



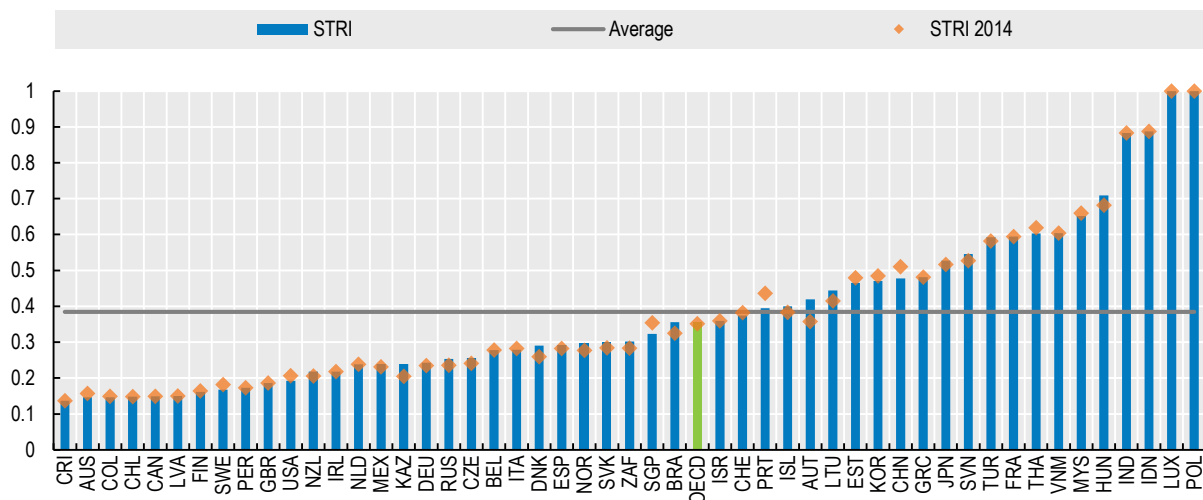
Legal Services 2021

Key findings

- The average 2021 STRI in the legal services sector is 0.39 out of a maximum of 1 (most trade restricted) indicating a relatively high overall level of restrictiveness. Individual country scores diverge considerably, ranging between 0.14 and 1.
- The best performing countries in the sector are Costa Rica, Australia and Colombia. Most regulatory changes of 2021 were recorded in the United Kingdom, Australia and New Zealand.
- Restrictions on foreign entry are the main drivers of trade restrictiveness in the sector, with contributions to the total index values of 44% in OECD economies and 52% in non-OECD economies.
- OECD estimates suggest that halving the distance to best practice in this sector is associated with a reduction in the costs of cross-border trade in legal services between 6% and 20% for the average country included in the STRI database.

Legal services (ISIC Rev 4, code 691) cover advisory and representation services in domestic and international law, and where relevant measures are entered separately for each of them. International law includes advisory services in home country law, third country law, international law, as well as a right to appear in international commercial arbitration. Domestic law extends to advising and representing clients before a court or judicial body in the law of the host country.

Figure 1. STRI in legal services, 2021



Note: The STRI indices take values between zero and one, one being the most restrictive. The indices are based on laws and regulations in force on 31 October 2021. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, Singapore, South Africa, Thailand, and Viet Nam.

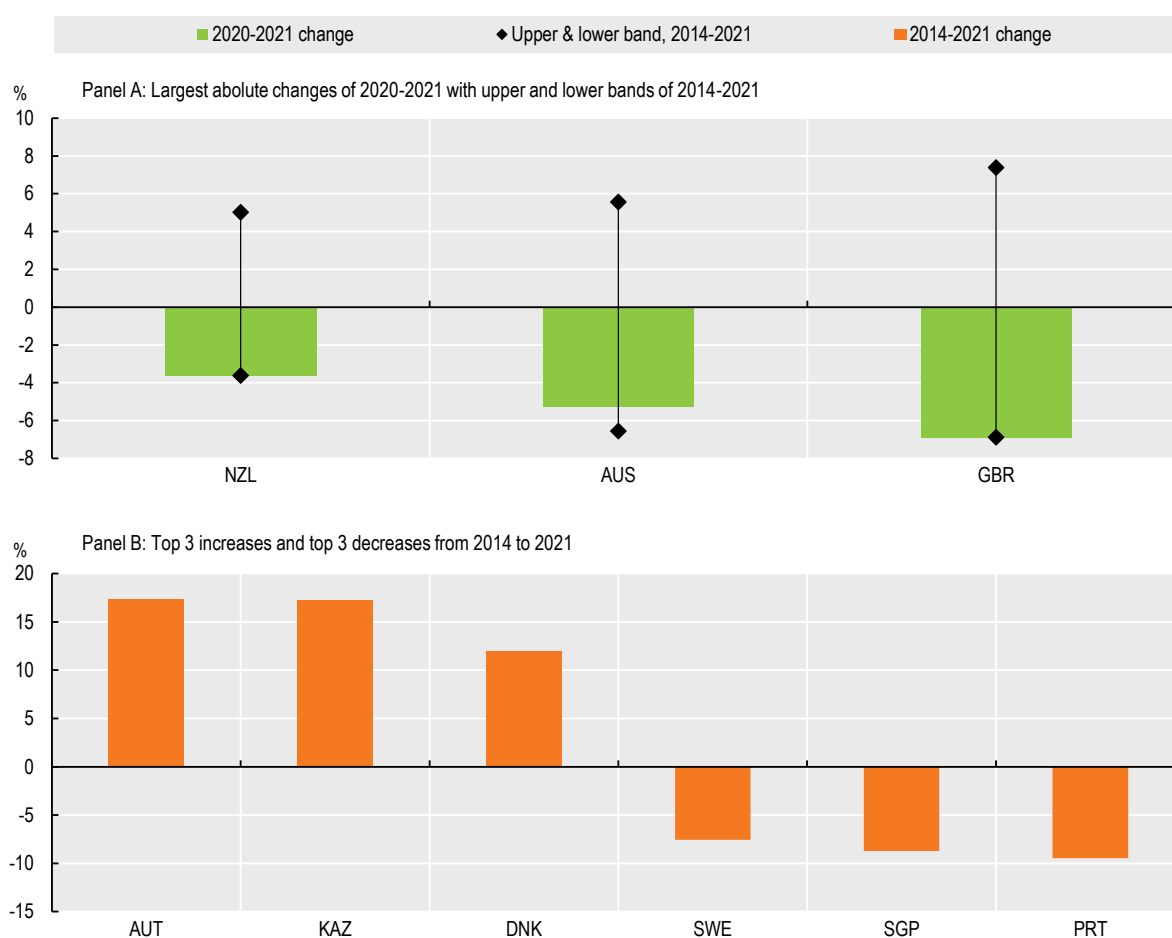
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD STRI database (2021).

The 2021 STRIs in the legal services sector range between 0.14 and 1, with a sample average of 0.39 (Figure 1). There are 30 countries below and 20 countries above the average. The best performing countries in the sector are Costa Rica, Australia and Colombia.

The requirements for obtaining a license to practice and the activities reserved for licensed professionals largely define market access for foreign suppliers. In cases where only nationals can obtain a license, and a license is required to practice and to hold shares in law firms, market access for foreign suppliers is very limited. When these apply to both domestic and international law, and are coupled with non-availability of temporary licensing as an additional channel for entry into the market, the sector is completely closed (apart from any preferential trade).

Figure 2. Change since 2014 and change in the last year, by country

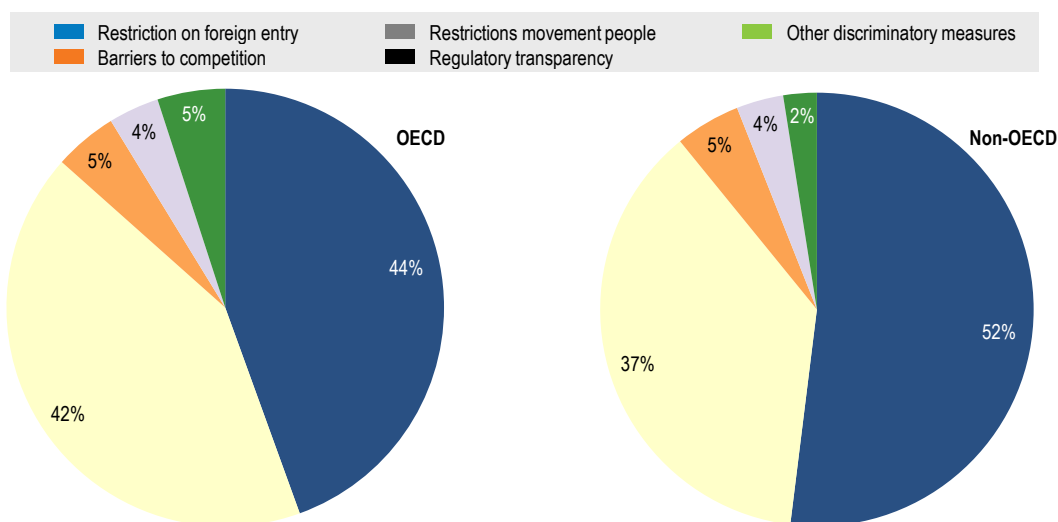


Note: Selection criteria for Panel A was based on largest absolute changes since 2020. Panel B selection is the three largest increases, and the three largest decreases in the STRI since 2014.

Source: OECD STRI database (2021).

Several countries introduced regulatory changes affecting the STRIs in 2021 and more so since 2014 (Figure 2). In 2021, the STRIs in this sector saw the most changes in New Zealand (-4%), Australia (-5%), and the United Kingdom (-7%). Since 2014, on the one hand, we have observed countries that became more restrictive over the years such as Austria (17%), Kazakhstan (17%) and Denmark (12%). On the other hand, progressive liberalisations over the years were identified in countries such as Sweden (-8%), Singapore (-9%), and Portugal (-9%).

Figure 3. STRI policy areas for legal services by OECD and non-OECD economies, 2021



Source: OECD STRI database (2021).

The measures in the STRI database are organised under five policy areas (Figure 3). Restrictions on foreign entry include barriers related to establishing and operating companies such as foreign equity limits or requirements on board of directors and cross-border data flows. Restrictions on the movement of people cover barriers that affect the temporary entry of foreign services providers through quotas, labour market tests and short durations of stay. Other discriminatory measures include discrimination of foreign services suppliers as far as taxes, subsidies and public procurement are concerned. Barriers to competition include information on anti-trust policy, government ownership of major firms and the extent to which government-owned enterprises are exempt from competition laws. Regulatory transparency includes information on consultations and dissemination prior to laws and regulations entering into force. It also records information on obtaining a license or a visa. In this sector, barriers related to restrictions on foreign entry are most prominent and amount to 44% in OECD economies and 52% in non-OECD economies.

Table 1 lists the most common restrictions identified in each policy area. Though foreign equity limits are rarely used in legal services, most countries restrict the ownership of law firms to locally qualified lawyers, particularly in the area of domestic law. Ownership restrictions are often coupled with requirements that the majority of the board (or equity partners in the case of partnerships), the manager of law firms be locally qualified, and an affiliate of the foreign law firm be established in the country. Commercial association between lawyers and other professionals (such as accountants) is prohibited in 22 countries. Under restrictions to the movement of people, the practice of legal services, particularly for domestic law, across borders is significantly affected by licensing and recognition of foreign qualifications procedures. These include nationality and residency requirements to practice domestic law, as well as requirements to pass local examination. Recognising qualifications gained abroad remains cumbersome in 27 countries. The practice of international law or third country law is subject to fewer conditions and generally easier to engage in across most countries. Under other discriminatory measures, barriers related to accessing public procurement markets for foreign tenderers remain the most common challenge. Under barriers to competition, minimum capital requirements are common as well as restrictions on advertising, which is often subject to specific regulation in this sector. Government recommendations for lawyers' fee exist in 16 countries while in 11 countries these are regulated. Under barriers related to regulatory transparency, procedural hurdles related to business visas are the most common challenges in this sector. In addition, the public consultation process for new legislative instruments falls short of best practice in 14 countries and the time prior to the entry into force of new laws is considered short in ten countries.

Table 1. Top 5 most relevant measures by policy area, 2021

Policy area	Measure	Countries having a restriction ¹
Restrictions on foreign entry	Manager must be a licensed professional	36
	Board of directors: majority must be licensed professionals (domestic law)	34
	Equity restrictions applying to not licensed individuals or firms (domestic law)	32
	Commercial presence is required in order to provide cross-border services	26
	Commercial association is prohibited between lawyers and other professionals	22
Restrictions to movement of people	Memo: Licence or authorisation is required to practice (domestic law)	46
	Foreign professionals are required to take a local examination	41
	Prior or permanent residency is required for licence to practice (domestic law)	29
	Laws or regulations establish a process for recognising qualifications gained abroad (domestic law)	27
	Nationality or citizenship required for licence to practice (domestic law)	23
Other discriminatory measures	Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	44
	Public procurement: The procurement process affects the conditions of competition in favour of local firms	34
	Public procurement: Explicit preferences for local suppliers	33
	Memo: The procurement process below the value thresholds affects the conditions of competition in favour of local firms	20
	Foreign suppliers are treated less favourably regarding taxes and eligibility to subsidies	7
Barriers to competition	Minimum capital requirements	33
	Restrictions on advertising	29
	Fee-setting: recommended minimum and/or maximum fees	16
	Fee-setting: mandatory minimum and/or maximum fees	11
	Firms have redress when business practices restrict competition in a given market	10
Regulatory transparency	Range of visa processing time	29
	Number of documents needed to obtain a business visa	26
	Cost to obtain a business visa	14
	There is an adequate public comment procedure open to interested persons, including foreign suppliers	14
	There is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force	10

Notes

1. The count for “memo” type of measures, which are not scored in the STRI, indicate the number of positive answers recorded for that measure across the 50 countries covered.

Top most relevant measures are selected on the basis of the following criteria: (1) most restricted horizontal measures (i.e. same answer across sectors), (2) most restricted sector-specific measures, (3) key measures or (4) memos affecting the score of other measures through hierarchy rules.

Source: OECD STRI database (2021).

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>.
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#).
- » Benz, S. and A. Jaax (2020), "The costs of regulatory barriers to trade in services: New estimates of *ad valorem* tariff equivalents", *OECD Trade Policy Papers*, No. 238, OECD Publishing, Paris, <https://doi.org/10.1787/bae97f98-en>.
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org.