

OECD Services Trade Restrictiveness Index (STRI)

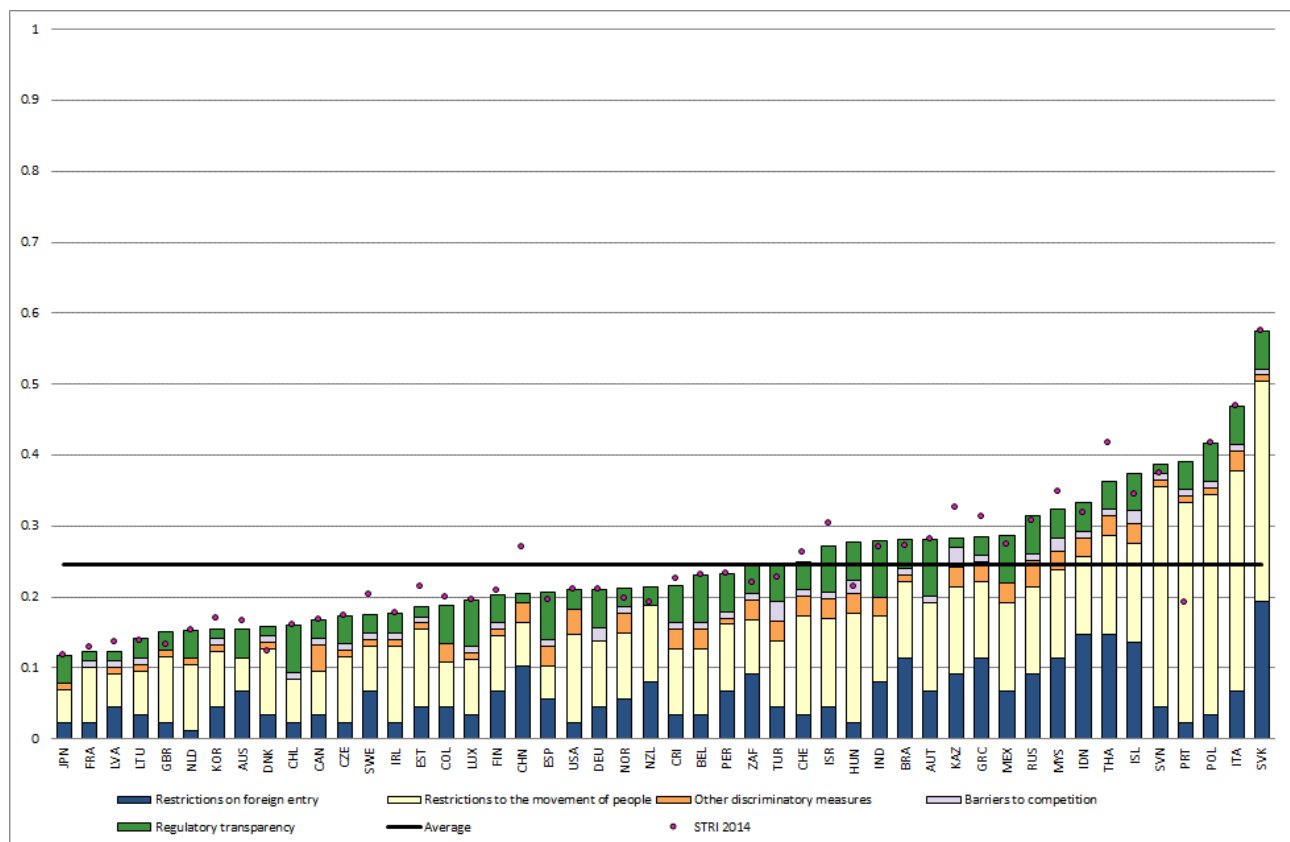
STRI SECTOR BRIEF: ENGINEERING SERVICES

2020

This note presents the Services Trade Restrictiveness Indices (STRIs) for the 37 OECD countries and Brazil, the People's Republic of China, Costa Rica, India, Kazakhstan, Indonesia, Malaysia, Peru, the Russian Federation, South Africa and Thailand for engineering services in 2020.

The definition of engineering services (ISIC Rev 4 code 711) covers several related activities, such as engineering and integrated engineering services, and engineering related scientific and technical consulting services. Engineering services constitute the backbone of construction and provide essential inputs for the economy. Engineers participate in the construction of key infrastructure, such as buildings and roads. They also play a significant role in the development of production processes and the adoption of new technologies. An important feature is the regulatory complementarity between engineering, architecture and construction services. Often, engineering and architectural activities are combined into projects offered by one company, and are sometimes subsumed in the building and construction sector.

STRI by policy area: Engineering services (2020)



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 records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. The indices are based on laws and regulations in force on 31 October 2020.

The 2020 STRI scores for engineering services range between 0.12 and 0.58, with an average of 0.25. The distribution according to restrictiveness is skewed towards the low end, as there are 28 countries below and 20 countries above the average. These services are less restrictively regulated on average than other accredited professional services, notably legal and accounting services.

The measures in the STRI database are organised under five policy areas as indicated in the chart. In engineering services, the results are driven primarily by *Restrictions on the movement of people*. This reflects the characteristics of these services, particularly their high skilled labour intensity. The other two policy areas that significantly influence the degree of restrictiveness in engineering services are *Restrictions on foreign entry and Regulatory transparency*. The impact of the other categories of measures is more limited.

Engineers are affected by economy-wide limitations on natural persons seeking to provide services on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. 12 countries have quotas on one or more of these three categories, 35 countries apply economic needs tests to stays that last longer than 3-6 months and the duration of stay is limited to less than three years in 37 countries. In addition, engineers are subject to issues related to licensing. These include nationality and residency requirements to practice, as well as lack of recognition of foreign qualifications. A license to practice engineering services is not required in 17 countries. This does not necessarily mean that there is less government control during the process of designing and constructing a building, a road or other infrastructure projects. Regulation may in some countries be entailed in building codes, technical standards and the enforcement of these.

As regards *Restrictions on foreign entry*, several countries limit the ownership of engineering firms to locally-qualified engineers. Ownership restrictions are often coupled with requirements that the majority of the board (or equity partners in the case of partnerships) and the manager of engineering firms must be locally qualified. Another impediment relates to restrictions on acquiring land and real estate. These may be particularly pernicious for engineering services in light of the complementarities with the building industry.

Some sector-specific restrictions under *Barriers to competition* remain in place in several countries, particularly on fee-setting and advertising. *Other discriminatory measures* contain regulation related to public procurement. Impediments to public procurement can play a significant role for engineering services in light of the link with construction. 22 countries have preferential measures for local suppliers or limit non-discriminatory access to public procurement to free trade agreement or WTO government procurement agreement (GPA) partners.

The *regulatory transparency* policy area builds on information from administrative laws and regulations, information from the migration authorities on requirements for obtaining a business visa and the World Bank Doing Business Survey. The latter records time, cost and number of procedures required for establishing a company. These measures are benchmarked against a global threshold set at the 40 best performing countries. There are 31 countries included in the STRI database that are not among the 40 best performing countries on one or more of these measures. The score in the regulatory transparency area is largely attributed to this. In addition lengthy, costly and complex regulatory procedures related to obtaining a business visa contribute to the index for 23 countries.

Compared to 2014, denoted by the pink dots in the chart, the STRI index is unchanged for 15 countries, 16 have a lower (less restrictive) score, and 17 record a higher value of the STRI index (more restrictive) in 2020. Improvements in administrative procedures under the regulatory transparency area explain most of the changes in the STRI index for the countries with a lower index. Some countries have also implemented regulatory reforms affecting engineering services. Australia has eased the procedure on sponsoring foreign providers by business; and Israel has implemented a temporary licensing regime for foreign engineers. Most of the increase in the index stems from the introduction of quotas and labour market tests and shortening the duration of stay for temporary services suppliers.

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.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.