

OECD Services Trade Restrictiveness Index (STRI)

ICELAND – 2020

Key findings

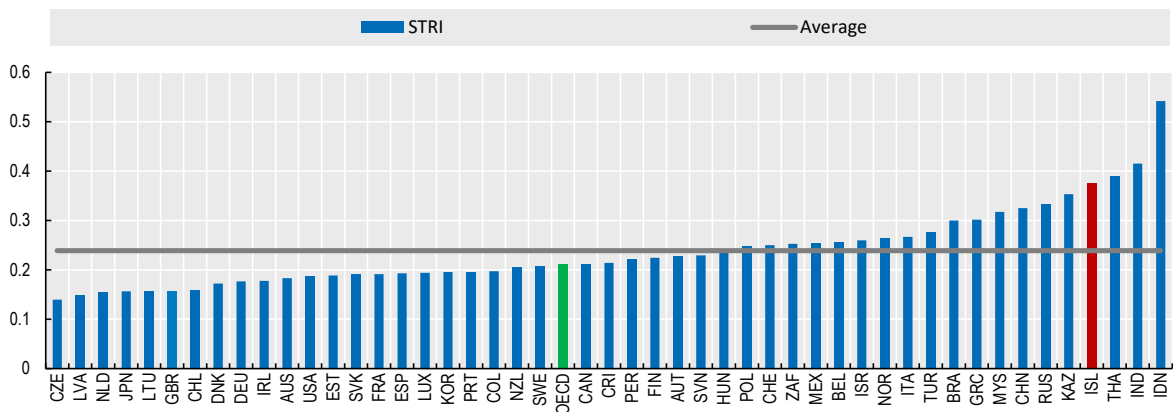
- The 2020 STRI of Iceland is high compared to other countries in the STRI sample but it has decreased compared to 2019.
- Iceland demonstrated significant progress in liberalising the postal and courier services sector in 2020 by eliminating the existing state monopoly on letters. This contributed to lowering Iceland's STRI score by more than 25%.
- Accounting services is the most open sector in Iceland while computer services is the most restricted.

Recommendation

- 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.

The 2020 STRI of Iceland is high compared to other countries in the STRI sample but it has decreased compared to 2019 (Figure 1).

Figure 1. Average STRI across countries, 2020



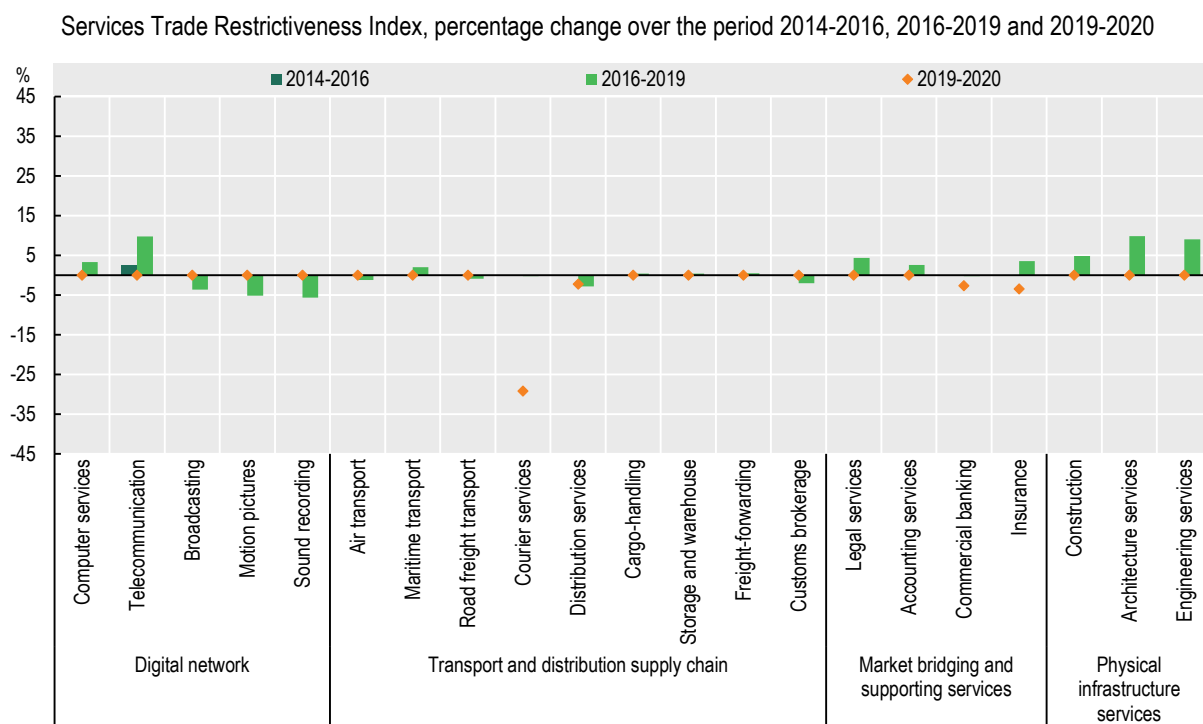
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations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

Source: OECD STRI and TIVA databases (2020).

The results are largely attributed to horizontal regulations that affect 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 and the duration of stay is limited. 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 regulatory environment in Iceland has been relatively stable over the past years with moderate increases in the STRI scores in some sectors such as professional services, telecommunications and computer services (Figure 2). Recent reforms in the postal and courier services sector contributed to lowering Iceland's STRI score in 2020 by more than 25%. Iceland also introduced some reforms in financial services in 2019-2020.

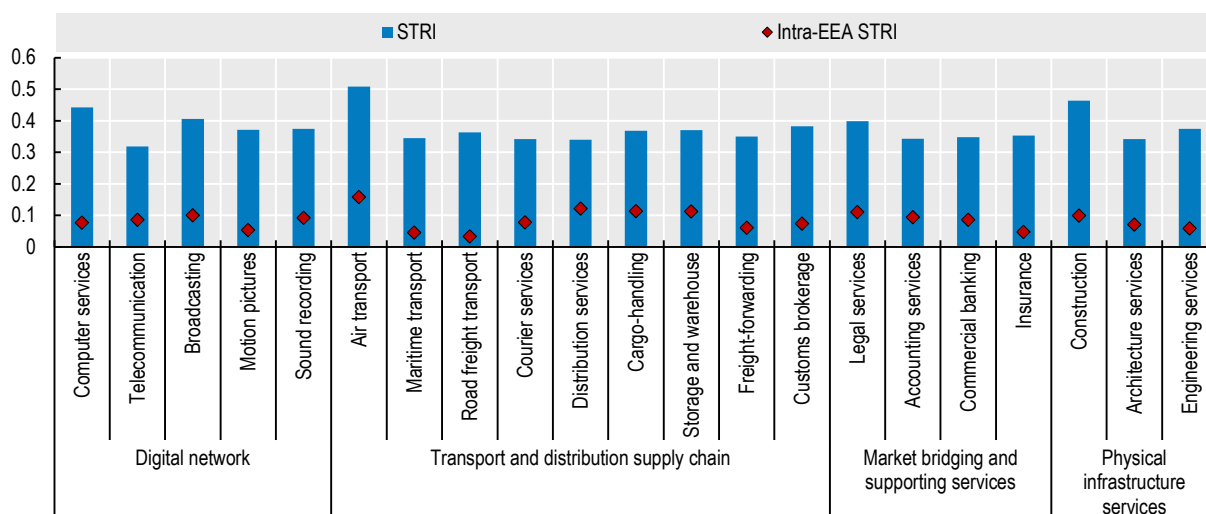
Figure 2. Evolution of STRI scores by sector in Iceland



Source: OECD STRI database (2020).

Iceland participates in the EU Single Market through the European Economic Area (EEA). Services trade barriers are significantly lower within the EEA across all services sectors (Figure 2b). Iceland maintains an open market for services suppliers from other EEA member states.

Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



Note: The traditional STRI indicates the level of restrictiveness on Most-Favoured Nation basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden).
Source: OECD STRI database (2020).

Accounting services, legal services, courier services and air transport are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Motion pictures, sound recording, construction and computer services are the sectors with the highest score relative to the average STRI across all countries.

Figure 3. Sectoral breakdown – The least and most restricted sectors in Iceland



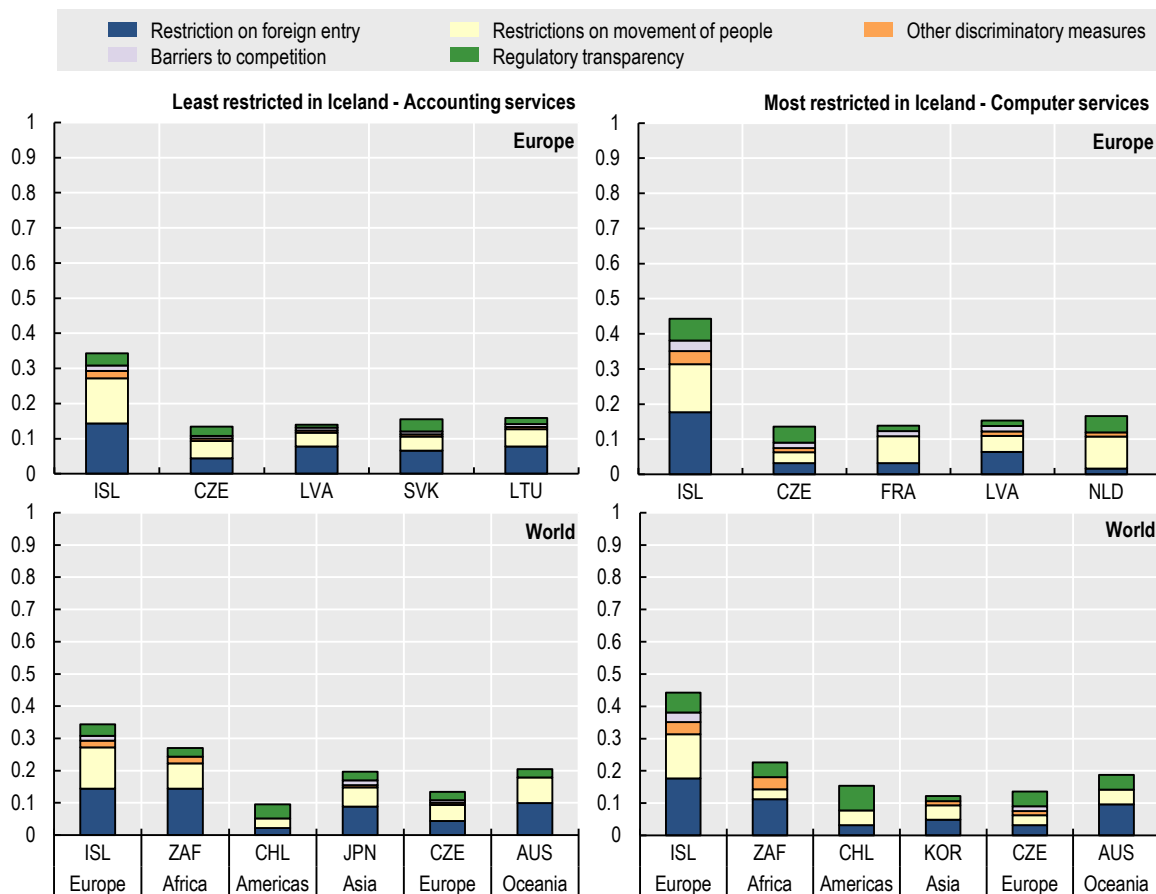
Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

i.e. $(STR I_{country, sector} - STR I_{world\ average, sector}) / STR I_{world\ average, sector}$

Source: OECD STRI database (2020).

Accounting services are the least restricted services sector in Iceland compared to Europe and the other best performers elsewhere while computer services are the most restricted (Figure 4).

Figure 4. Iceland compared to Europe and World's best performers

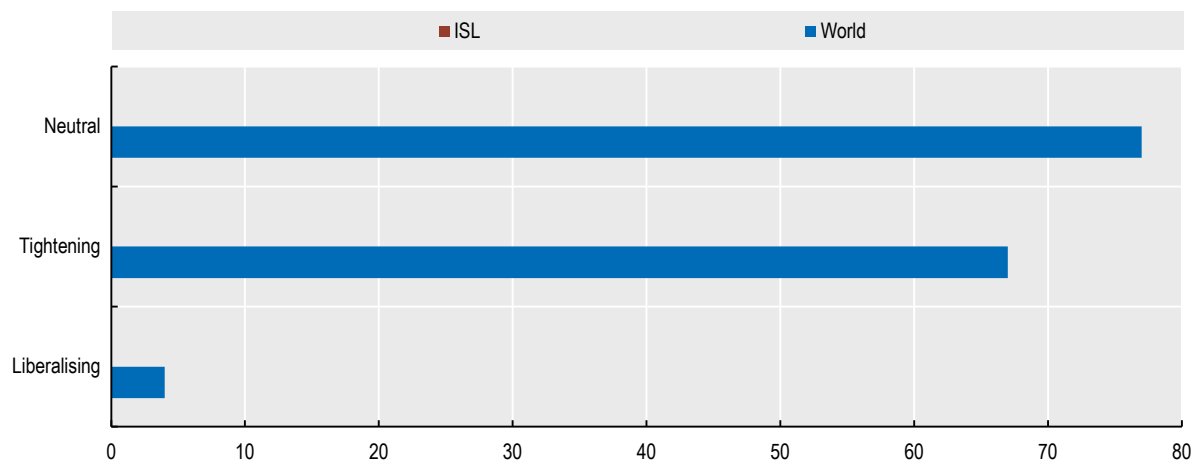


Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While Iceland has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements (Figure 5).

Figure 5. COVID-19 related measures in Iceland and in the world



Source: OECD STRI database (2020).

Key reforms

In January 2020, the state's monopoly on letters weighing less than 50 grammes has been abolished. Also in 2020, the Financial Supervisory Authority has become part of the Central Bank of Iceland. The length of term for heads of the Authority has been extended to five years compared to four year before. 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 transferees and independent services providers.

More information

- » Access all country and sector notes, and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impact in [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org