



**Asia-Pacific  
Economic Cooperation**

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**2016/SOM2/CTI/WKSP/003**

Session: 1

## **The OECD Services Trade Restrictiveness Index**

Submitted by: OECD



**APEC PERU**  
2016

**Capacity Building Workshop on Measuring the  
Regulatory Environment in Services Trade of APEC  
Arequipa, Peru  
12 May 2016**




# THE OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Capacity Building Workshop on Measuring the Regulatory Environment in Services Trade of APEC

Arequipa, Peru, 12 May 2016

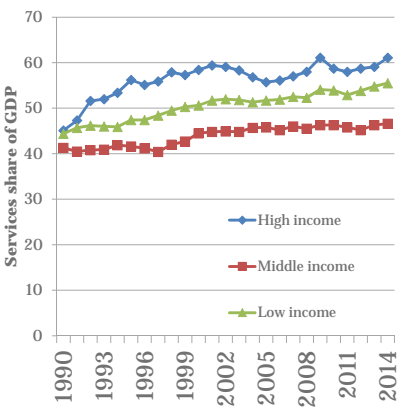
John Drummond  
OECD Trade and Agriculture Directorate

## Why an STRI?

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### Services are important



Year	High income	Middle income	Low income
1990	45	40	40
1993	50	41	42
1996	55	42	45
1999	58	43	48
2002	60	44	50
2005	55	44	52
2008	60	45	53
2011	58	45	54
2014	60	45	55

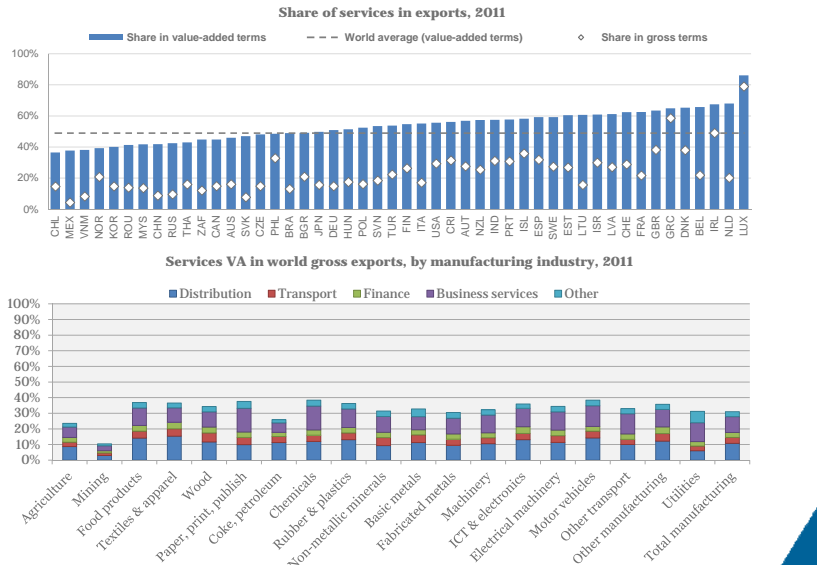
### Services are tradable

- The internet
- Lower cost of travel
- But what drives trade in services?
- And what hinders trade in services?

2



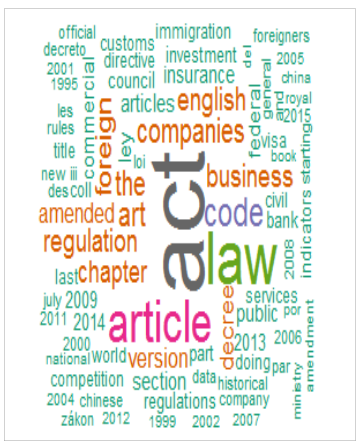
# Services value added

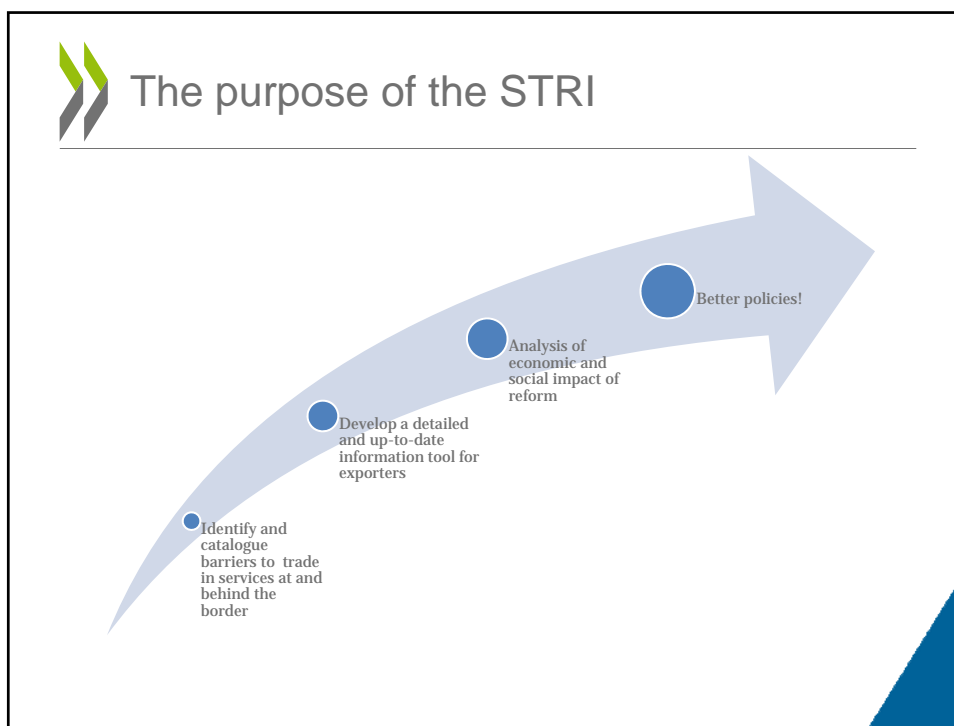


Make everything as simple as possible, but not simpler  
 (Albert Einstein)

You can't manage what you can't measure

You can't improve what you can't measure  
 (Peter Drucker)





THE OECD SERVICES  
TRADE RESTRICTIVENESS  
INDEX

6



## STRI is a regulatory database

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- Standardised set of measures, with links to sources - more than 16000 laws and regulations
- 42 economies of which 11 APEC members
- 22 sectors
- 76092 observations per year

7



## STRI is a composite index

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- Puts numbers to the information in the regulatory database using a scoring and weighting system
  - Codified algorithm
  - Replicable
  - Independent of sample
- Takes values between 0 (open) and 1 (closed)
- A snapshot of trade restrictiveness for the economies and sectors included at a particular point in time
- A data visualisation tool as well as measure of relative restrictiveness
- Fully updated by end 2016 will give a time series of three years (2014, 2015, 2016)

8



## Which measures?

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- Provisions in the GATS
- Related to future negotiations on rules in the GATS
- Provisions in regional trade agreements
- Identified by stakeholders (business, regulators, academics)

9



## Filling in the database

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1. The Secretariat fills in the database based on desk studies of laws and regulations
2. Economies receive the filled in database for comments and verification
3. Peer review checking factual correctness, not the wisdom of regulation
4. The database is posted on the STRI website
5. The database is updated every year

10



## How to structure the measures

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- By five policy areas
  - Restrictions on foreign entry
  - Restrictions to movement of people
  - Other discriminatory measures
  - Barriers to competition
  - Regulatory transparency
- By mode of supply
- Barriers to entry/limitations on operation
- Discriminatory/non-discriminatory

11



## Scoring

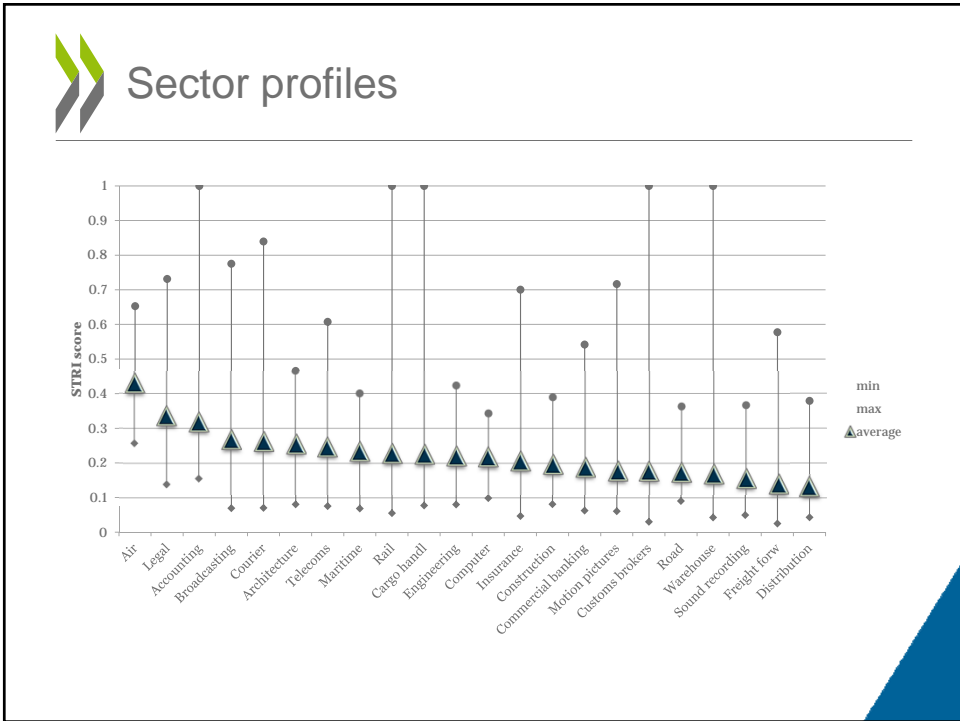
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- Assigning numbers to qualitative information
  - Binary scores (0 and 1)
  - Refinements:
    - Break complex or continuous measures into several thresholds
    - Construct hierarchies of measures/regulatory packages
    - Different market structure and regulatory regimes

12



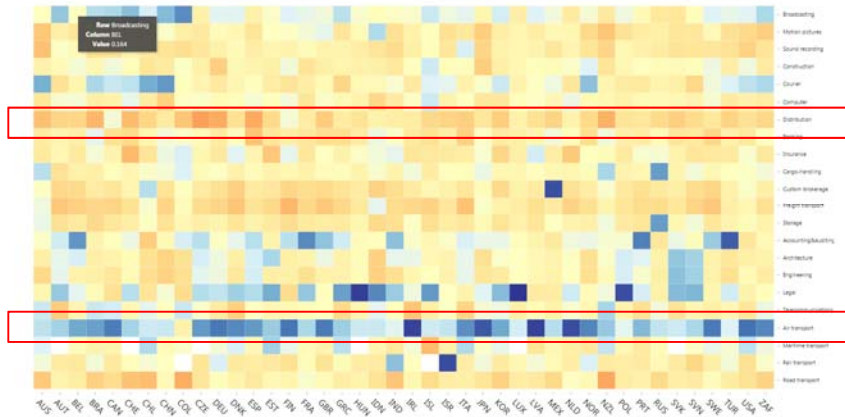
# STRI ANALYSIS AND MAIN FINDINGS



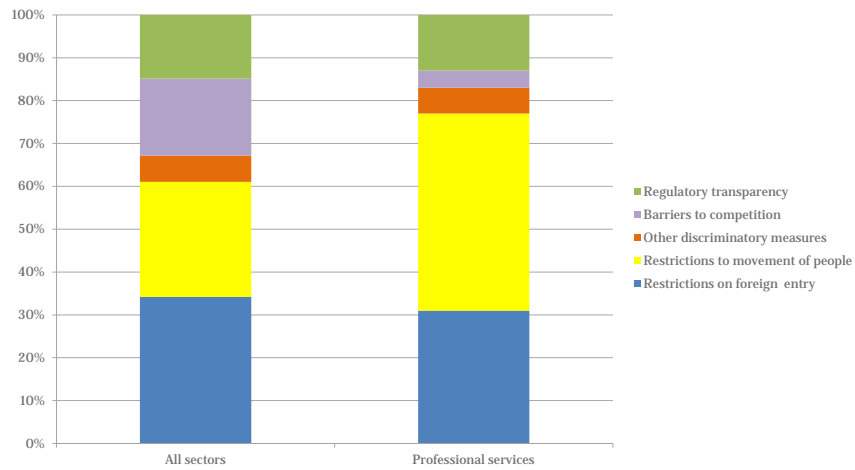




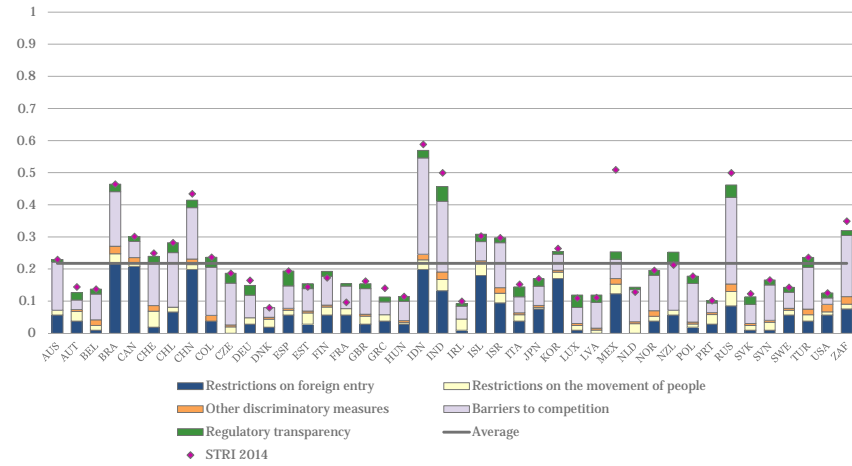
### Sector profiles – the “heatmap”



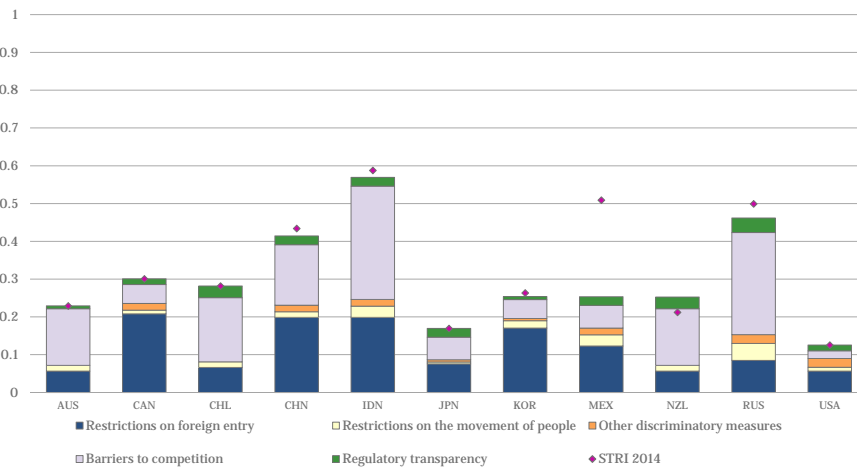
### Contribution to the STRI indices by policy area



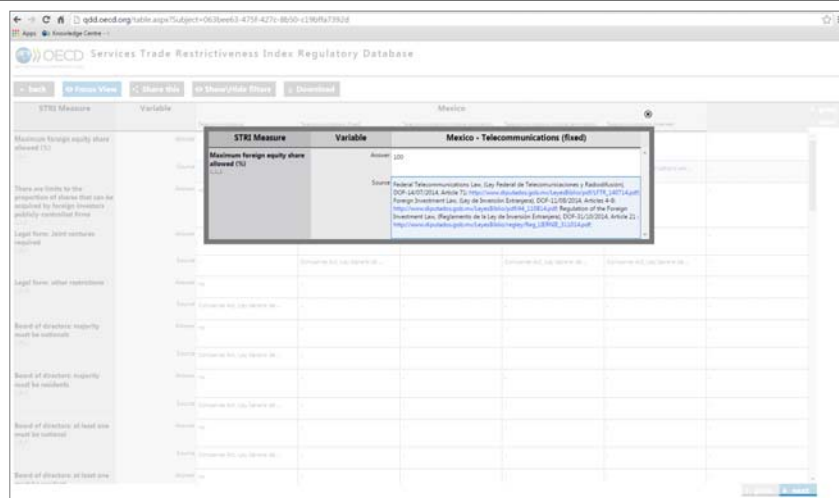
## STRI telecommunications



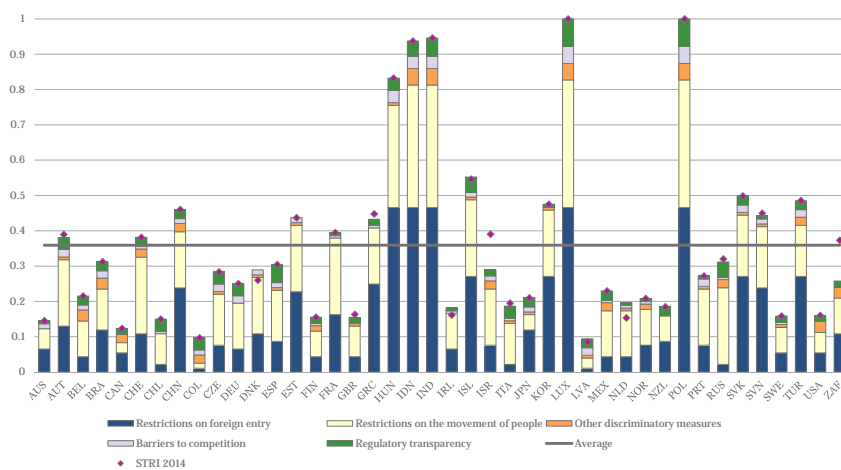
## STRI telecommunications - APEC

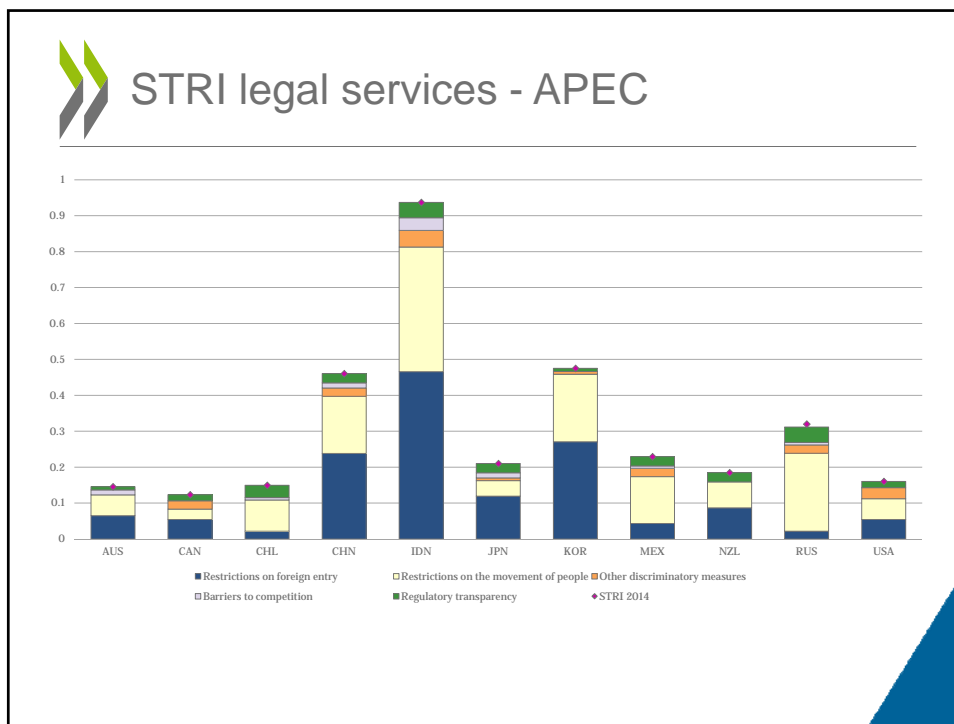


## Telecom regulations in Mexico



## STRI legal services





### Legal services regulations in Korea

OECD Services Trade Restrictiveness Index Regulatory Database

Country: Korea

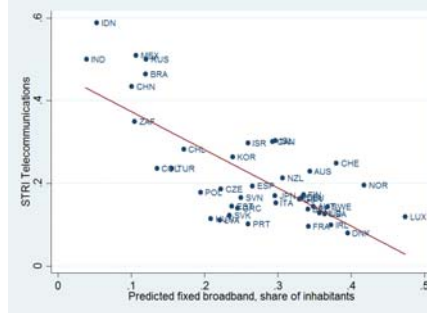
STRI Measure	Variable	Score	Source
Maximum foreign equity share allowed (%)	Maximum foreign equity share allowed (%)	100	Attorney-at-law act (변호사법), last amended in Dec. 30, 2014, Article 45, Article 50-6; <a href="http://www.law.go.kr">http://www.law.go.kr</a> ; Foreign Legal Consultant Act (외국법률사법제도에 관한 법률), last amended in July 30, 2013; <a href="http://www.law.go.kr">http://www.law.go.kr</a>
Equity restrictions applying to not licensed individuals by firm (L2)			
Legal form: Joint venture required			
Legal form: sole proprietorship is prohibited			
Legal form: Corporation is prohibited			
Legal form: Partnership is prohibited			
Commercial activities in prohibited sectors fully integrated practitioners and other professionals			



# STRI and performance, technology

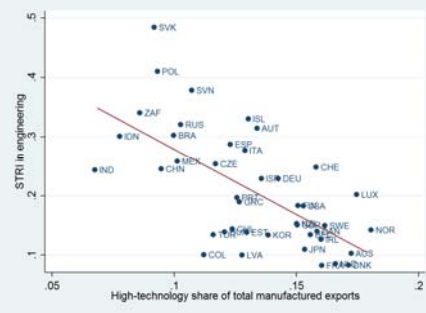
## Telecommunications

Broadband important for everything in the digital economy



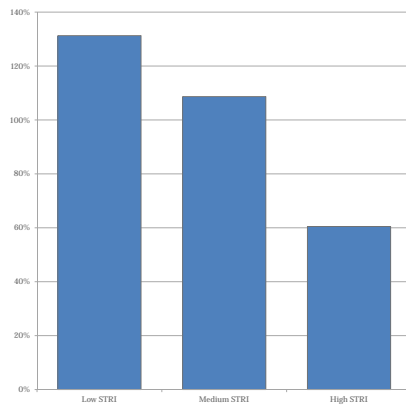
## Engineering

Important input to manufacturing and construction

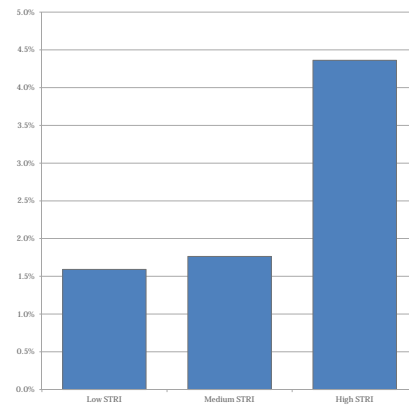


# STRI and performance, finance

## Domestic credit to private sector by banks (% of GDP)

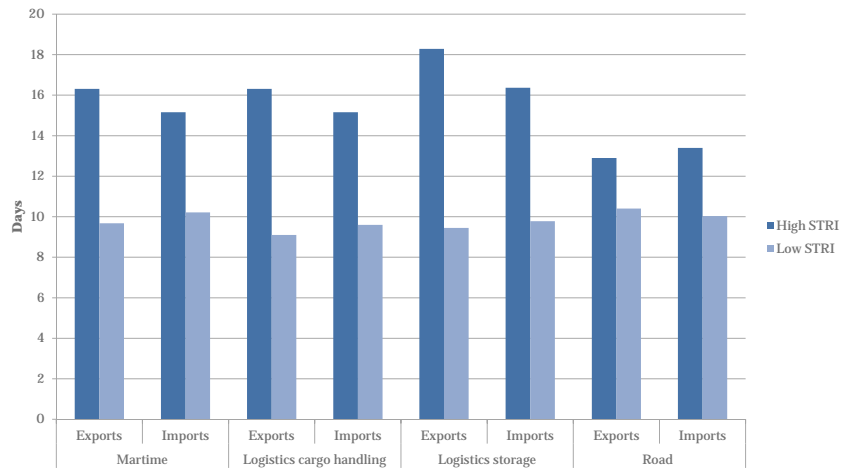


## Net interest margin



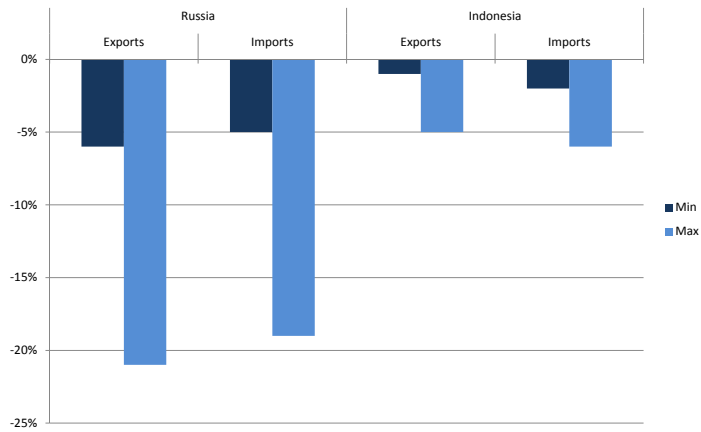


## STRI and performance, time to export or import



## Policy scenario: reduce the STRI for cargo-handling to the sample average

Predicted tariff equivalent change in trade costs from shorter time in transit





## STRI and cross-border services trade

Estimated growth in trade from lowering the STRI 5 basis points



OECD Trade and Agriculture Directorate

27



## STRENGTHS, COSTS AND NEXT STEPS

28



## Strengths of the STRI

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- Rigor in collecting and verifying the data
- Up-to-date information
- Captures 21<sup>st</sup> century trade issues
  - Barriers to competition increasingly incorporated in international trade agreements
  - The update to 2016 contains measures on cross-border data flows
- Works well in empirical analysis
- Flexible for users and interactive

29



## Dissemination and next steps

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- The STRI is available on the OECD web
  - Qualitative database
  - STRI indices and policy simulator
  - Economy and sector notes
  - Sector studies and methodology papers
  - Analytical papers
- Next steps
  - Update to 2016
  - Extension of economy and sector coverage
  - Analytical work – impact analysis
  - Trade cost equivalent estimates



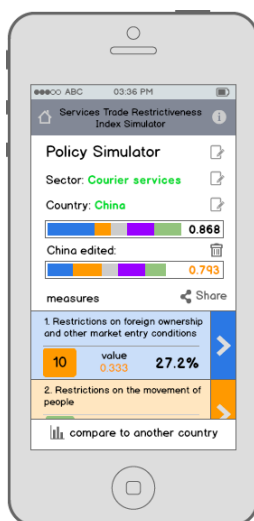


THANK YOU

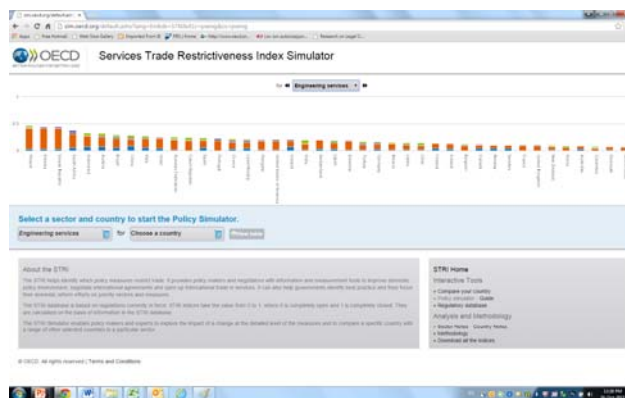
<http://oe.cd/stri>



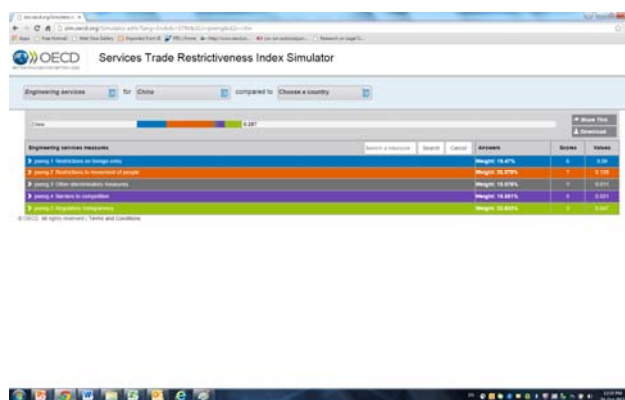
STRI Mobile application (available soon)



## The STRI policy simulator – front page



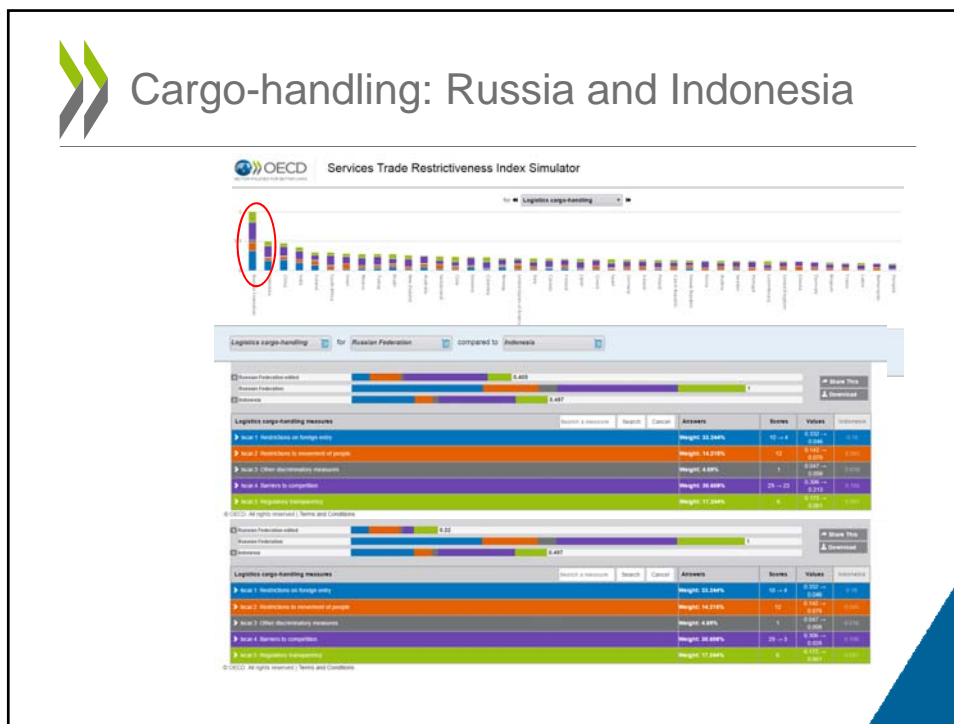
## China and engineering selected







## Cargo-handling: Russia and Indonesia



## Legal services: Luxembourg, China and Russia

