No. 13,842/2019 on 17 June 2019, embedding the reforms into the Brazilian Aeronautics Code (Federal Law No. 7,565/1986). Key reforms included the removal of a 20% cap on foreign participation in Brazilian airlines, allowing foreigners full ownership of the share capital. Limitations were also lifted on foreign control and management of Brazilian airlines, together with restrictions on the issuance and transfer of shares to foreigners.

The Federal Supreme Court ruled in 2015 to exempt the designated postal operator from VAT and other local taxes for both its postal and courier services. In the same year, the temporary licensing for accountants and auditors was removed.

**Canada**

As of May 2018, Bill C-49, an amendment to the Canada Transportation Act, eased foreign ownership restrictions by lifting the foreign equity limit in the air transport sector from 25 to 49%. However, the voting share limits in Canadian airlines for individual foreign investors and foreign air carriers collectively remain at 25%.

As of 2019, the pre-packaging of products is no longer subject to mandatory nominal quantities in distribution services. Furthermore, contracts for universal services obligations are now assigned on a competitive basis in the telecommunications sector, which reduces barriers to competition. This reform was also implemented in 2019.

**Chile**

In 2017, Chile revised its customs regulation, introducing, *inter alia*, an Authorised Economic Operators Scheme open to foreign firms and authorising the release of goods before the determination and payment of duties.

**China, People's Republic of**

The 2020 edition of the Special Administrative Measures for the Access of Foreign Investment (Negative List) introduced liberalisation of foreign ownership and legal forms in life insurance services, as well as easing the conditions for registered capital by foreign firms economy-wide. China's new Foreign Investment Law came into effect on 1 January 2020, consolidating and replacing several previous laws governing foreign investment. In December 2020, China introduced new *Measures on Security Review of Foreign Investment*, intensifying conditions on the screening of foreign investment that could implicate China's national security.

In 2019, the Special Administrative Measures for the Access of Foreign Investment (Negative List) was updated to introduce liberalisation in services sectors such as transportation or value-added telecommunications. The limitation of 49% equity for foreign participation in domestic maritime transport was lifted, together with previous requirements related to joint ventures in this sector.

On 15 March 2019, China's National People's Congress (NPC) passed the Foreign Investment Law of the People's Republic of China, which entered into force on 1 January 2020. The new Law replaces three previous laws regulating foreign-invested enterprises: the Law on Sino-Foreign Equity Joint Ventures, the Law on Wholly Foreign-Owned Enterprises, and the Law on Sino-Foreign Cooperative Joint Ventures.

On 28 July 2018, the Special Administrative Measures for the Access of Foreign Investment (Negative List) issued by the Ministry of Commerce and the National Development and Reform Commission came into effect, replacing sections of the 2017 Catalogue of Industries for Guiding Foreign Investment. Compared to the 2017, the 2018 list relaxes or removes restrictions on foreign investments in several areas, including legal services, insurance, maritime transport, and logistics cargo-handling services. Nonetheless, services sectors that are included in the Negative List remain subject to government approval and sector specific requirements.

A Cybersecurity Law entered into effect in 2017, introducing new restrictions affecting data transfers abroad.

In September 2016, the general requirement for prior approval of foreign investments was replaced with an online notification requirement. In the same year, the Telecom Business Classification Catalogue introduced the mandatory resale of mobile communication services, while in professional services the applicable standards on fee setting were eased. Nationality requirements for directors of accounting and auditing firms were lifted, but residency requirements were maintained.

**Colombia**

In 2017, a new transparency requirement was introduced that promoted public participation. In the same year, Colombia passed an immigration reform which aimed to stream the immigration process. The reform prolonged the duration of stay of certain visa categories, but not to others such as Intra-Corporate Transferees, which according to the new "V" type visa are allowed stays of up to two years (down from three years). In 2016, the New Customs Statute *(Nuevo Estatuto Aduanero)* introduced a *de minimis* regime, imposed minimum warehouse surface for postal operators, and introduced an obligation for courier services operators to be available 24/7. In 2015, the Financial Superintendence gained financial autonomy.

**Costa Rica**

As of 2020, restrictions on advertising no longer apply to architecture and engineering services. In 2017, Costa Rica ratified the United Nations Convention on Contracts for the International Sale of Goods, aligning national contract rules for cross-border transaction to internationally standardised rules. Since 2016, foreign accounting professionals that have a local or recognized degree are no longer required to take a local examination. In 2015, the *Ley de Garantias*

*mobiliarias* introduced a securities system that facilitates the constitution, publicity and execution of warranties; this has contributed to further liberalising the banking sector.

**Czech Republic**

In April 2017, the Regulatory Body for Access to Transport Infrastructure (*Úřad pro přístup k dopravní infrastruktuře*) was established as an independent regulator to oversee access to the rail infrastructure for rail transport operators. As of 2016, revised conditions, including on economic needs, apply to authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Denmark**

Changes resulting from EU law are described under the European Union heading in this Annex.

**Estonia**

In 2017, the duration of stay for intra-corporate transferees was extended from 24 to 36 months, while in 2018 the duration of stays for independent services suppliers was extended from 24 to 60 months.

Changes resulting from EU law are described under the European Union heading in this Annex.

**European Union**

On 19 March 2019, the EU adopted Regulation (EU) No. 2019/452 that allows EU Member States to maintain, amend or adopt mechanisms to screen foreign direct investments in their territory on grounds of security or public order. It applies from 11 October 2020. Revisions in the EU Customs Code in 2020 include an increase in the cost of business visitor visas from EUR 60 to EUR 80.

In the context of the COVID-19 pandemic, Regulation 2020/459 waived the 80/20 grandfathering rule for airport slot allocations between 1 March 2020 and 27 March 2021. Accordingly, airport co-ordinators are required to consider slots allocated for this period as having been operated by the air carrier to which they were initially allocated.

In maritime transport, Regulation 2020/436 extended the existing block exemption to liner shipping consortia from competition law until April 2024.

In March 2019, Regulation No. 2017/352 establishing a framework for the provision of port services and common rules on the financial transparency of ports entered into force, harmonising rules related to the provision of port services.

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.

As of 2016, revised conditions, including on economic needs, apply to authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013.

**Finland**

In 2020, Finland also introduced new conditions for non-EU/EEA individuals and entities seeking to buy real estate in the country. In commercial banking, new regulations were introduced in 2020 on interest rates and conditions for consumer credits.

A major state-owned construction enterprise, Destia, was privatised in 2014. In the distribution sector, shop-opening hours were deregulated and labelling standards were reformed in 2016.

Changes resulting from EU law are described under the European Union heading in this Annex.

**France**

In 2019, the public procurement regulation was modified to extend the non-discriminatory treatment in the public procurement process to all foreign entities.

Credit registry with equal access of all lending institutions was recently revoked. SNCM was a major firm in the maritime sector; it ceased activities in January 2016. Since 2015, a transport company established outside of France and seeking to provide cross-border transport services to France must submit a notification to the labour inspectorate where the service will be provided (*déclaration préalable de détachement transnational*).

Changes resulting from EU law are described under the European Union heading in this Annex.

**Germany**

Changes resulting from EU law are described under the European Union heading in this Annex.

**Greece**

On 1 September 2019, capital control measures limiting the free outflow of money and foreign exchange transactions were lifted. A year earlier, in 2018, limitation on duration of stay for independent services suppliers was extended from 24 to 36 months.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Hungary**

On 1 January 2019, the new *Law on the Control of the Foreign Investments Offending the National Security of Hungary* entered into force. The Law establishes a verification procedure of investors' conformity with national security interests (pre-screening procedure) for specific activities. As of 2016, intra-corporate transferees from third countries can stay in Hungary up to 12 months on their initial permit. Since 2015, Hungary applies quotas on work permits for natural persons who do not have an EU nationality and are travelling on a temporary basis to the country.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Iceland**

In January 2020, the state's monopoly on letters weighing less than 50 grammes was abolished. Also in 2020, the Financial Supervisory Authority became part of the Central Bank of Iceland.

The length of term for heads of the Authority was extended to five years, compared to four years before.

Iceland 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. However, 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 transferees and independent services providers. Temporary capital controls introduced following the financial crisis have been gradually lifted and all remaining controls relevant to services trade were lifted in 2016.

**India**

In 2020, India introduced regulation on non-discriminatory interconnection rates in the telecommunications sector. Self-handling for air cargo operators was allowed in 2019 and in 2018 a number of restrictions were lifted on cabotage in maritime transport.

On the other hand, India tightened its services regime in 2017 by introducing an equalization levy of 6% on purchases of advertising services from non-resident companies.

Since 2018, all payment system operators in India are required to ensure that data related to payment systems operated by them are stored only inside the country.

In 2015, India lifted foreign equity limits from 26% to 49% in the insurance sector and foreign branches were permitted in reinsurance. Further investment liberalisation took place in 2016 when foreign equity limits were removed for airport services and cable and satellite broadcasting, and foreign equity limits were eased in civil aviation. Minimum capital requirements for establishing a company were eliminated in most sectors in 2016.

**Indonesia**

In 2020, restrictions on foreign entry were increased in logistics, insurance and air transport.

As of 2018, the foreign equity limit in accounting firms was lowered to 20%, from 49% previously. The law also requires one half of all partners to be licensed accountants. Furthermore, technical specifications should now use local products and follow national standards subject to availability in the construction sector, which affects the conditions of competition in public procurement in favour of local providers.

Indonesia has fully or partially opened several sectors to foreign investment under the 2016 Negative Investment List. These include airfreight transport, logistics services, telecommunications, audio-visual services, and architecture and engineering services. Minimum capital requirements were removed in 2016.

In 2017, more favourable conditions for the release of imported goods before determination and payment of duties benefitted distribution, courier and logistic services. In the same year, Indonesia revoked minimum capital requirements for maritime transport service. However, the

Construction Act of 2017 imposed nationality requirements on the management of construction and architecture companies.

**Ireland**

In 2016, Ireland introduced a timeframe of six months within which the Central Bank of Ireland, the sector regulator, must decide on applications for authorisations to provide insurance services.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Israel**

In 2018, conditions affecting foreign ownership of terrestrial broadcasting companies were eased by raising foreign equity limits to 74% from 49%. Also, in 2018, a temporary licencing procedure for foreign architects and engineers was put in place. In commercial banking, the residency requirement for two-thirds of the board members of banks was lifted in 2017. In 2016, the Capital Market, Insurance and Savings Authority, the sector regulator for insurance services, became independent of the Ministry of Finance.

**Italy**

In 2017, Italy has implemented Directive 2014/66/EU regarding intra-corporate transferees from non-EU countries. Accordingly, the maximum stay for intra-corporate transferees was reduced from five to three years.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Japan**

In 2017, Japan amended Customs Business Act by removing the economic needs test. Customs brokerage firms are no longer required to place at least one qualified customs specialist in each office. A new data protection law entered into force in 2017.

**Korea**

As of March 2019, foreign IT services providers with no office in Korea must designate a local agent responsible for data privacy compliance.

In 2017, the number of licenses for road transport operators was regulated. In the same year, new requirements were introduced on the acquisition of land and real estate by foreigners.

The requirement that foreign investors transfer stocks to Korean national(s) within six months in cases where their registration is cancelled was lifted in 2015. Restrictions on internet banking were also lifted. Conversely, a requirement that only licensed architects may establish an architectural firm was introduced.

**Latvia**

In 2019, Latvia undertook structural reforms in financial services, modifying the system of supervision. As of January 2017, the fixed telecommunication market segment is deregulated.

Changes resulting from EU law are described under the European Union heading in this Annex.

### Lithuania

In 2018, new conditions were introduced for obtaining subsidies for movie production. As of June 2017, the market for fixed telephony was deregulated following market analyses by the regulator. Since that same year, foreign professionals are no longer required to take a local examination in order to become a licensed auditor. Up to 28 November 2017, at least one person of the administration of a company providing banking services had to live in Lithuania; this requirement has been lifted. Since September 2016, Lithuania no longer applies labour market test for contractual services suppliers staying in the country for less than 12 months.

Changes resulting from EU law are described under the European Union heading in this Annex.

### Luxembourg

Since December 2015, the approval to establish a branch may be refused if reciprocity for Luxembourg companies is not ensured by national law.

Changes resulting from EU law are described under the European Union heading in this Annex.

### Mexico

In recent years, Mexico has passed a series of reforms, including, *inter alia*, a new telecommunications and broadcasting law, and a new financial law. The telecommunications reform eased foreign participation in the mobile and fixed-line services segments of the sector. It also introduced a new independent regulator, with exclusive authority over the sector and new sanctioning powers, and a series of pro-competitive measures challenging the dominant position of incumbent firms. The financial reform aimed to strengthen prudential regulation, increase credit penetration and promote competition. As a result, foreign financial institutions can now open branches in Mexico to provide insurance services. Although this possibility is still subject to government authorisation, and granted on the basis of reciprocity, it nevertheless increases certainty and clarity on the regulatory environment applied to insurance services. In 2015, Mexico established an independent rail regulatory agency. In 2017, it rolled back the foreign equity restrictions on domestic air transport services; foreign ownership of air companies is now permitted up to 49%.

In 2020, the adoption of the Ley de Infraestructura de la Calidad (Quality Infrastructure Law) has promoted the adoption of international standards for construction services. As of June 2019, Mexico reduced the de minimis threshold for which no duties are imposed on imports up to USD 50 (and down from USD 300). This policy change will affect business operations in the distribution, logistics and courier services sectors.

### Malaysia

Malaysia has eased foreign investment conditions in services, including in telecommunications, professional, distribution and courier services. In 2015, the Registration of Engineers (Amendment) Regulations entered into force, allowing full foreign ownership in engineering firms.

**Netherlands**

The divestment of ASR Nederland N.V., previously a state-owned insurance provider, was completed in September 2017. Also in 2017, the Government's share in ABN AMRO Group N.V. was reduced to 56% (from 63%). In October 2018, a law was introduced to strengthen protection on trade secrets.

Changes resulting from EU law are described under the European Union heading in this Annex.

**New Zealand**

In May 2015, the Companies Act 1993 was amended to require all companies to have at least one director domiciled in New Zealand or an "enforcement country" (currently Australia only). A temporary ban on the parallel importation of films for commercial sale for a period of five months from the film's international release ended on 31 October 2016. The Trade Single Window (TSW) was deployed in April 2017, including the introduction of a system for pre-arrival processing of shipments.

**Norway**

Courier services were liberalised in 2016 with the adoption of the EU postal directive. In telecommunications, fixed line origin was deregulated in 2016. However, as from the same year only EEA operators benefit from regulated termination rates in fixed and mobile markets. In 2017, pro-competitive regulations overseen by an independent regulator were introduced in the rail freight sector and an independent appeal body was established under competition law. In 2018, the government sold all its shares in Scandinavian Airlines. A new law on copyright protection entered into force in 2018, which improved the protection of rights holders. The new EU General Data Protection Regulation (Regulation No. 2016/679) entered into force on 25 May 2018, providing a comprehensive update on the EU data protection regime.

As of 1 January 2019, a new investment screening mechanism has been in effect. It covers investments in certain companies whose activities are essential to national security interests, including national financial stability and autonomy. The screening mechanism applies to direct or indirect acquisitions of one-third or more of the share capital, assets, or voting rights or transactions that would enable the acquirer to exercise significant control over the company. Investments that impose a "not insignificant" risk to national security interests may be blocked or subjected to further conditions.

**Poland**

In 2018, Poland introduced a new Act Governing the Business Operations of Foreign Enterprises and other Foreign Persons on the Territory of the Republic of Poland. The Act improves the regulatory environment for entrepreneurs by uniting previously dispersed provisions in one law and eliminating legal uncertainties. Poland introduced quotas for natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers and independent services suppliers.

In 2018, Poland also introduced an investment screening mechanism; the law on the control of certain investments requires investors to obtain prior approval from the competent minister before acquiring shares of Polish companies operating in strategic sectors.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Portugal**

A liberalisation measure in the architecture services sector in 2015 repealed a reciprocity requirement for admission to the Portuguese Order of Architects, which is a prerequisite to practice in Portugal. At the same time, however, a similar reciprocity requirement was introduced in the Order of Portuguese Engineers and the Order of Portuguese Technical Engineers. A reform implemented in 2017 extends the duration of the visa for contractual services suppliers and independent services suppliers on their first entry permit from four to twelve months.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Russian Federation**

In 2015, a new legal requirement came into force requiring that certain personal data collected in the Russian Federation be stored on local servers. Regulation on number portability entered into force. In 2016, the Russian Federation introduced limitations on foreigners' participation in the total authorised capital of credit institutions and lowered the threshold for foreign equity allowed in broadcasting companies. Since 2017, the cross-border transfer of money or funds from the Russian Federation is prohibited to countries where the Russian Federation payment systems, including Russian electronic payment systems, are not recognised. As of 2019, foreign payment service providers are banned from providing electronic means of payment to resident customers.

**Slovak Republic**

In courier services, a dispute settlement mechanism, under the auspices of the regulatory authority, was introduced in 2016. As of 2018, in Accounting, the Slovak Republic eased its procedures for recognition of qualifications gained in third Countries.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Slovenia**

Slovenia adopted a new Collective Management of Copyright and Related Rights Act in 2016, in which conditions for membership in a collective copyright management body are based on objective, transparent and non-discriminatory rules. As of 2018, intra-corporate transferees from third countries can stay in Slovenia up to 36 months on their initial permit.

Changes resulting from EU law are described under the European Union heading in this Annex.

**South Africa**

The Protection of Investment Act entered into force in 2018 stipulating new restrictions on foreign investments in South Africa. As of 2018, foreign insurance companies can establish branches in the country and insurance providers shall appoint a resident person as its public officer.

**Spain**

Parts of the telecommunications market were deregulated in 2017 following market analyses by the regulator.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Sweden**

Fixed line telephony was deregulated in 2017, and the market for high-quality access to leased lines were deregulated in 2018 following market analyses by the regulator, which found the markets to be competitive.

Changes resulting from EU law are described under the European Union heading in this Annex.

**Switzerland**

In 2019, the import monopoly on ethanol over 80% was abolished, easing restrictions on foreign entry in distribution services.

**Thailand**

As of 2017, publicly controlled firms are not exempted from the general competition law. In May 2019, the Personal Data Protection Act was adopted. Prior to this Act, no significant regulation existed on cross-border data flows in Thailand. The Act established a comprehensive framework for data protection and establishes rules and safeguards for cross-border data flows.

**Turkey**

In 2015, Turkey adopted a regulation implementing the 2013 Law on Liberalisation of the Turkish Rail Transport. The new regulation paved the way for operationalising the reforms prepared for the rail transport sector. Also, in 2015, all entities providing e-payment and e-money services are granted a license provided they meet certain requirements, including having their operations located in Turkey through a commercial presence (in the form of a joint-stock company). In 2016, Turkey adopted a new law on the protection of personal data.

In the commercial banking sector, the length of term of heads of the supervisory authority was reduced from five to four years in 2018. In 2019, a new regulation concerning radio, television and on-demand broadcasting services introduced several restrictions to downloading and streaming that affect cross-border trade in broadcasting services as well as motion pictures services. Online media service providers, including on-demand services providers, must obtain a new license for online broadcasting and are required to establish in Turkey in accordance with the provisions of the Turkish Commercial Code. In addition, in telecommunications a regulation that entered into force in 2019 obliges communication service providers to set up internet exchange points in Turkey.

**United Kingdom**

As of 2016, revised conditions, including on economic needs, apply to authorisations for the operation of storage facilities for the customs warehousing of goods pursuant to Regulation (EU) No. 952/2013. As of 2017, under the new Immigration Skills Charge Regulations, a sponsor must

pay a charge to the Secretary of State in the amount of GBP 1 000 per year each time it assigns a certificate of sponsorship to a non-EEA skilled worker (Tier 2). Small employers pay a lower amount of GBP 364 per year and certain exemptions may be granted.

**United States**

Since 2016, foreign attorneys can obtain a temporary authorisation to practice law in New York. As of July 2016, foreign banks with USD 50 billion or more in US assets must form a US intermediate holding company (IHC) to act as the parent company of all of the foreign bank's US subsidiaries. Also, in 2016, the threshold for *de minimis* regime on customs duties for imported merchandise has been raised to USD 800.

The Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) was signed into law on 13 August 2018 and expands the jurisdiction of the Committee on Foreign Investment in the United States (CFIUS) to address growing national security concerns over foreign exploitation of certain investment structures which traditionally have fallen outside of CFIUS jurisdiction. Additionally, FIRRMA modernises CFIUS's processes to better enable timely and effective reviews of covered transactions.

# Annex B. STRI indices by sector

## The Digital Network

Figure B.1. Telecommunication services, 2020

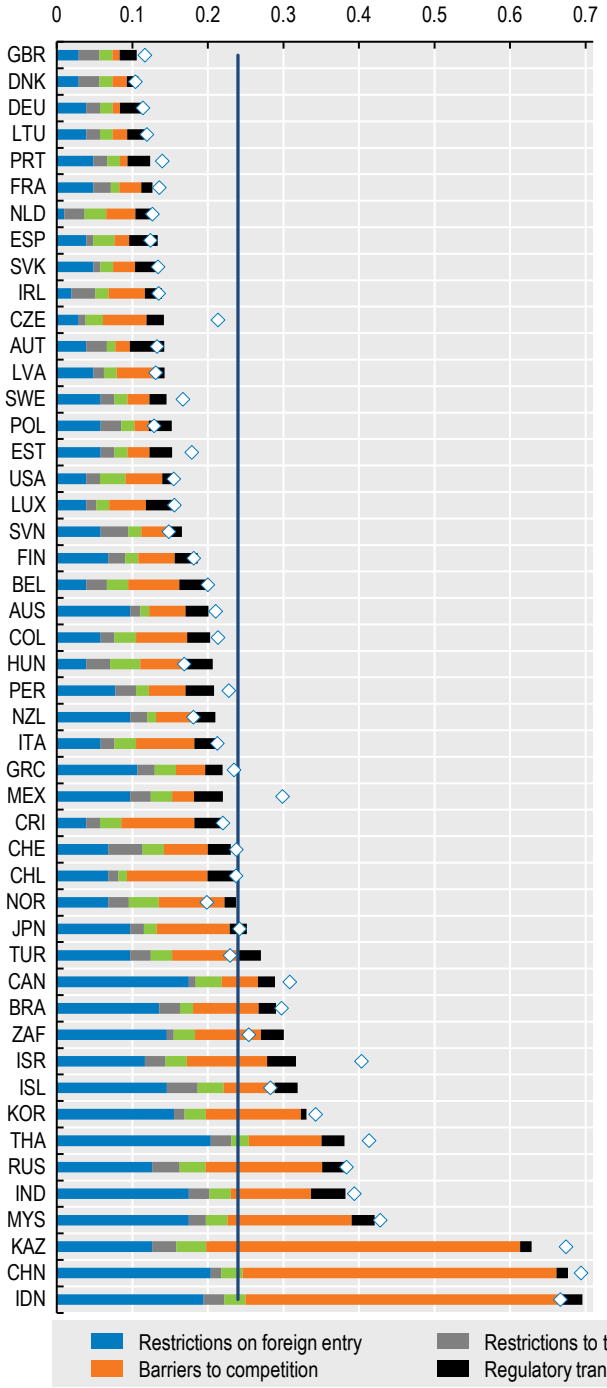
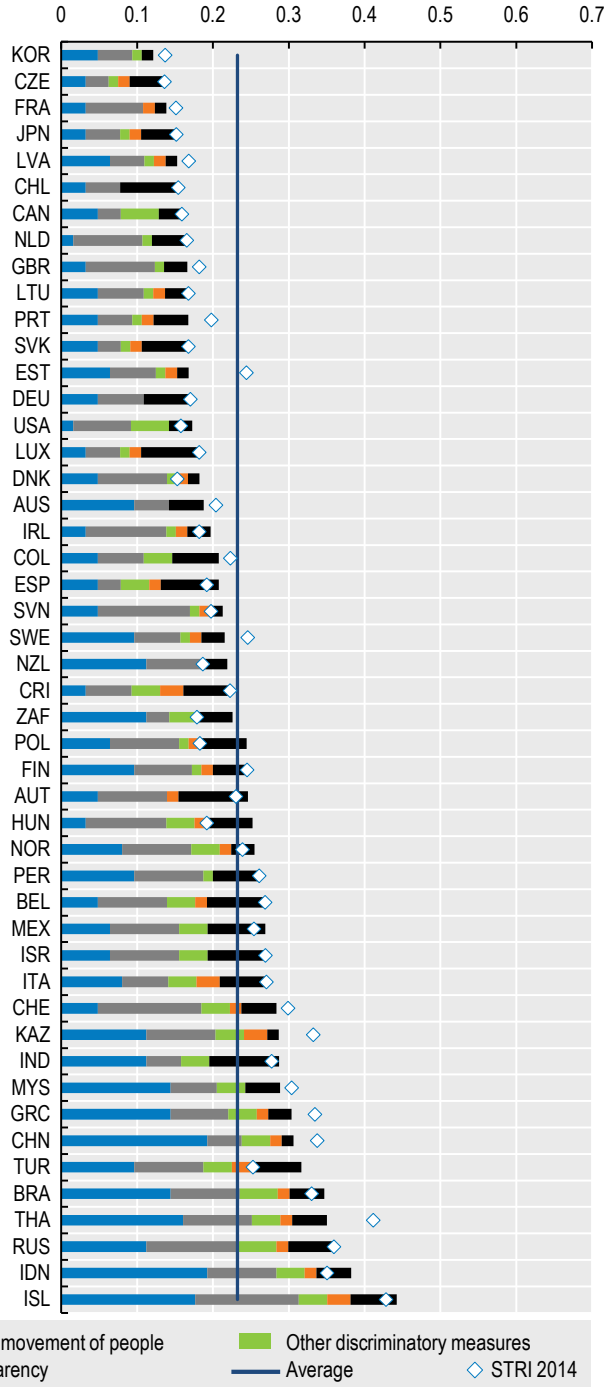



Figure B.2. Computer services, 2020




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.3. Television and broadcasting, 2020**

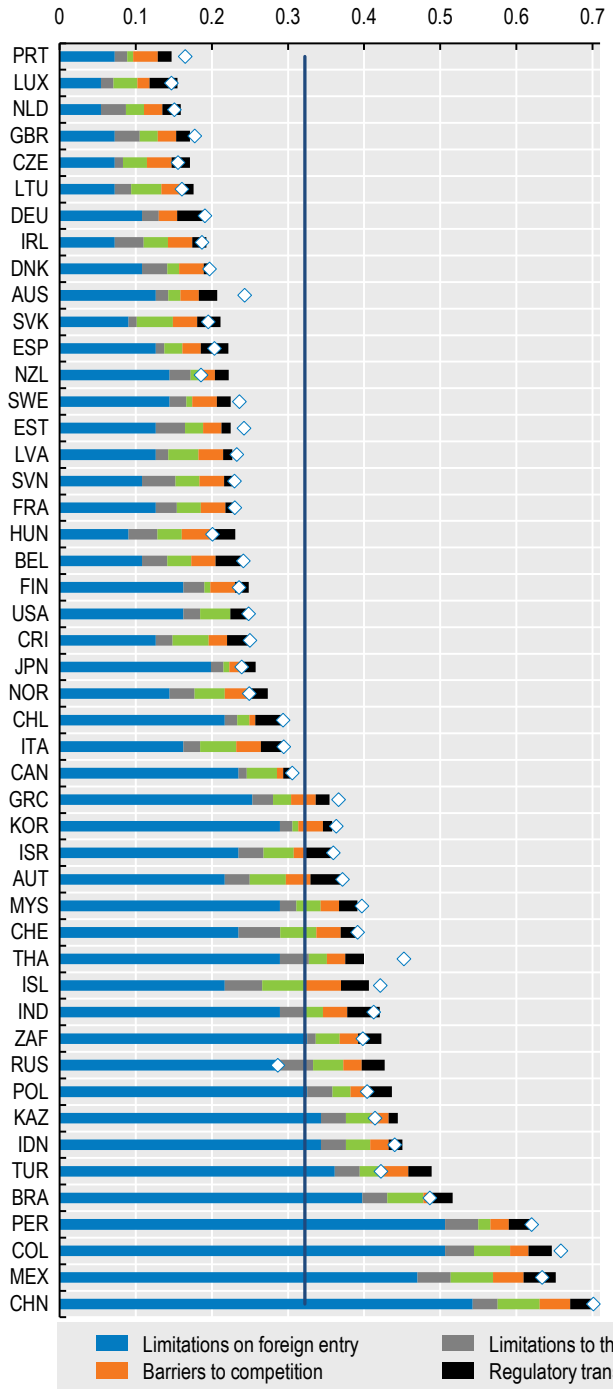
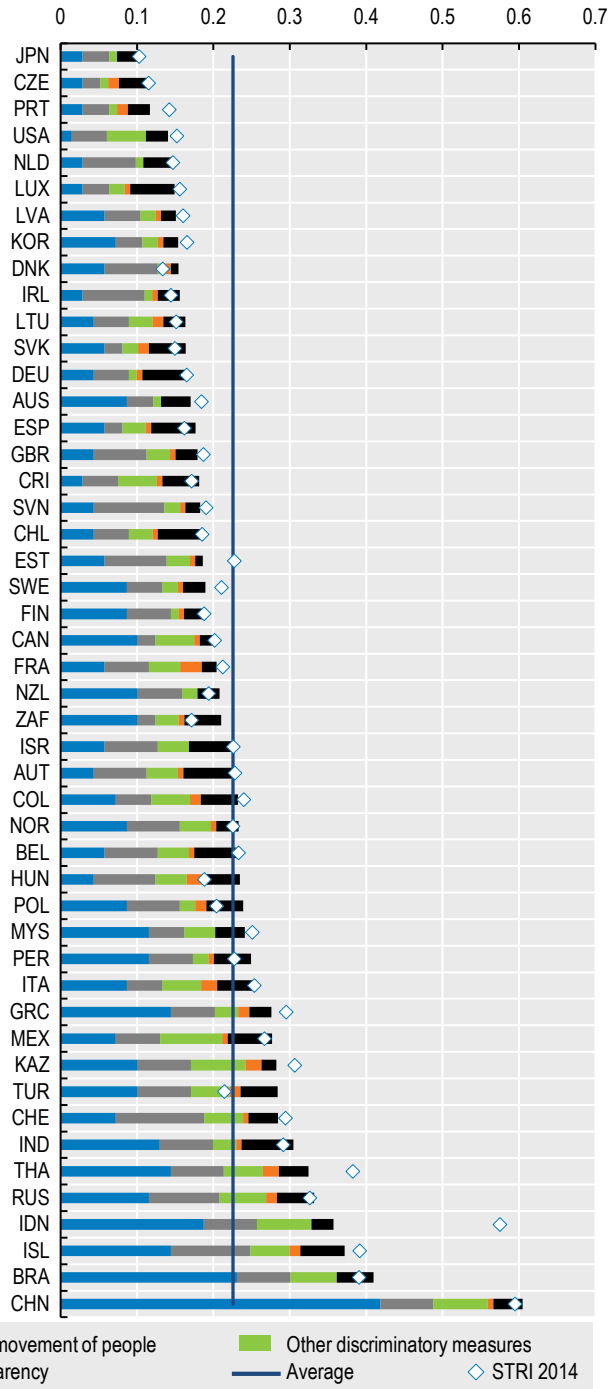
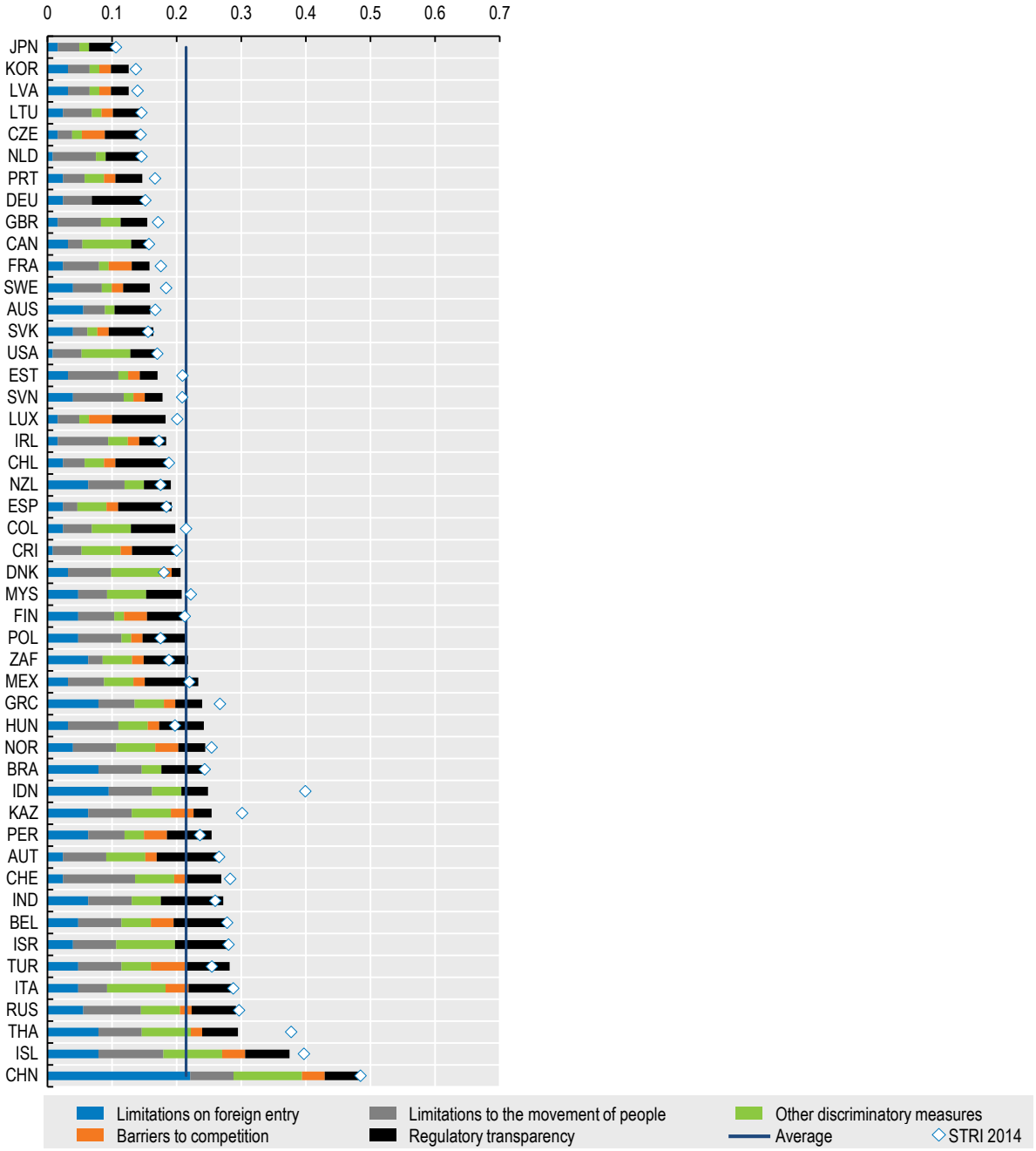



**Figure B.4. Motion picture services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.5. Sound recording services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

# The Transport and Distribution Supply Chain

**Figure B.6. Air transport services, 2020**

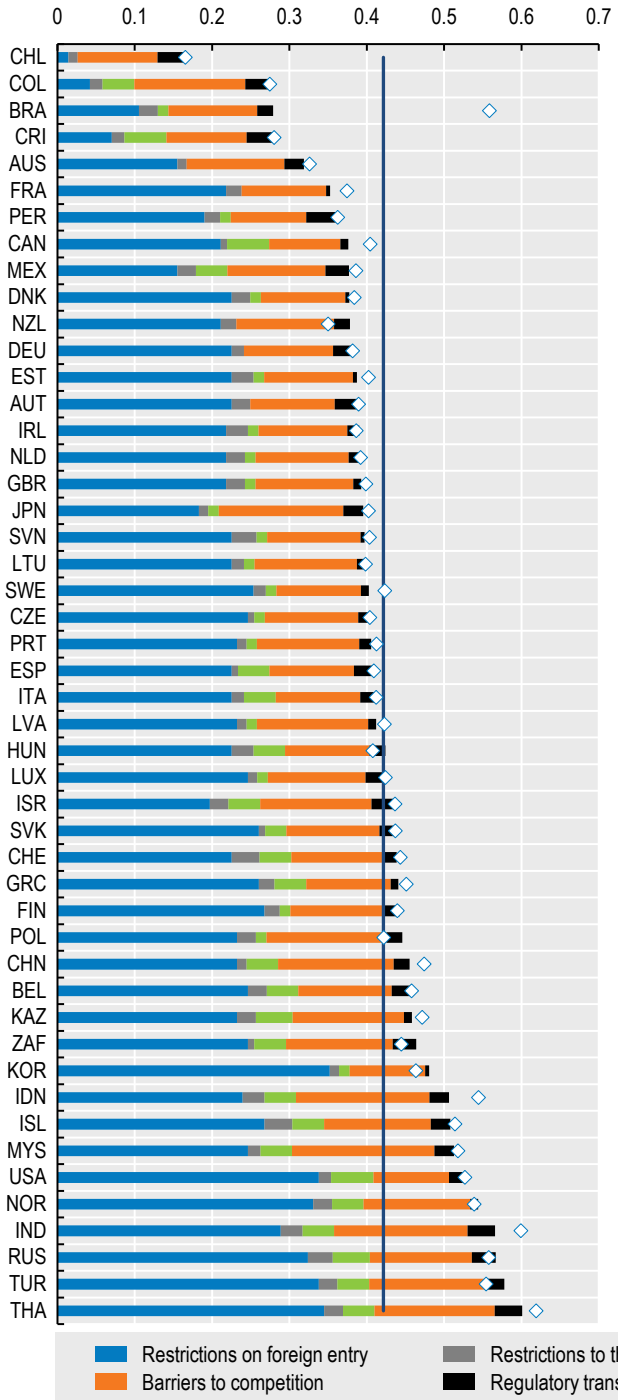
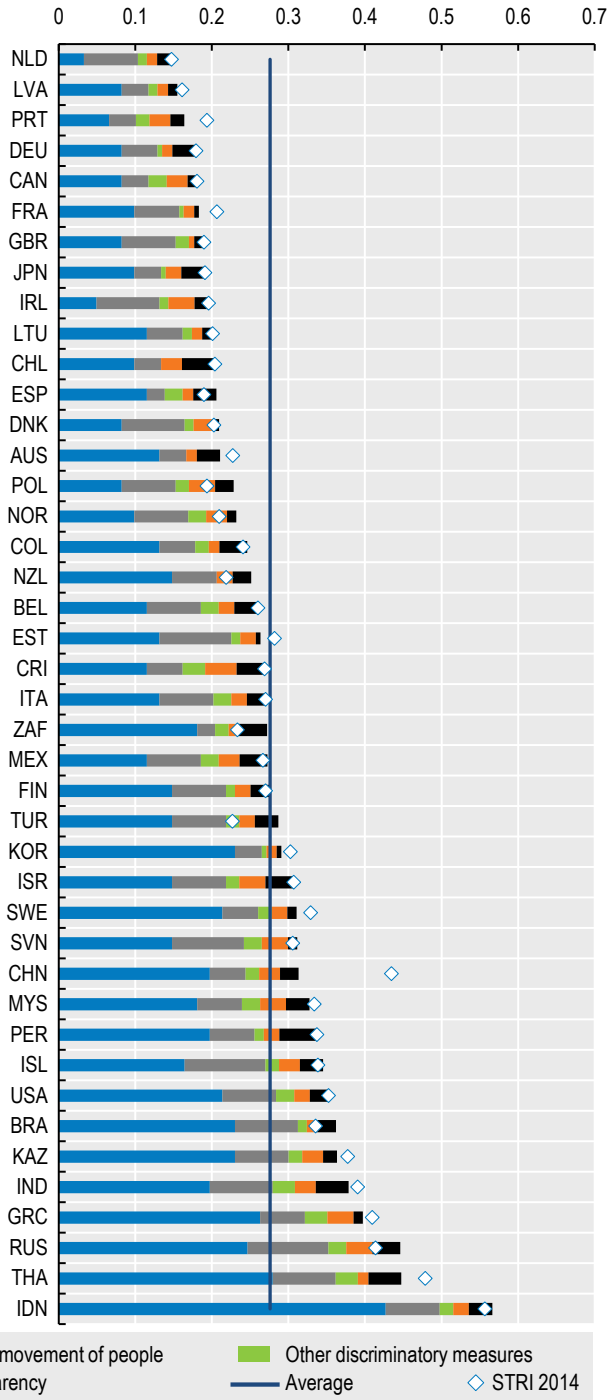



**Figure B.7. Maritime transport services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.8. Rail freight transport services, 2020**

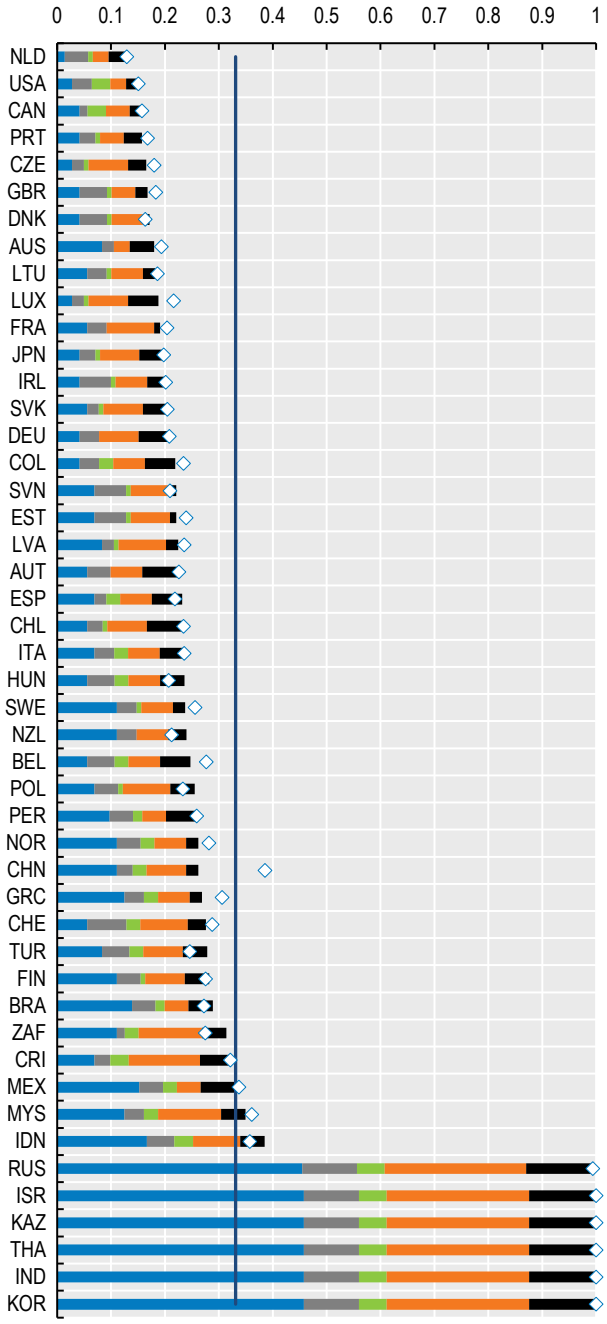
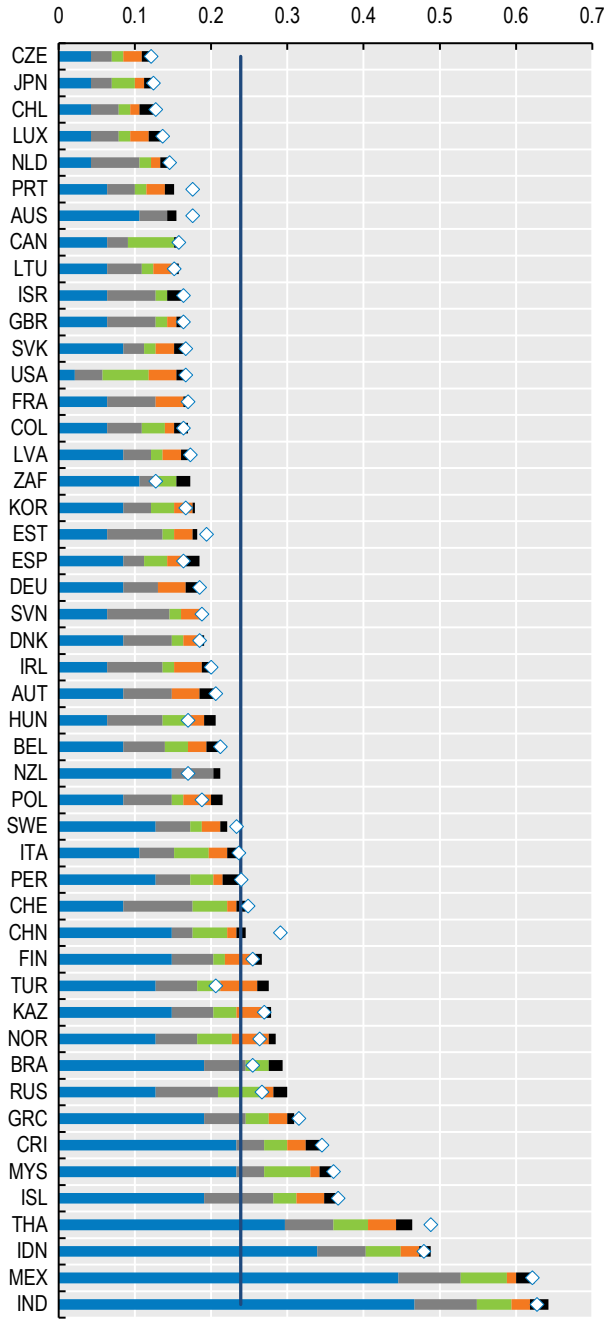



**Figure B.9. Road freight transport services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.10. Courier services, 2020**

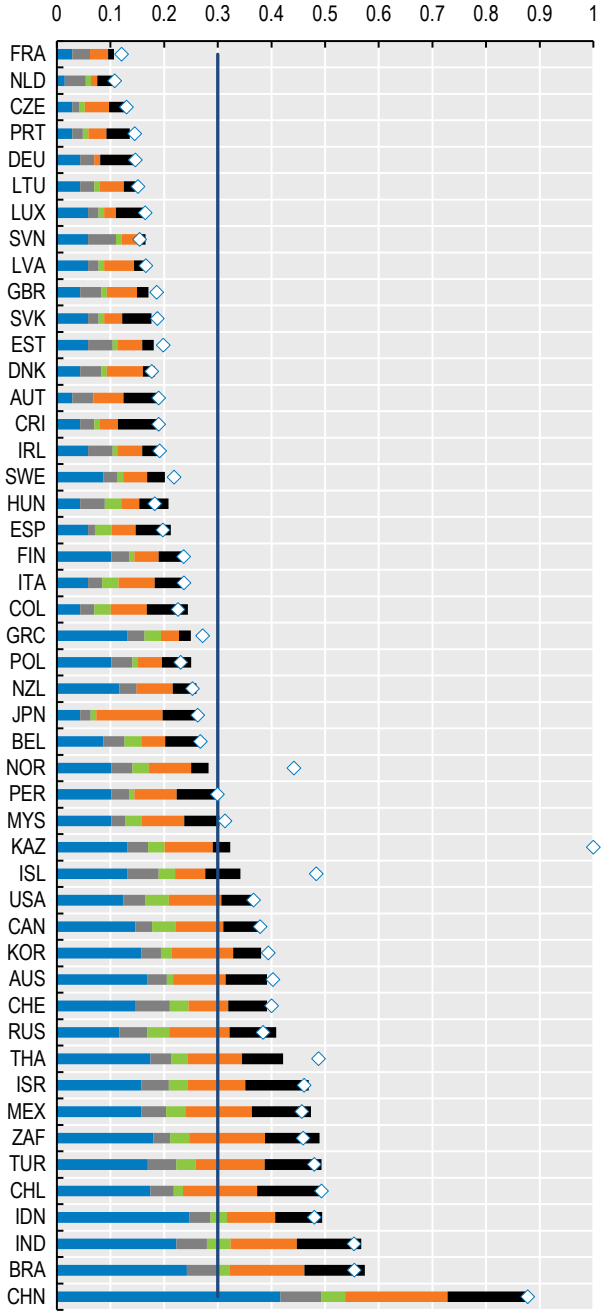
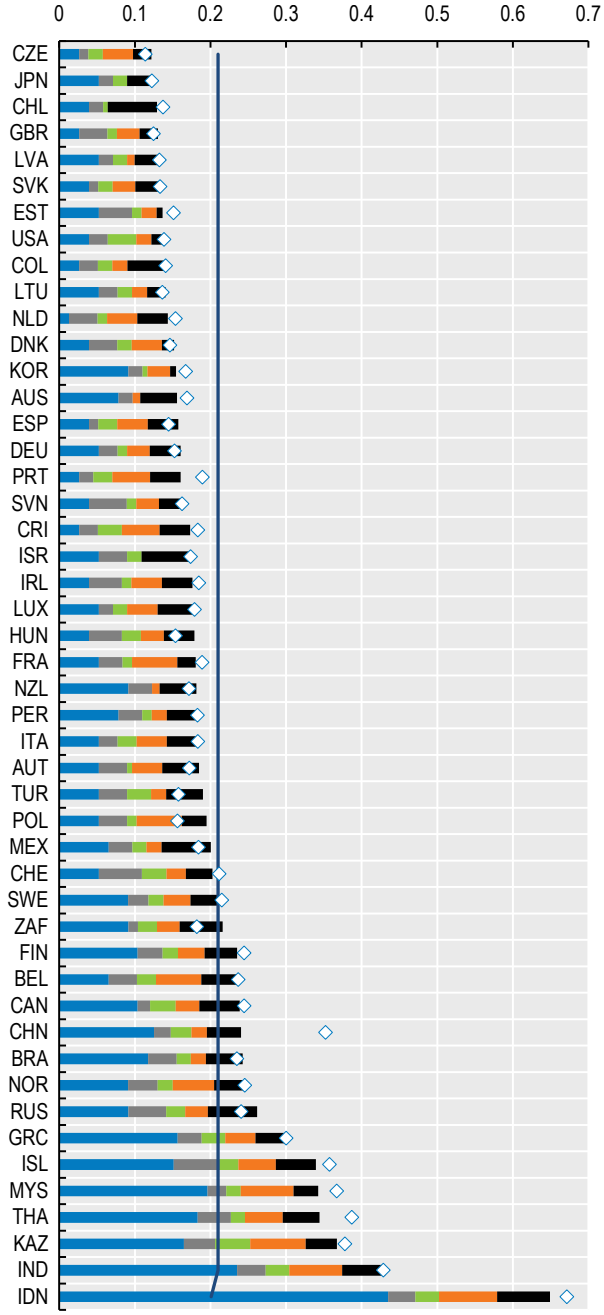



**Figure B.11. Distribution services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.12. Logistics cargo-handling services, 2020**

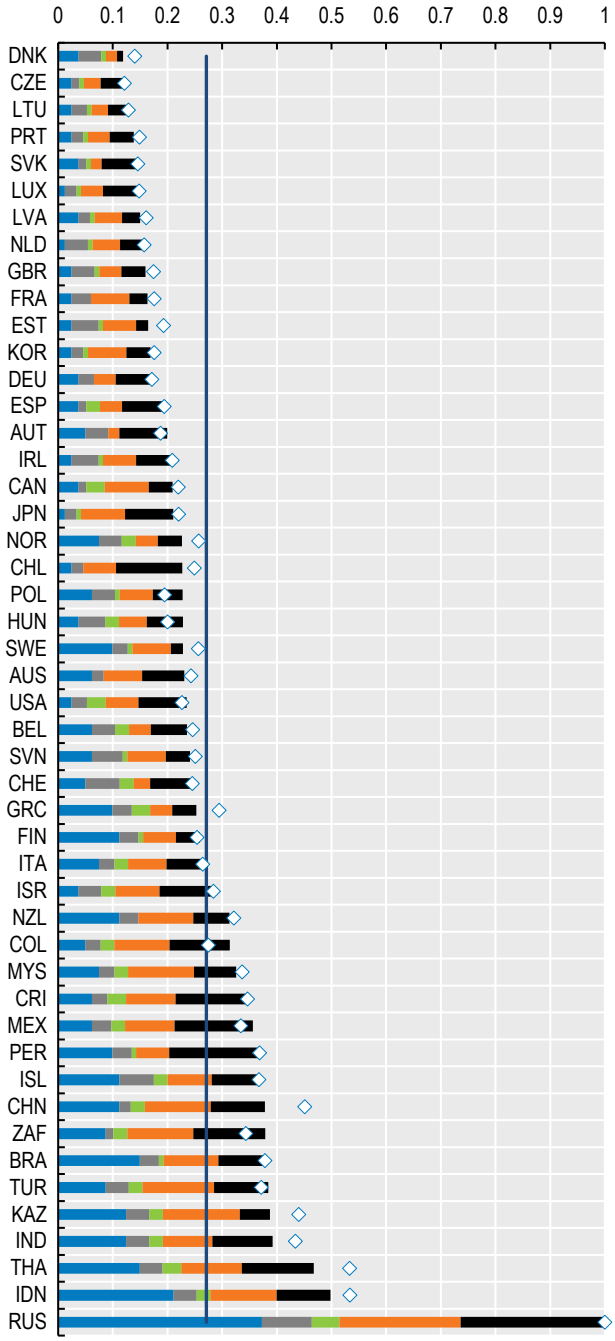
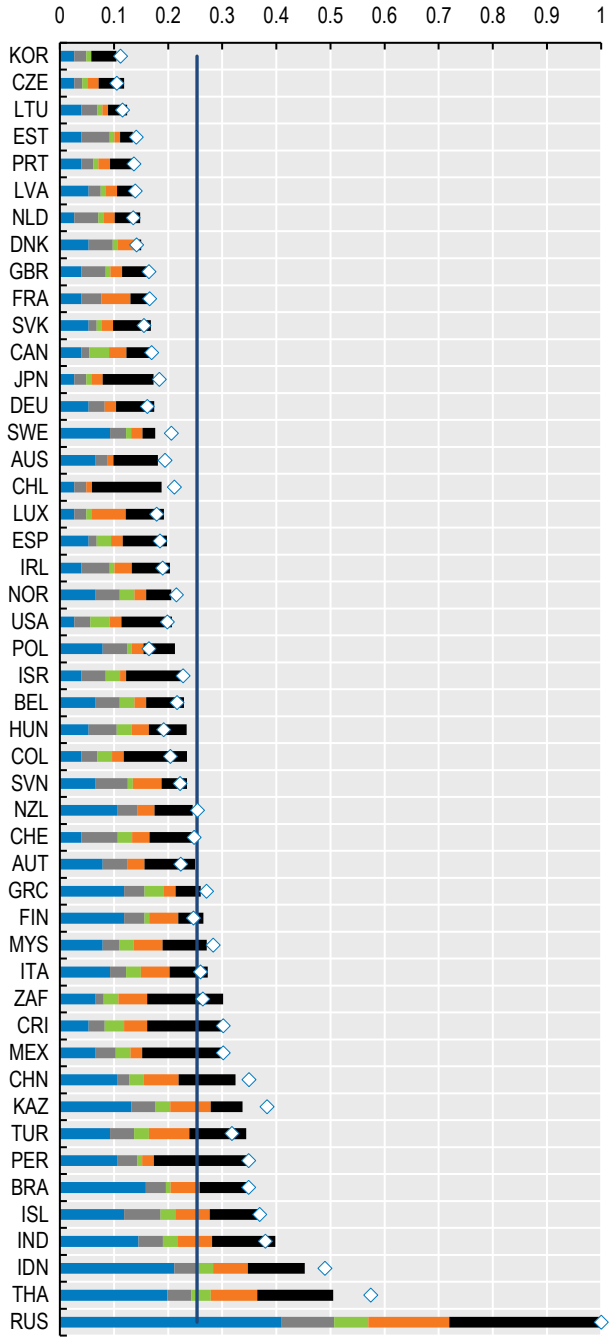



**Figure B.13. Logistics storage and warehouse services, 2020**




Restrictions on foreign entry
Barriers to competition
Restrictions to the movement of people
Regulatory transparency
Other discriminatory measures
Average
STRI 2014

*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.14. Logistics freight forwarding services, 2020**

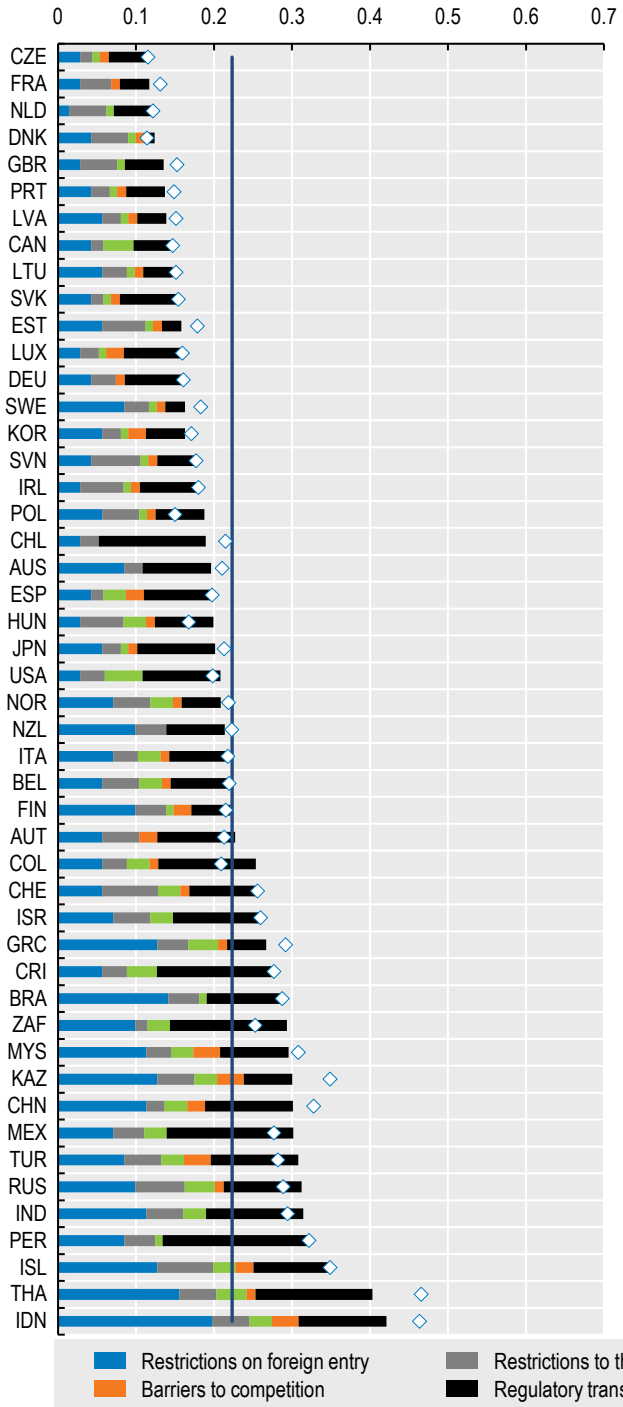
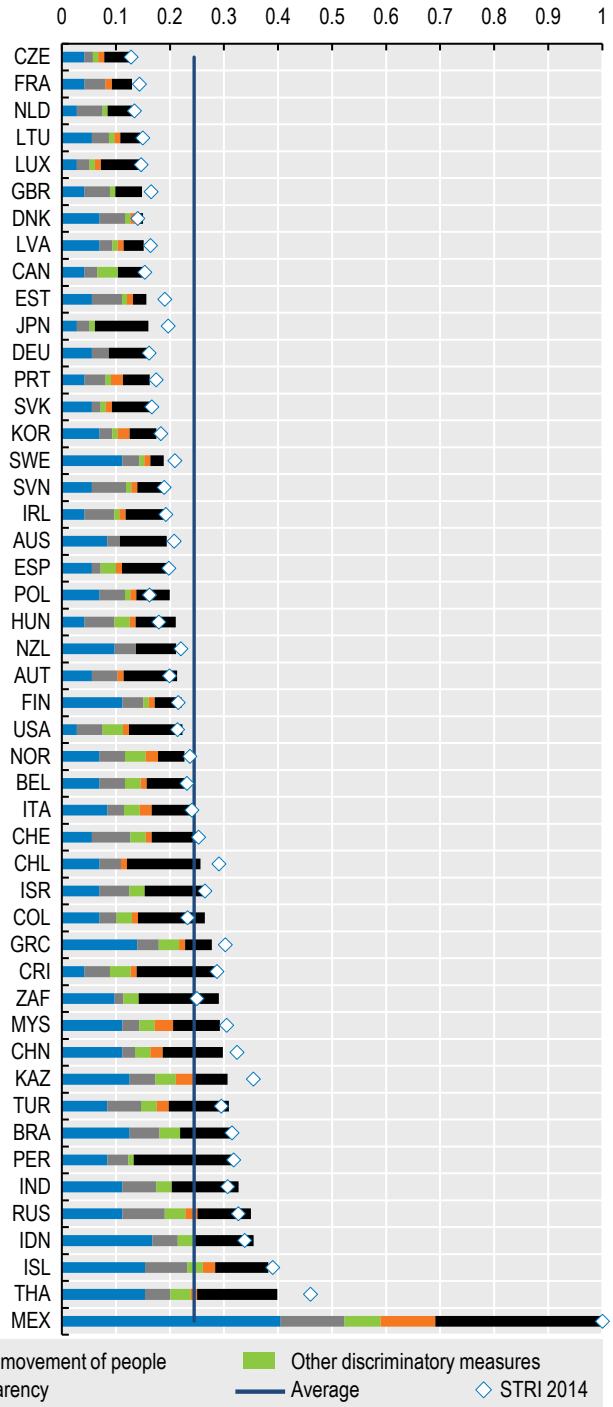



**Figure B.15. Logistics customs brokerage services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

# Market Bridging and Supporting Services

**Figure B.16. Commercial banking services, 2020**

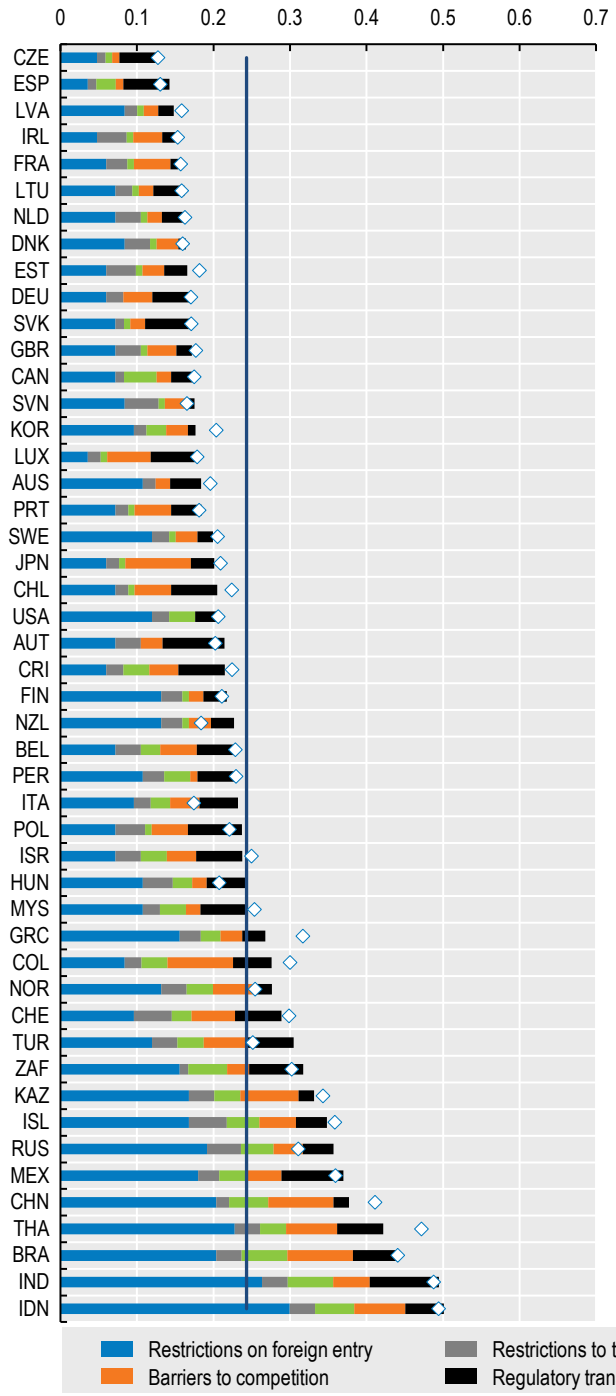
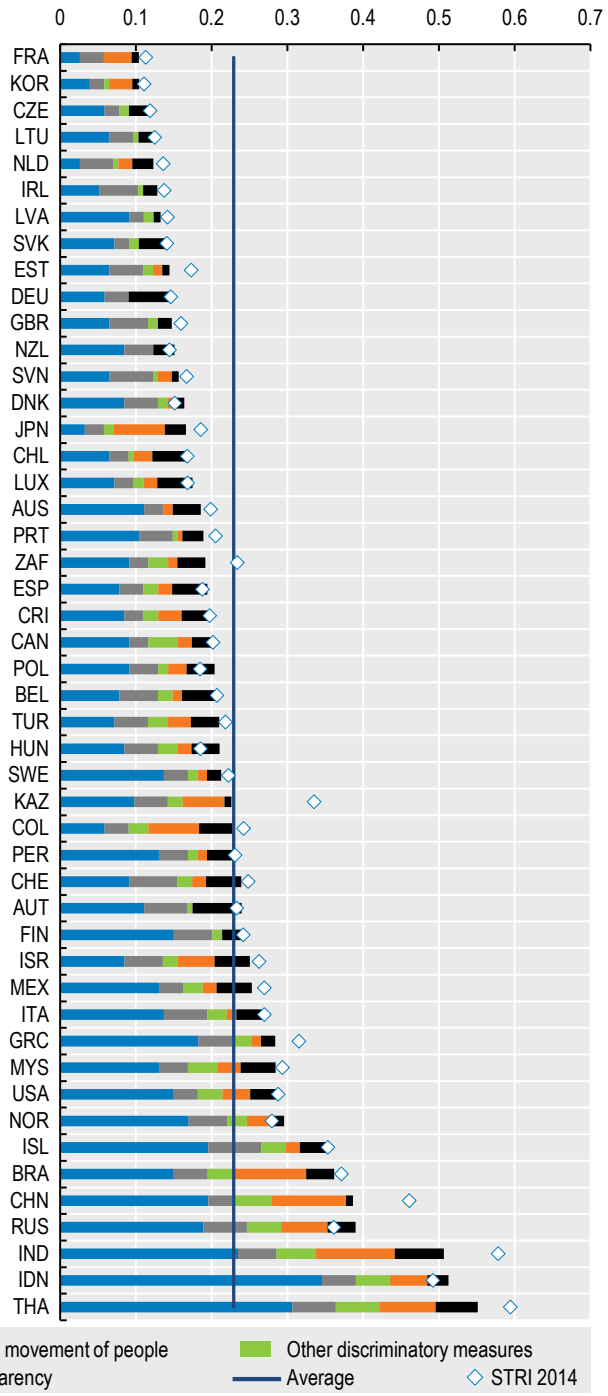



**Figure B.17. Insurance services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

**Figure B.18. Legal services, 2020**

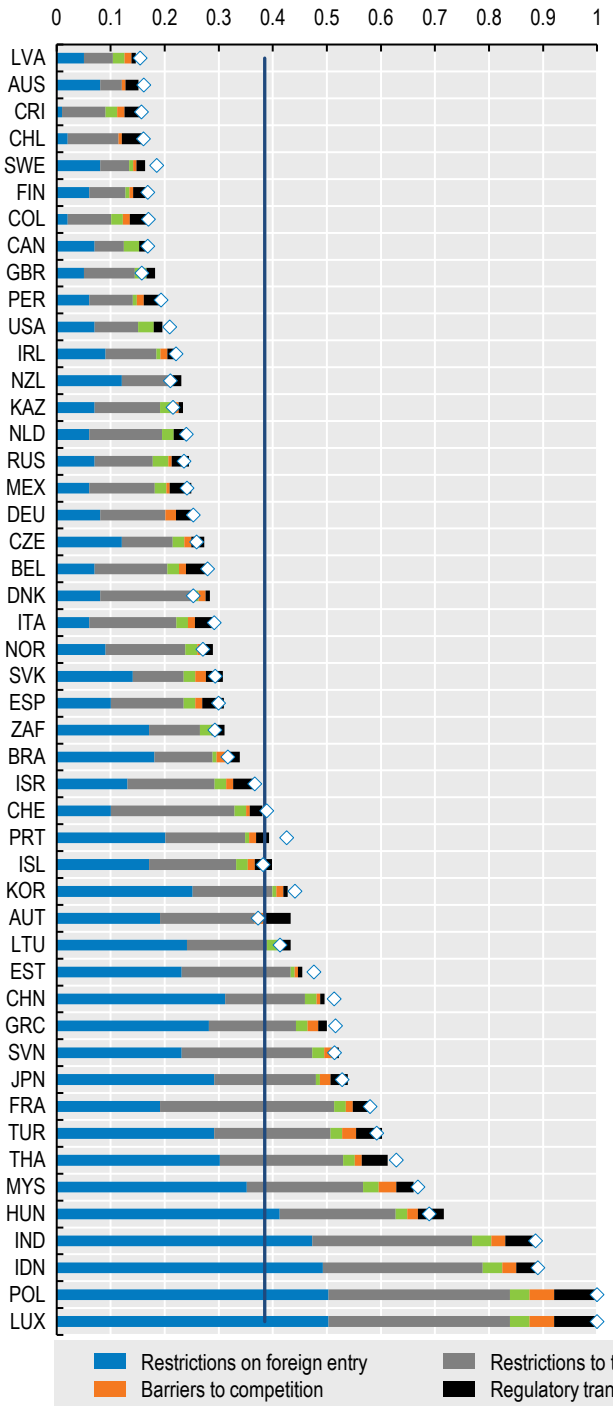
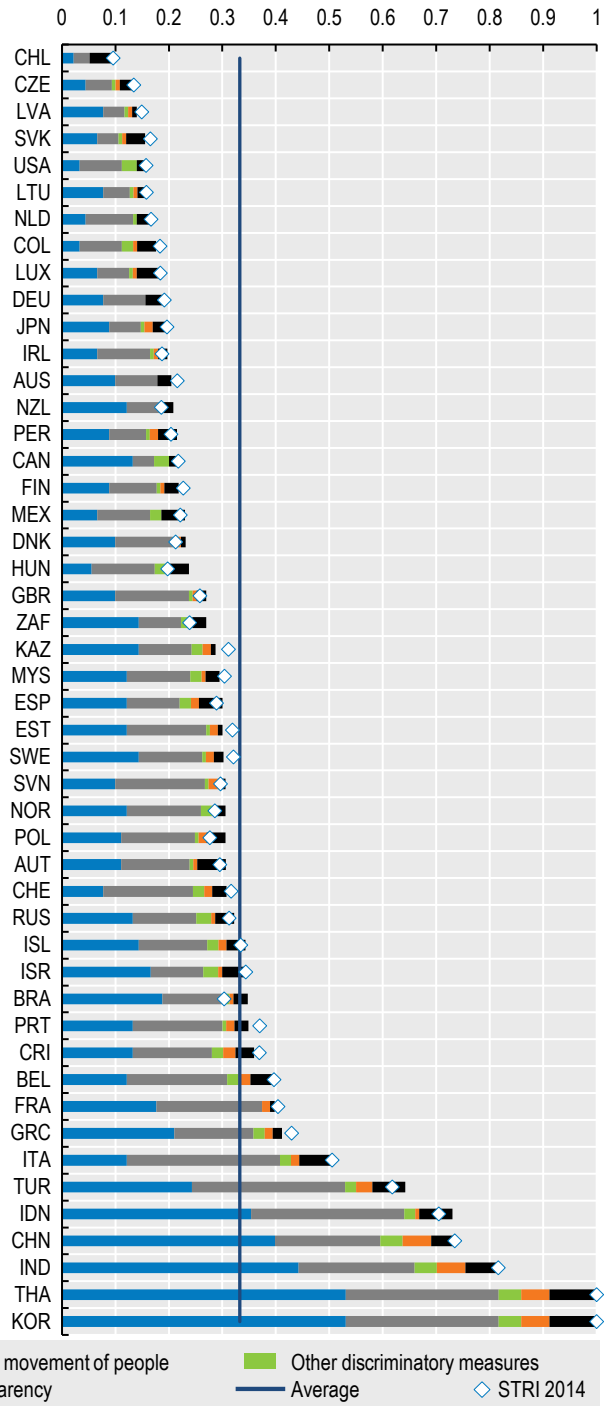



**Figure B.19. Accounting and auditing services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

# Physical Infrastructures Services

**Figure B.20. Construction services, 2020**

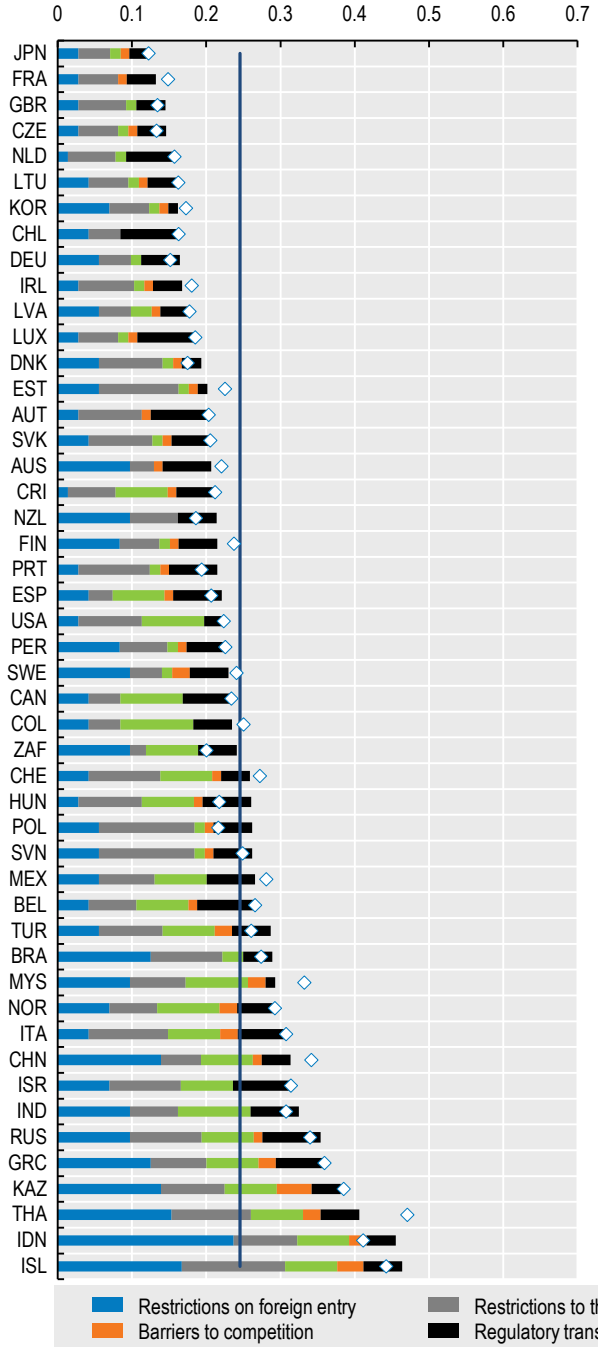
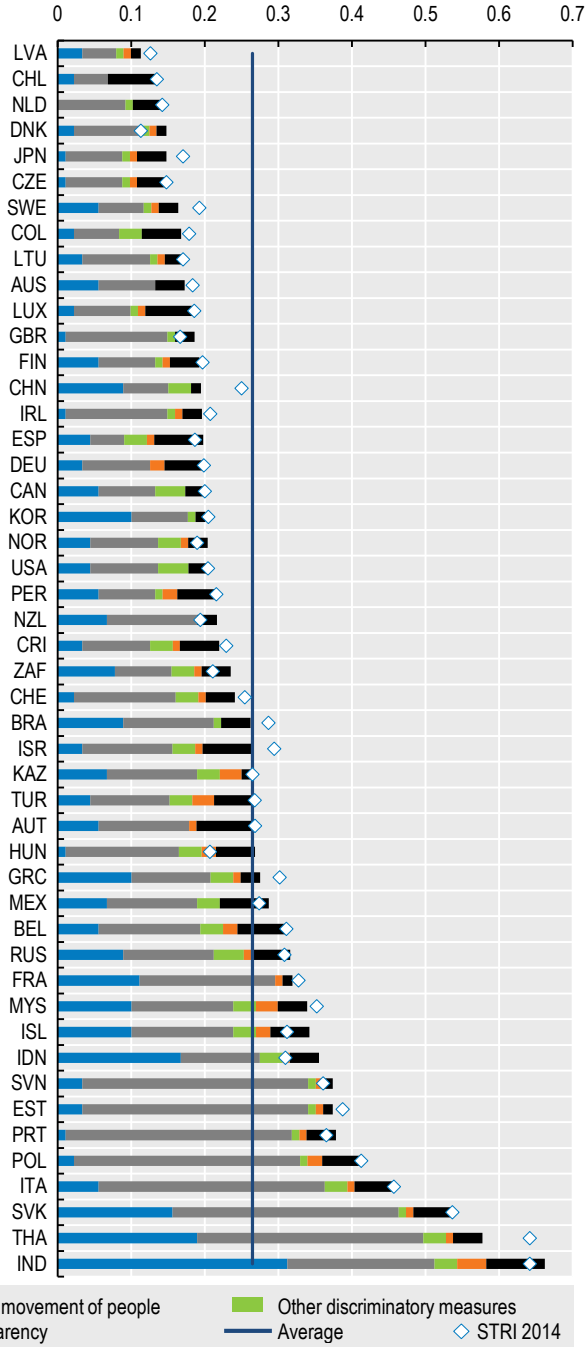
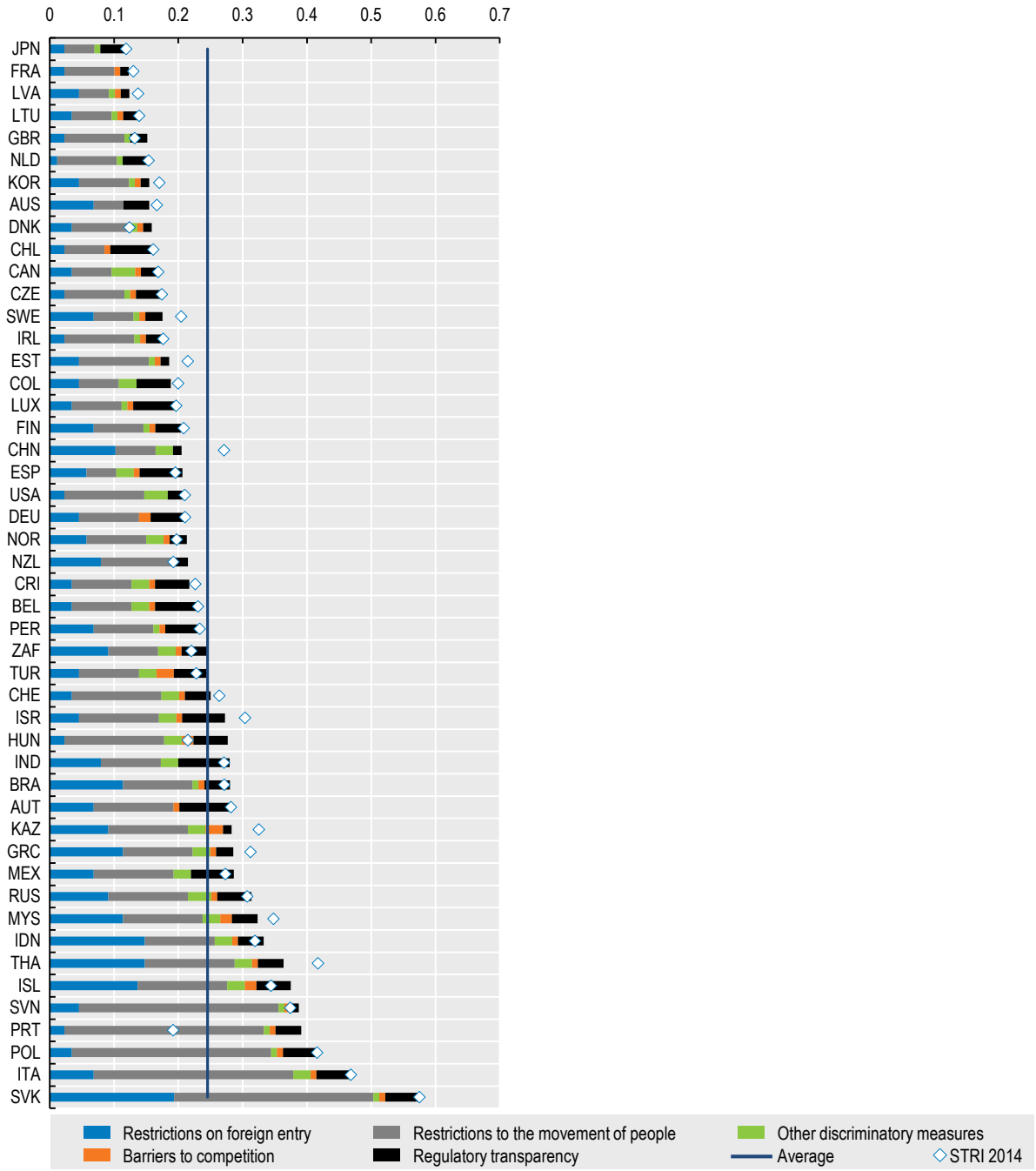



**Figure B.21. Architecture services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

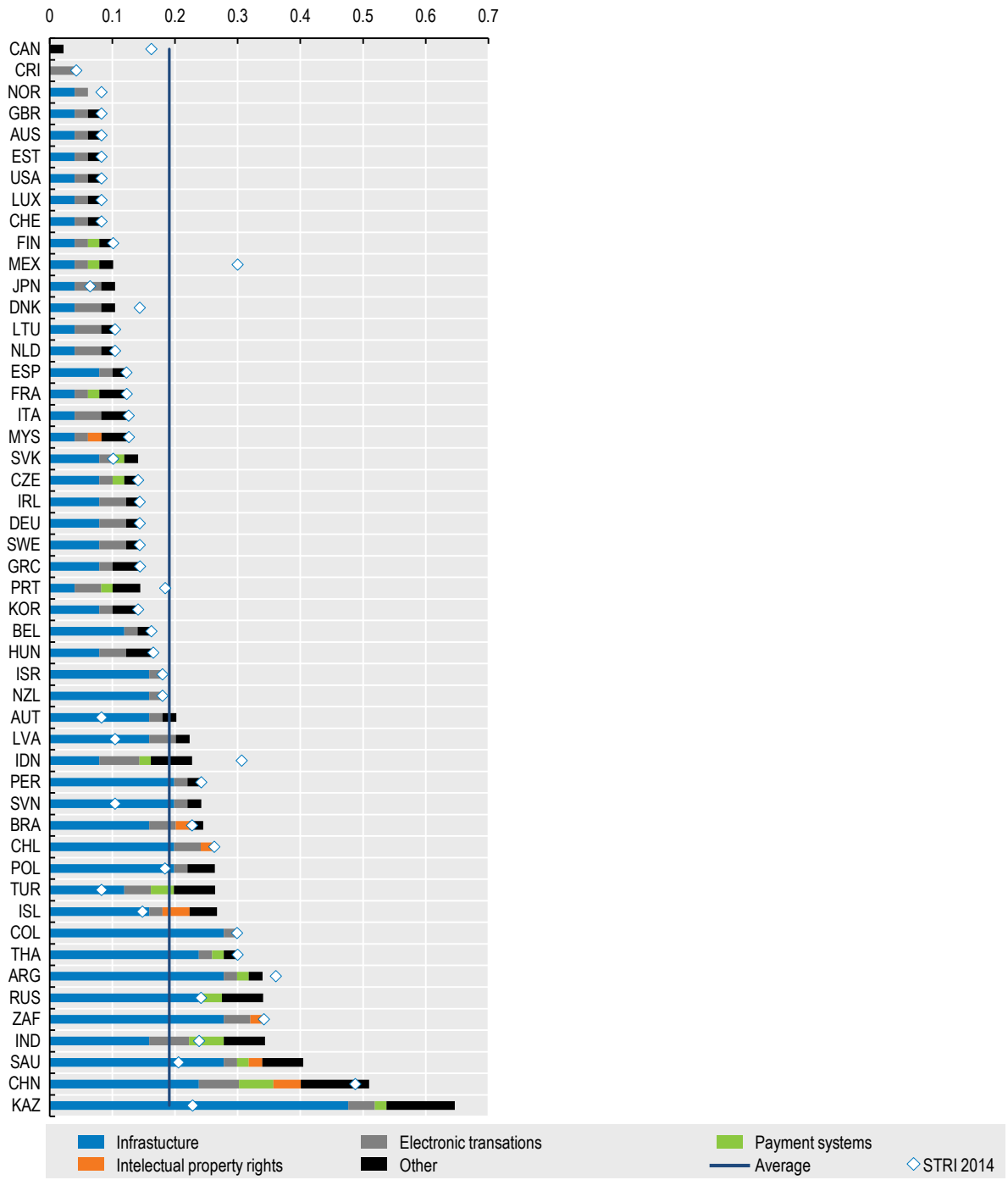
**Figure B.22. Engineering services, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db).

# Annex C. Digital STRI by country

**Figure C.1. Digital STRI by country, 2020**




*Source*: OECD STRI database (http://oe.cd/stri-db)

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