



# **The OECD Services Trade Restrictiveness Index: Progress Report**

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# Part I

## Background and motivation

### The regulatory database

# Objectives of the STRI project

- **Quantify barriers to trade in services**
  - **Comparable data across countries, sectors and over time**
    - **The regulatory database is at least as important as the indices**
  - **Enable ex ante analysis of the impact of reform on trade and other measures of economic performance**
    - **Domestic reform, RTAs or proposed GATS commitments**

# STRI is a composite index

- Uses information on regulation only
- A snapshot of trade restrictiveness for the countries and sectors included at a point in time
- Gives the broad picture rather than the fine details
- Does not necessarily capture the commercial attractiveness of countries
- Changes in the index over time are as useful as capturing restrictiveness levels in the first year

# Participation

- All 34 OECD Members are participating
- Last November a dozen non-Members participated in a special meeting on services and STRI
- The Secretariat continues to encourage participation by non-OECD members
- Involvement of non-Members will extend the database to all major services traders and allow more meaningful policy and impact analysis

# The pilot sectors

- **Computer services**
- **Construction**
- **Professional services (Accounting, architecture, engineering and legal services)**
- **Telecommunications**
- **Transport services (Air, maritime, road and rail )**
- **Postal and courier services**
- **Distribution**
- **Audiovisual services**

# Constructing the regulatory database

- **The Secretariat fills in the database for each sector and country**
  - National laws and regulations
  - OECD and World Bank surveys
- **The Member country comments and verifies**
- **Peer review**

# Five policy areas

- **Restrictions on foreign ownership and other market entry conditions**
- **Restrictions to the movement of people**
- **Other discriminatory measures and international standards**
- **Barriers to competition**
- **Regulatory transparency and administrative requirements**





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View\_as\_form\_Answers

### Query\_All\_answers

| STRIcode | Heading  | Subheading                                 | Measure  | AUS | AUT | BEL | CAN | CHE | CHL | CZE | DEU | DNK | ESP | EST | FIN | FRA | GBR |
|----------|--|--|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| CS.1.1.1 | Restrictions on foreign ownership and other market entry |  | Foreign equity restrictions: maximum foreign equity share allowed (%)  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.1.2 | Restrictions on foreign ownership and other market entry |  | Non-residents are allowed to invest in local computer services firm through minority shares in local investment companies. |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.2.1 | Restrictions on foreign ownership and other market entry | Restrictions on legal form                 | Legal form: only joint ventures are allowed  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.2.2 | Restrictions on foreign ownership and other market entry | Restrictions on legal form                 | Legal form: other restrictions   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.3.1 | Restrictions on foreign ownership and other market entry |  | The number of firms permitted to practice is restricted by quotas  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.1 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Board of directors: majority must be nationals   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.2 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Board of directors: majority must be residents   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.3 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Board of directors: at least one must be national  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.4 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Board of directors: at least one must be resident  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.5 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Manager must be national   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.4.6 | Restrictions on foreign ownership and other market entry | Requirements for board of directors/manage | Manager must be resident   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| CS.1.5.1 | Restrictions on foreign ownership and other              | Screening of investment                    | Screening: foreign investors must show net economic benefits   |     |     |     |     |     |     |     |     |     |     |     |     |     |     |

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## Methodological developments

### The pillars and recent refinements

# Selection of measures

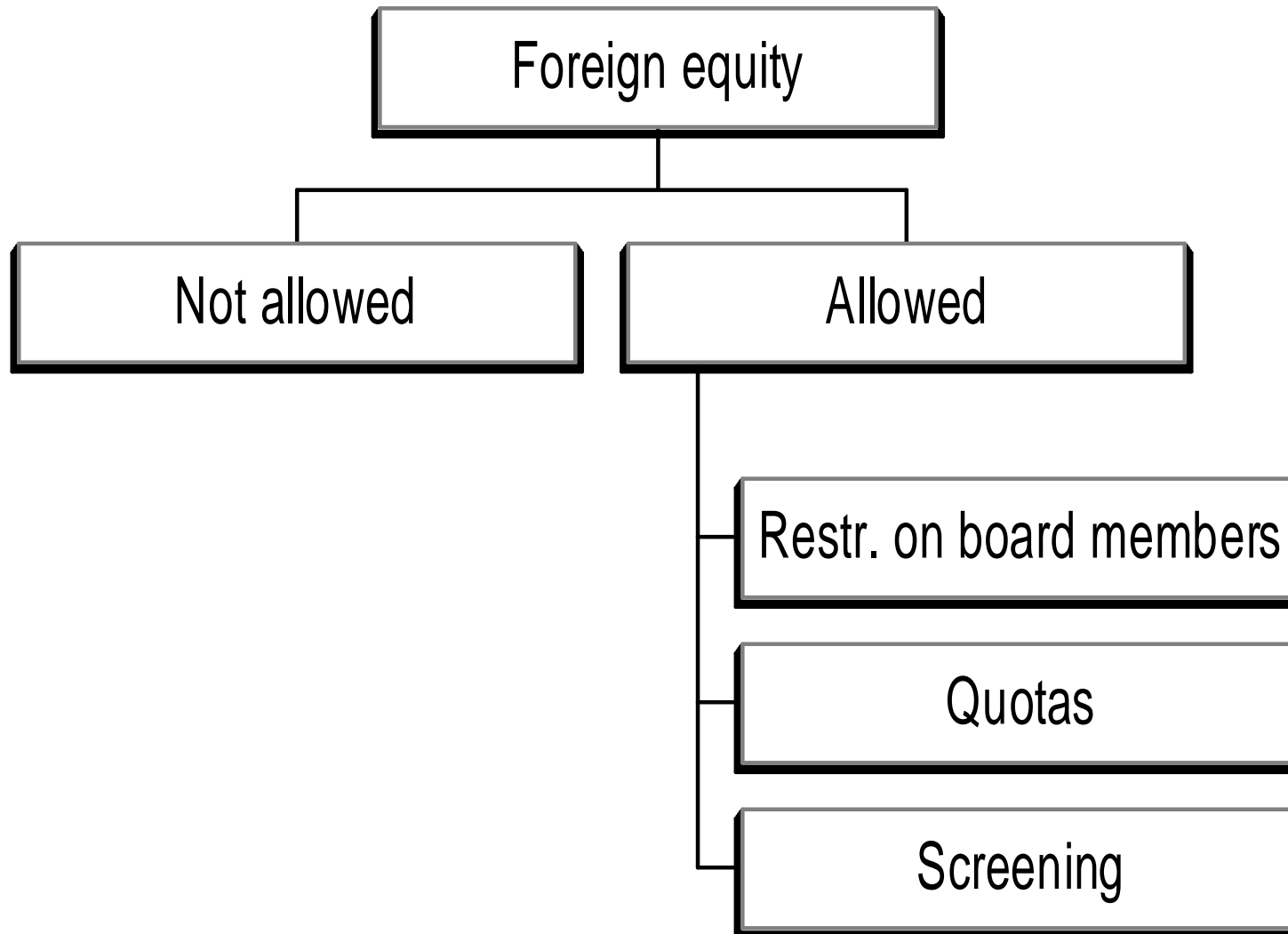
- **Mentioned explicitly in the GATS**
- **Related to negotiations on rules in the GATS**
- **Mentioned explicitly in regional trade agreements**
- **Identified by experts at services expert meetings**



# Refine scoring

- **Further work on identifying linkages between measures**
  - **Statistical relation**
  - **Logical relation**
    - **Regulatory packages**
    - **Hierarchies of measures**

# An example of hierarchy



# Weights

- **Ideal: should capture the marginal contribution to trade costs**
- **Can only be estimated when trade data is available for the same year as for regulation**
- **Meanwhile**
  - **Weights based on expert judgement**
  - **Robustness checks: all other weighting schemes**

# Refine the weighting system

- **Expert judgement**
  - The new database has required a new expert judgment exercise
  - Electronic expert judgment in the pipeline
    - Experts are being asked to allocate 100 points among the five policy areas
    - Weights assigned in proportion to the total points given to each policy area



# Lessons

- **Accurate and timely information on regulation is crucial for the STRI**
  - Establish routines for collecting and vetting the data
- **Subjectivity cannot be eliminated – it must be managed**
  - Transparency and clarity
  - Use statistical methods as much as possible
  - Limit the use of surveys

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