



THE OECD SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

Opportunities and Challenges in Using Evidence Based
Trade Policy for the Achievement of Sustainable
Development Goals

Thimpu, Bhutan, 15-17 June 2016

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(delivered by Mia Mikic, ESCAP)

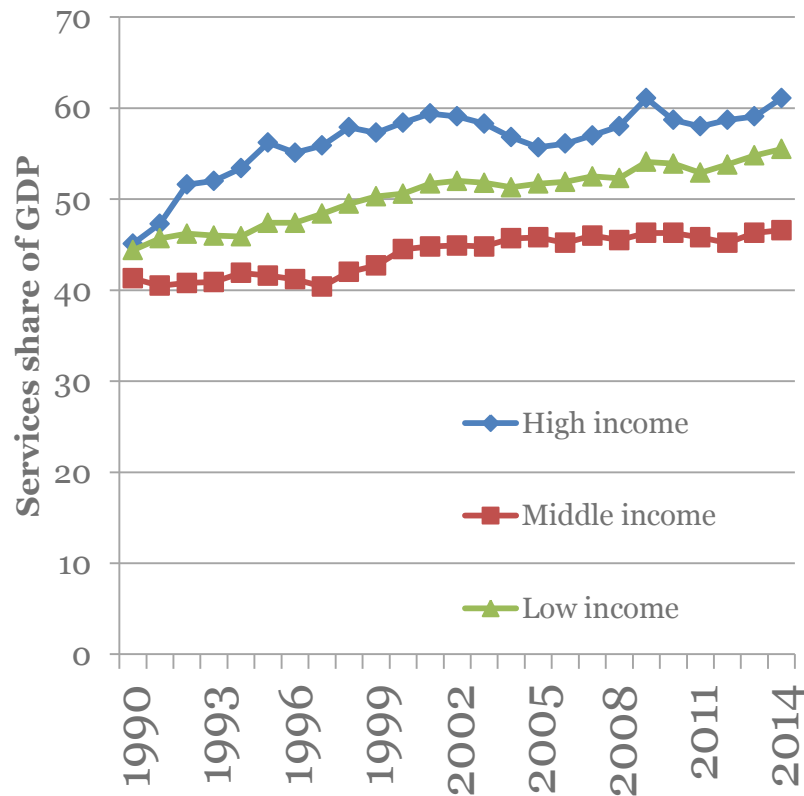


WHY?



Why an STRI?

Services are important



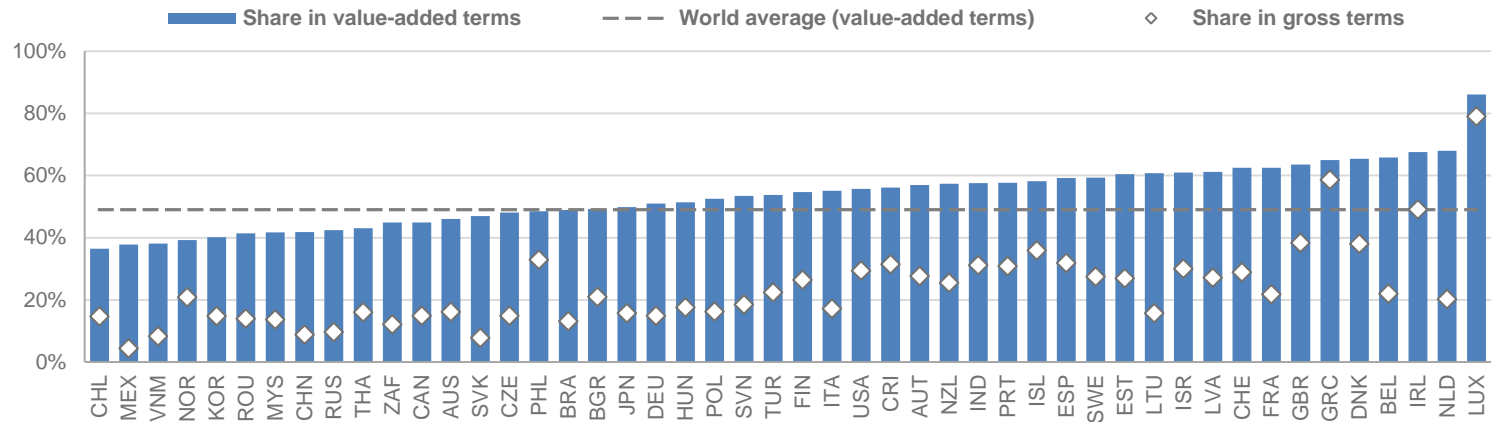
Services are tradable

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

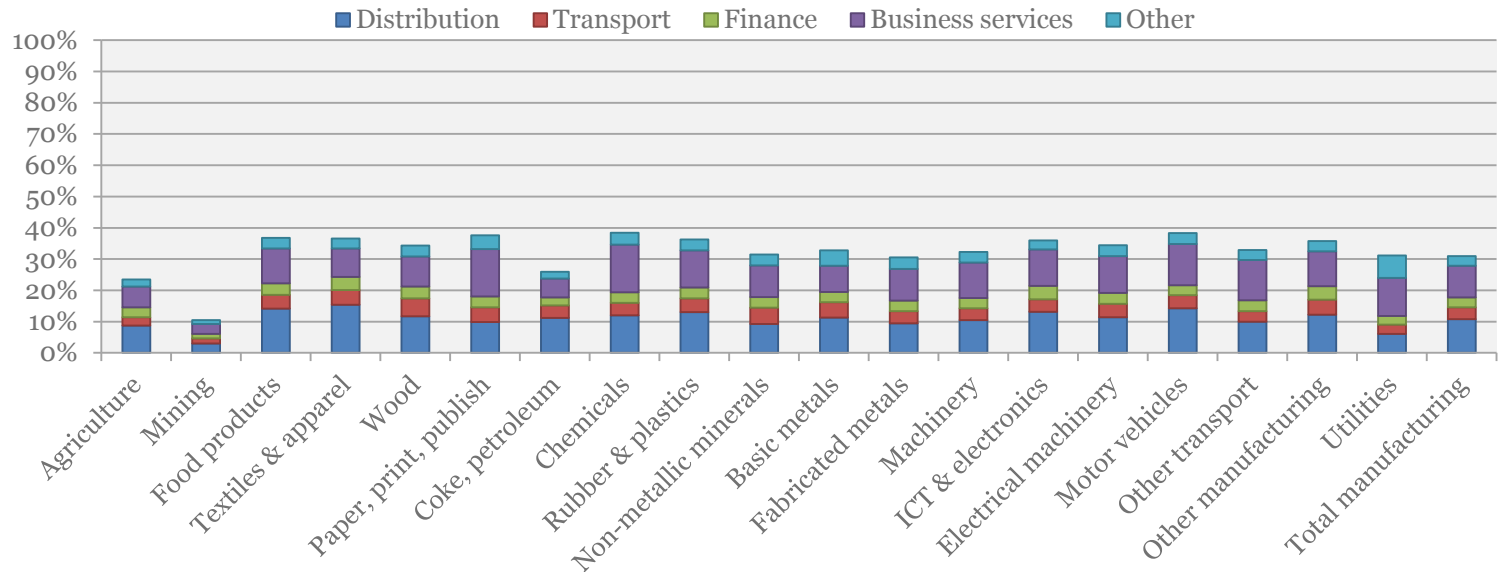


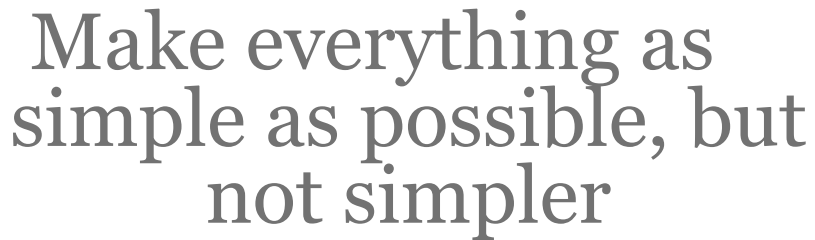
Services value added

Share of services in exports, 2011



Services VA in world gross exports, by manufacturing industry, 2011





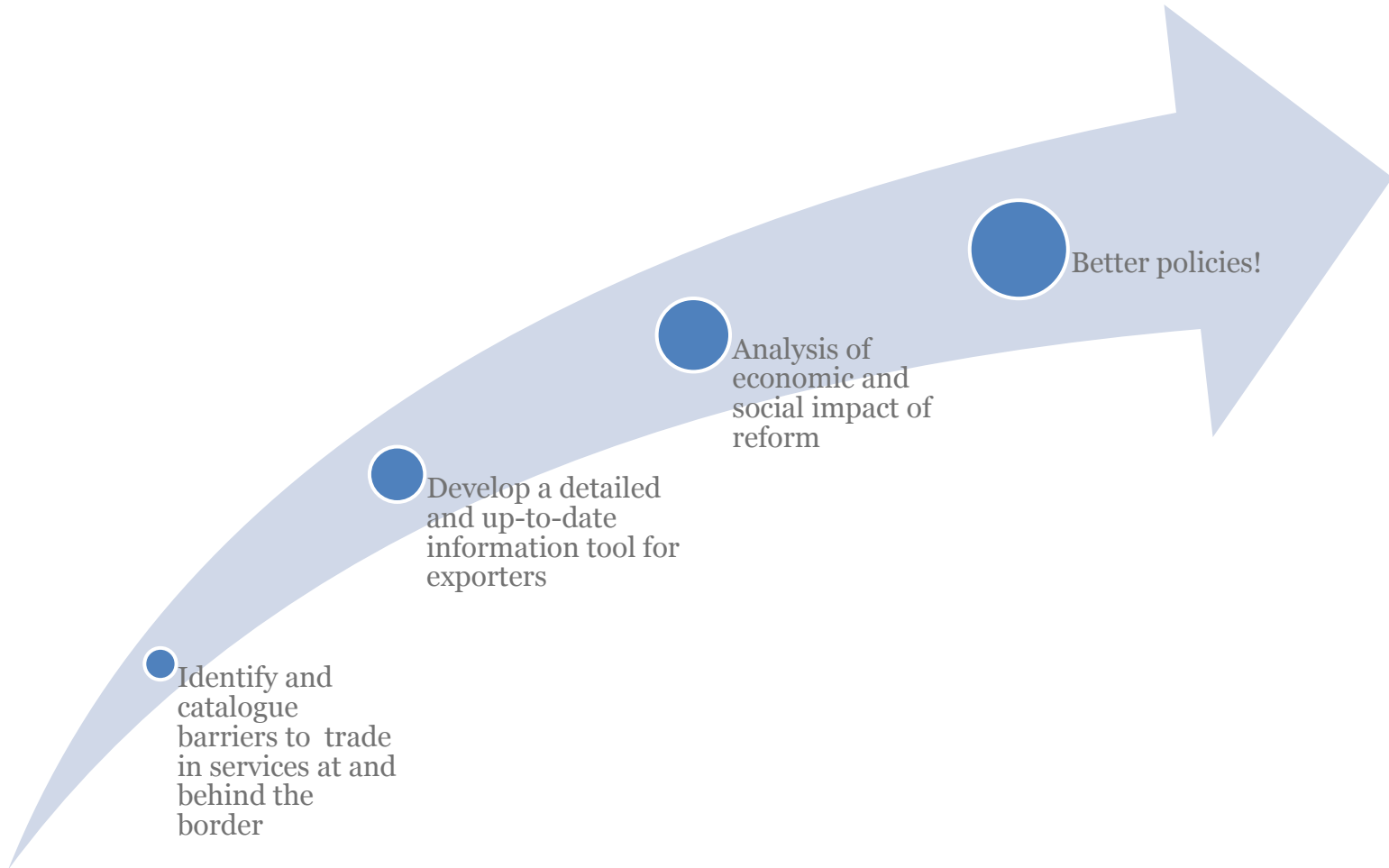
You can't manage what you can't measure

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





The purpose of the STRI





THE STRI



STRI is a regulatory database

- Standardised set of measures, with links to sources
- 42 countries
 - Colombia, Lithuania and Malaysia
- 22 sectors
- 2 years for seven sectors
 - By end of 2016 3 years for 22 sectors



STRI is a composite index

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



The choices made

- Which measures to include
- How to structure the information
 - Policy areas
 - Sub- indicators
- How to transform qualitative information to quantitative scores
- Which weights to apply



Which measures?

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



Filling in the database

1. The Secretariat fills in the database based on desk studies of laws and regulations
2. Countries 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



How to structure the measures

- 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



Scoring

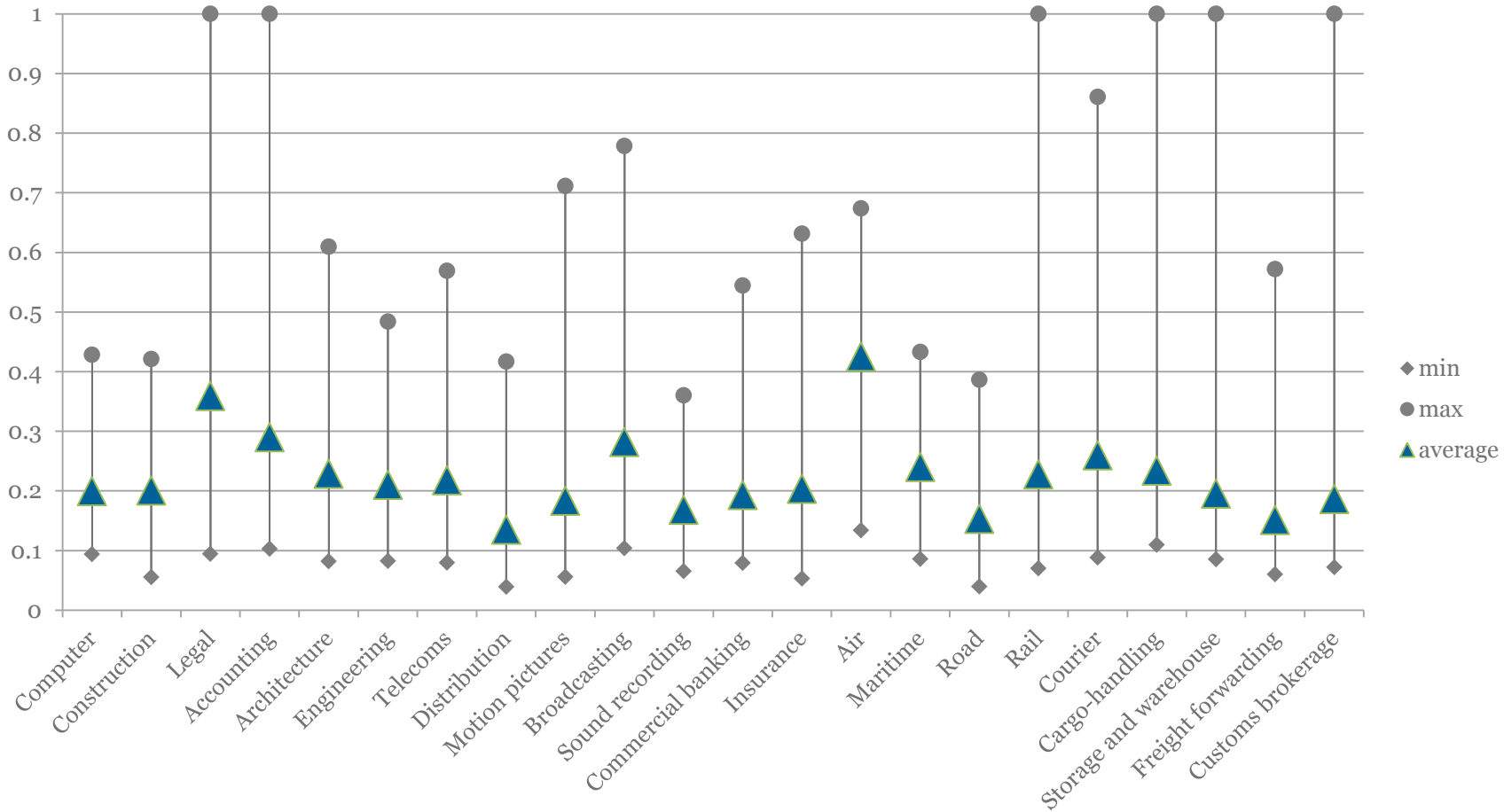
- Assigning numbers to qualitative information
 - Binary scores (0 and 1)
 - Refinements:
 - Break complex or continuous measures into several thresholds
 - Construct hierarchies of measures/regulatory packages
 - Different market structure and regulatory regimes
- Weighting:
 - Expert judgment
 - Online – experts asked to allocate 100 points among the five policy areas



MAIN FINDINGS

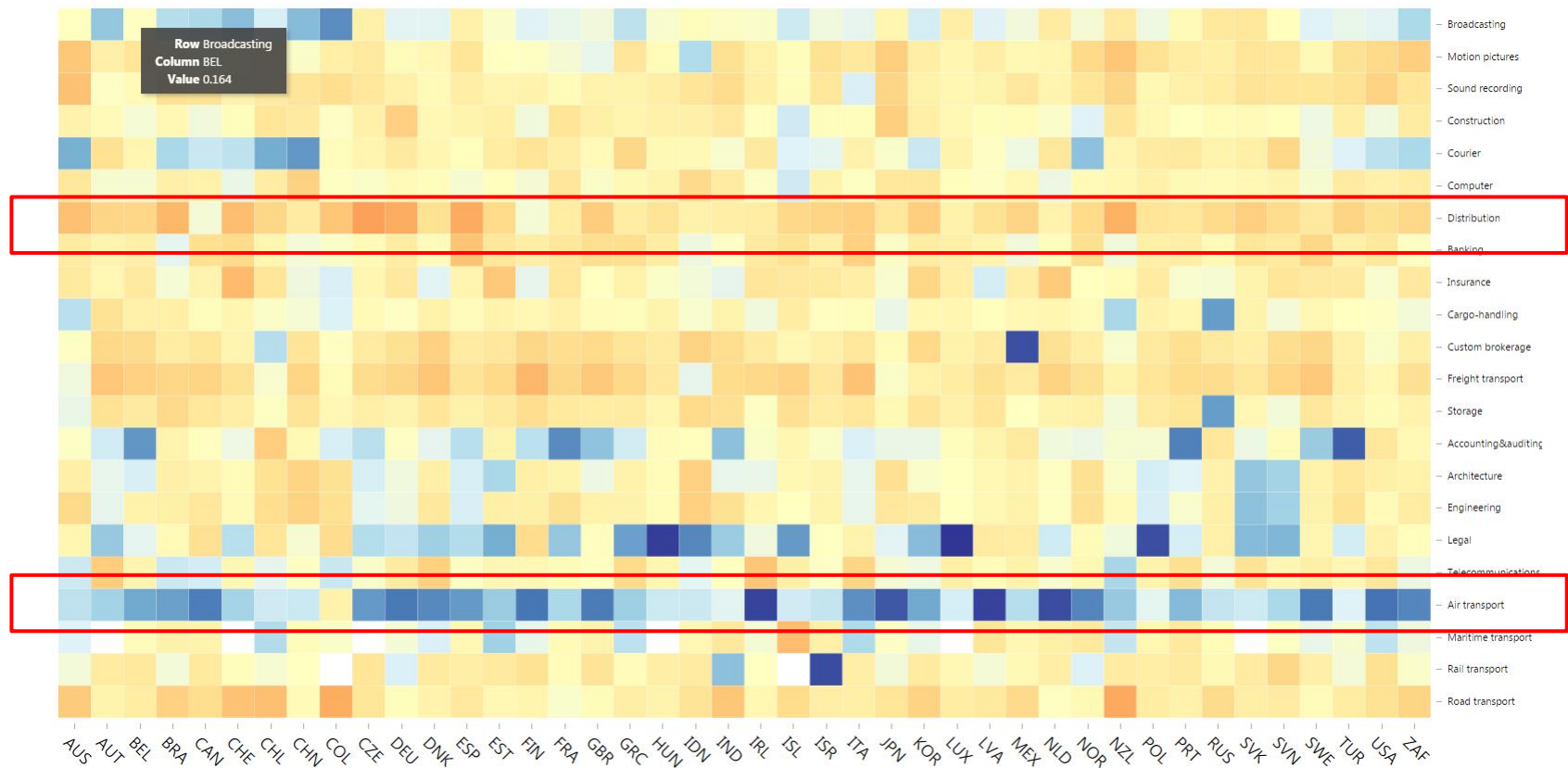


Sector profiles



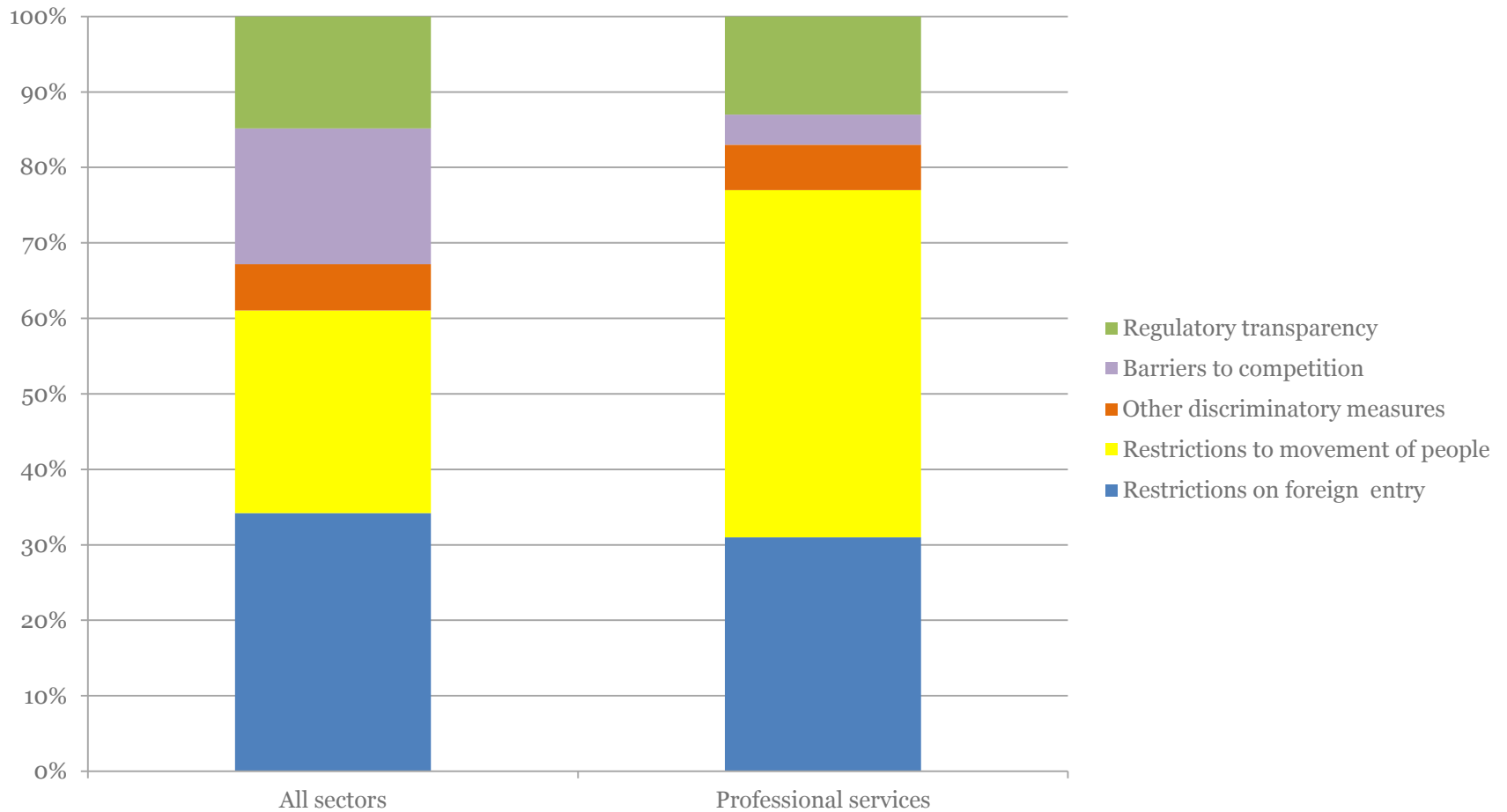


Sector profiles – the “heatmap”



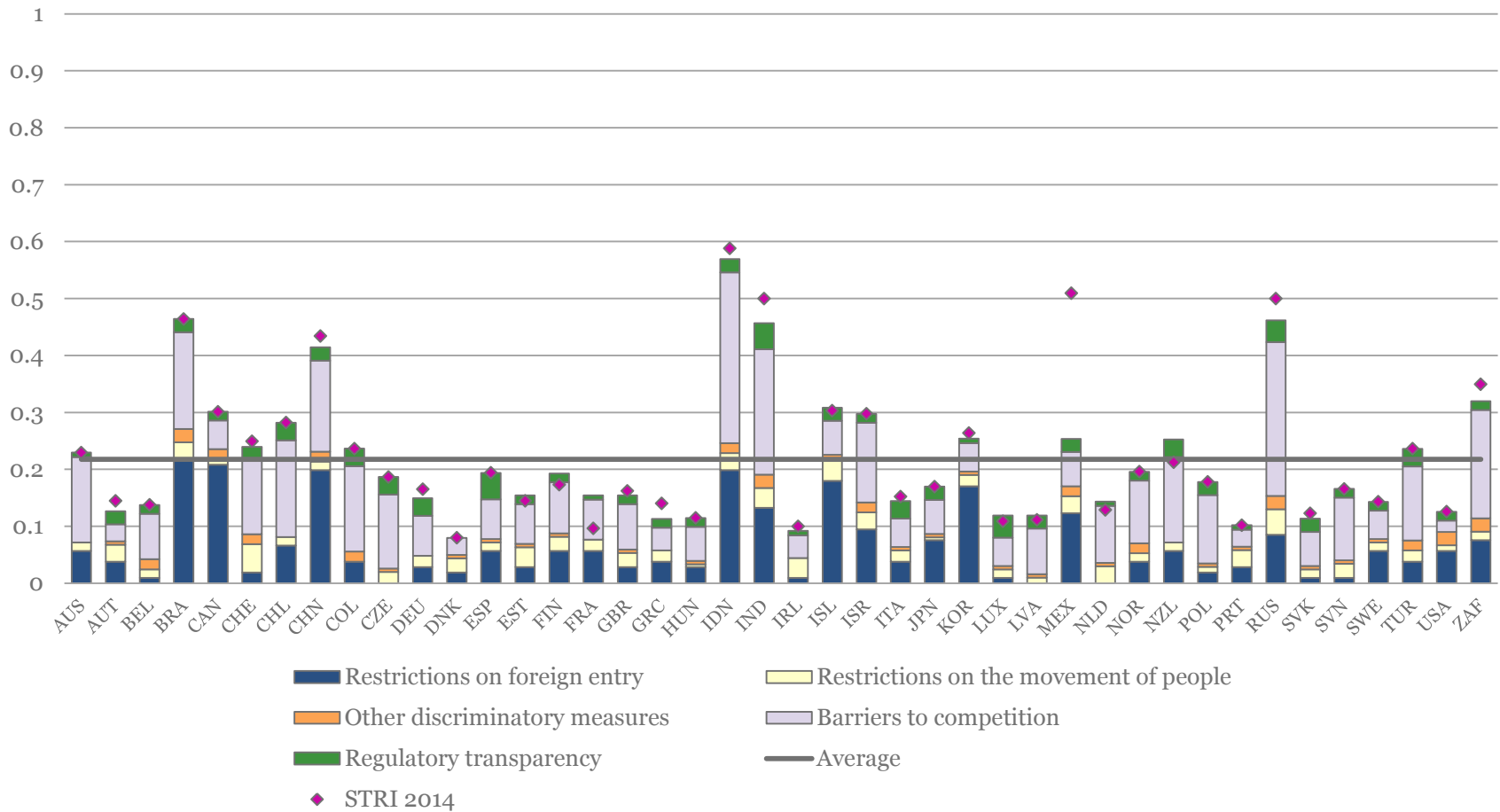


Contribution to the STRI indices by policy area



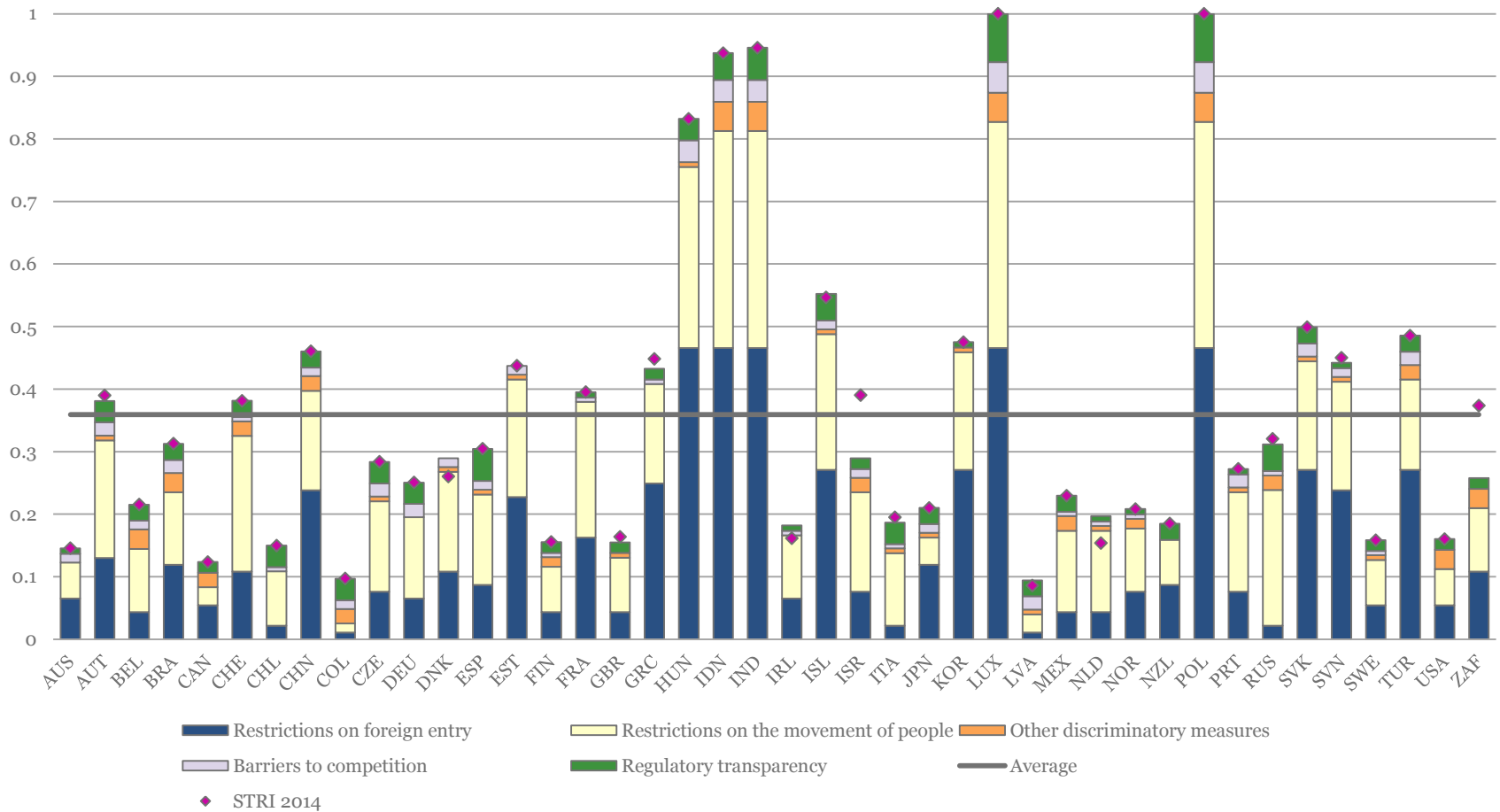


STRI telecommunications





STRI legal services

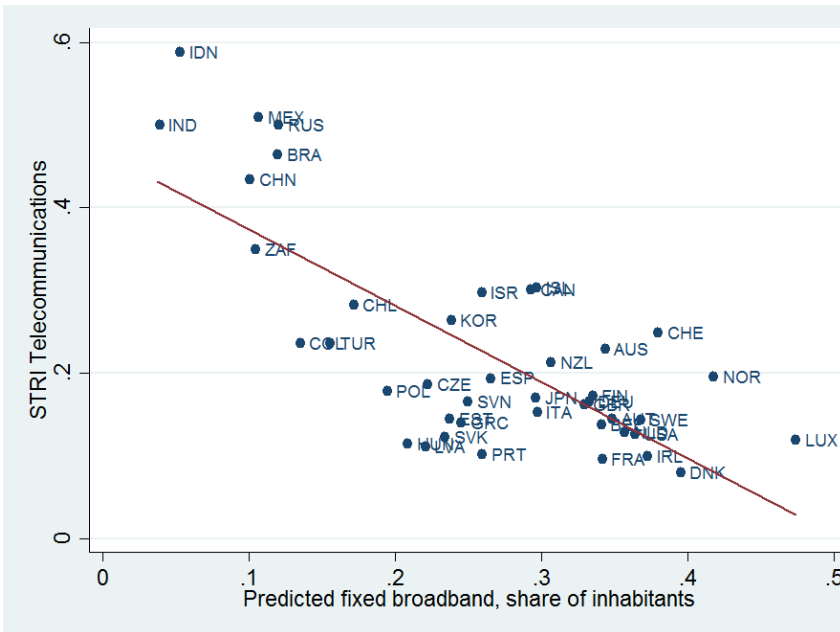




STRI and performance, technology

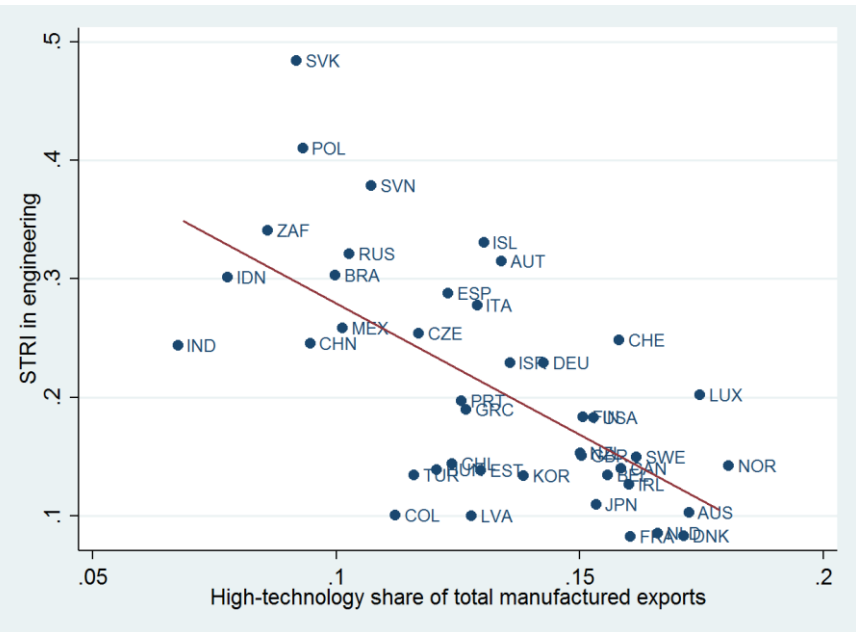
Telecommunications

Broadband important for everything in the digital economy



Engineering

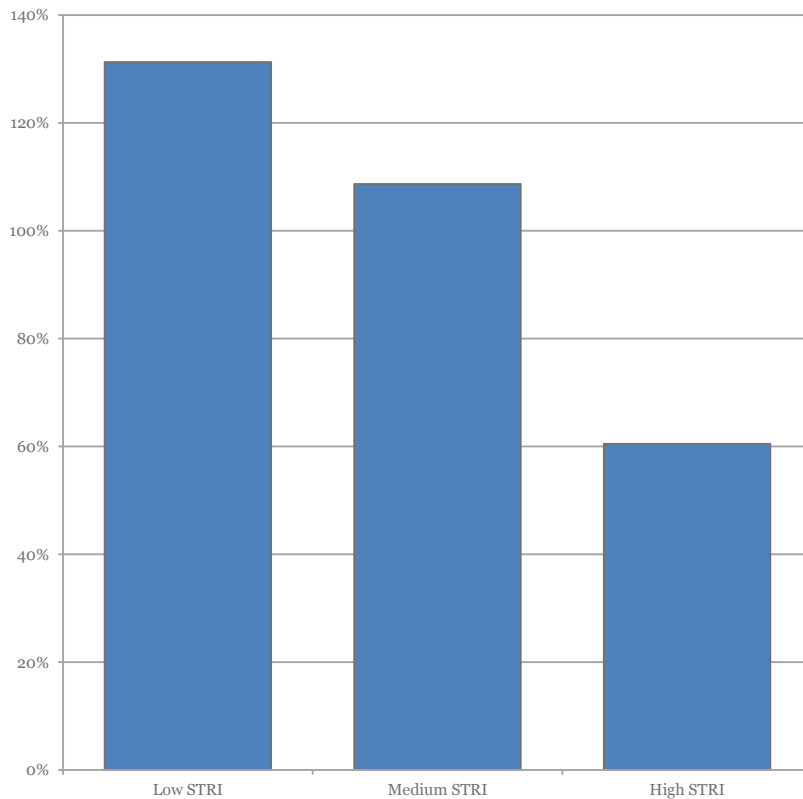
Important input to manufacturing and construction



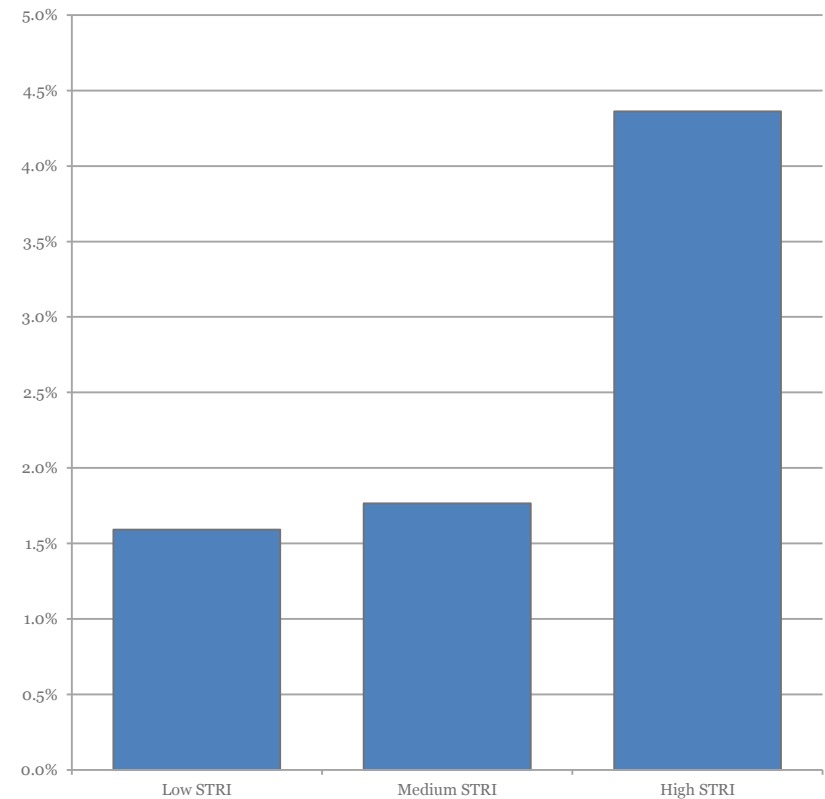


STRI and performance, finance

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

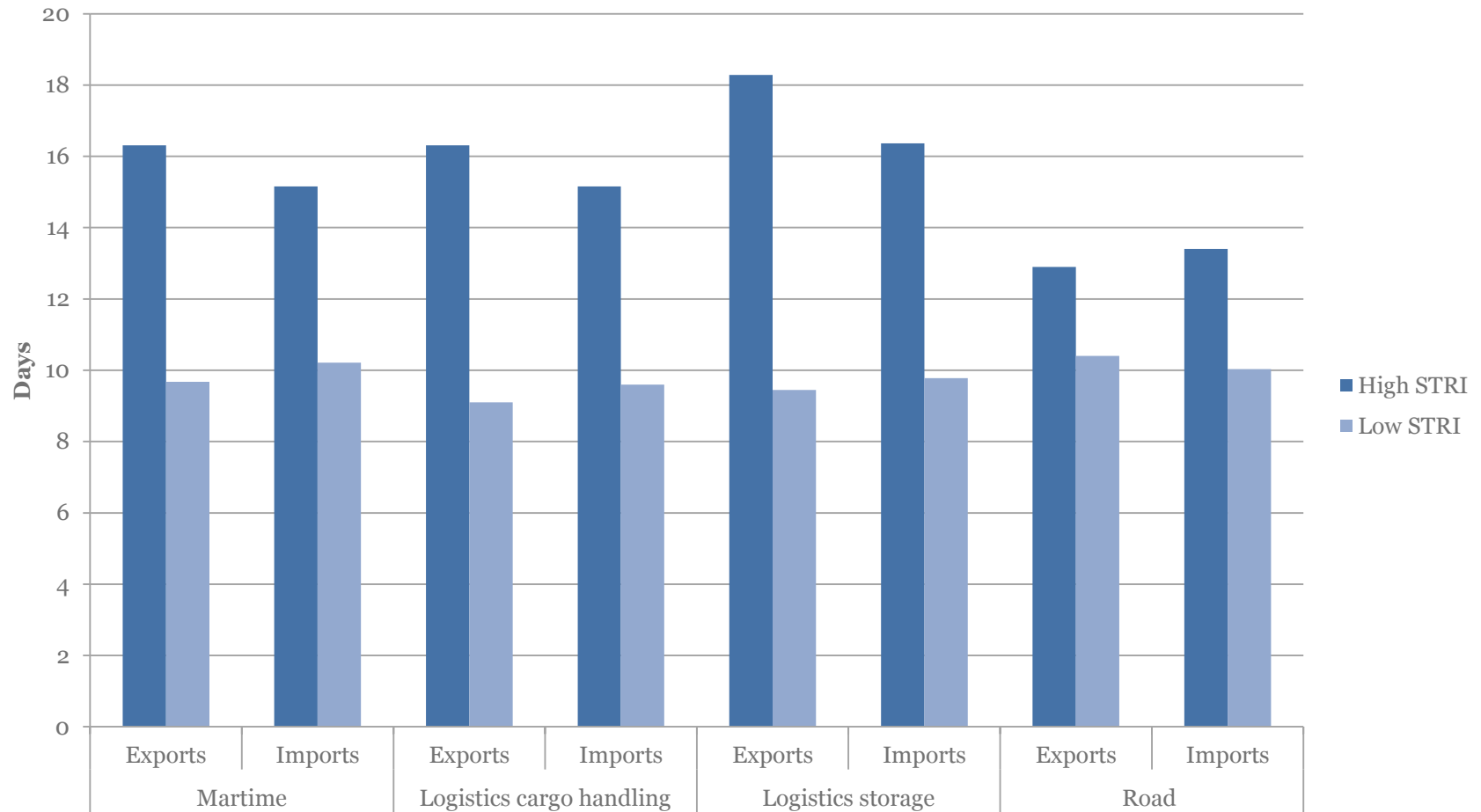


Net interest margin





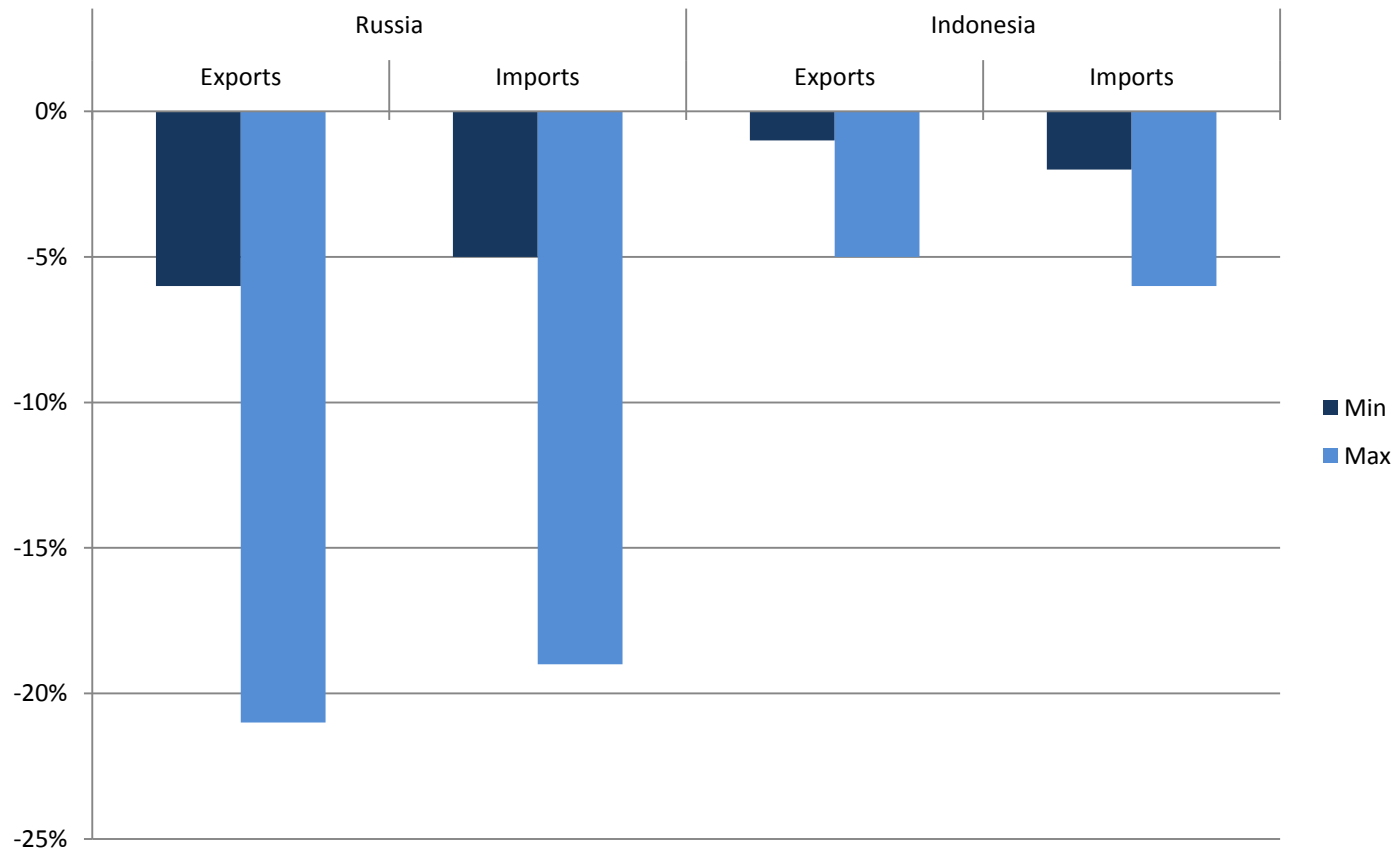
STRI and performance, time to export or import





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

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

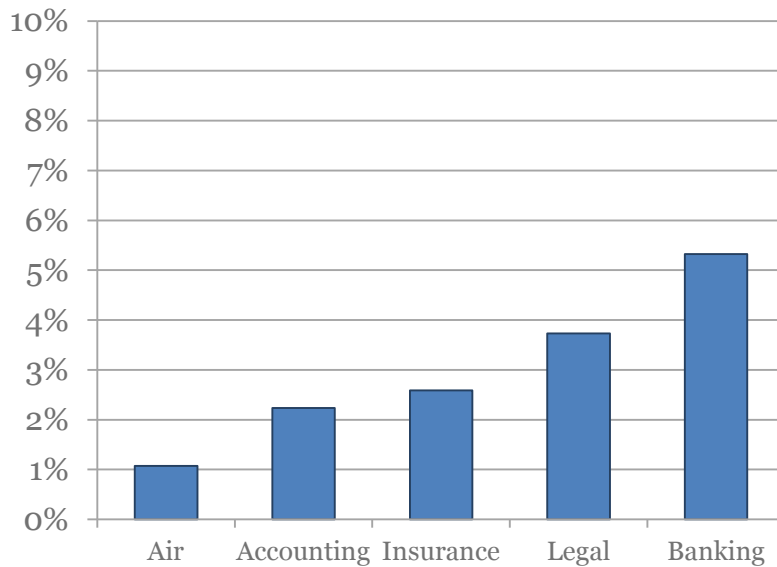




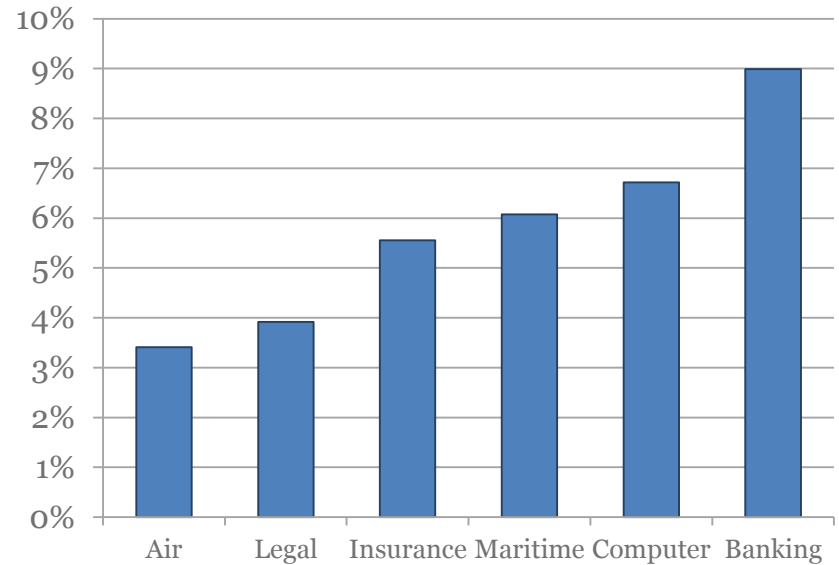
STRI and cross-border services trade

Estimated growth in trade from lowering the STRI 5 basis points

Imports

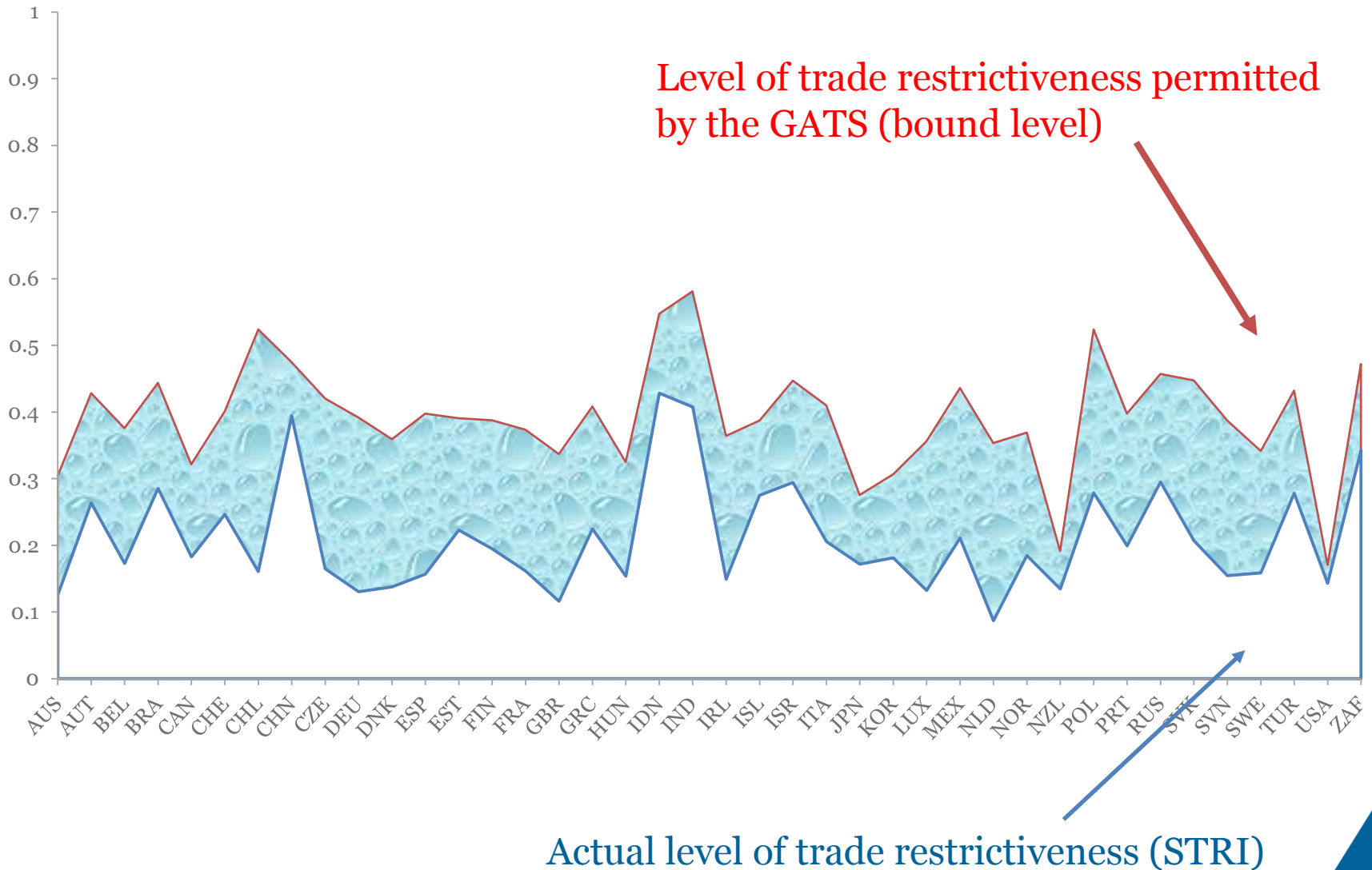


Exports





Water in the GATS (average across sectors)





Dissemination and next steps

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



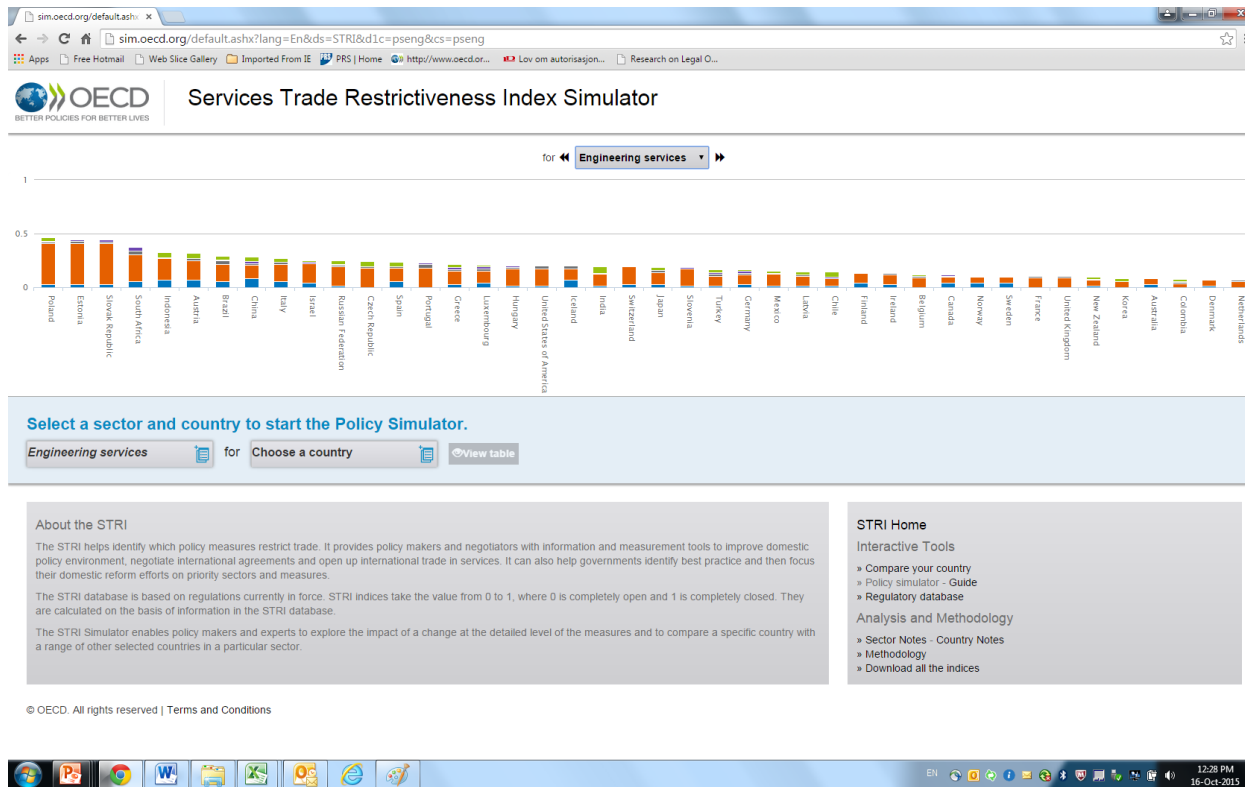
THANK YOU

Visit TAD/STRI website: **<http://oe.cd/stri>**

Follow TAD/STRI on Twitter: **@OECDtrade**

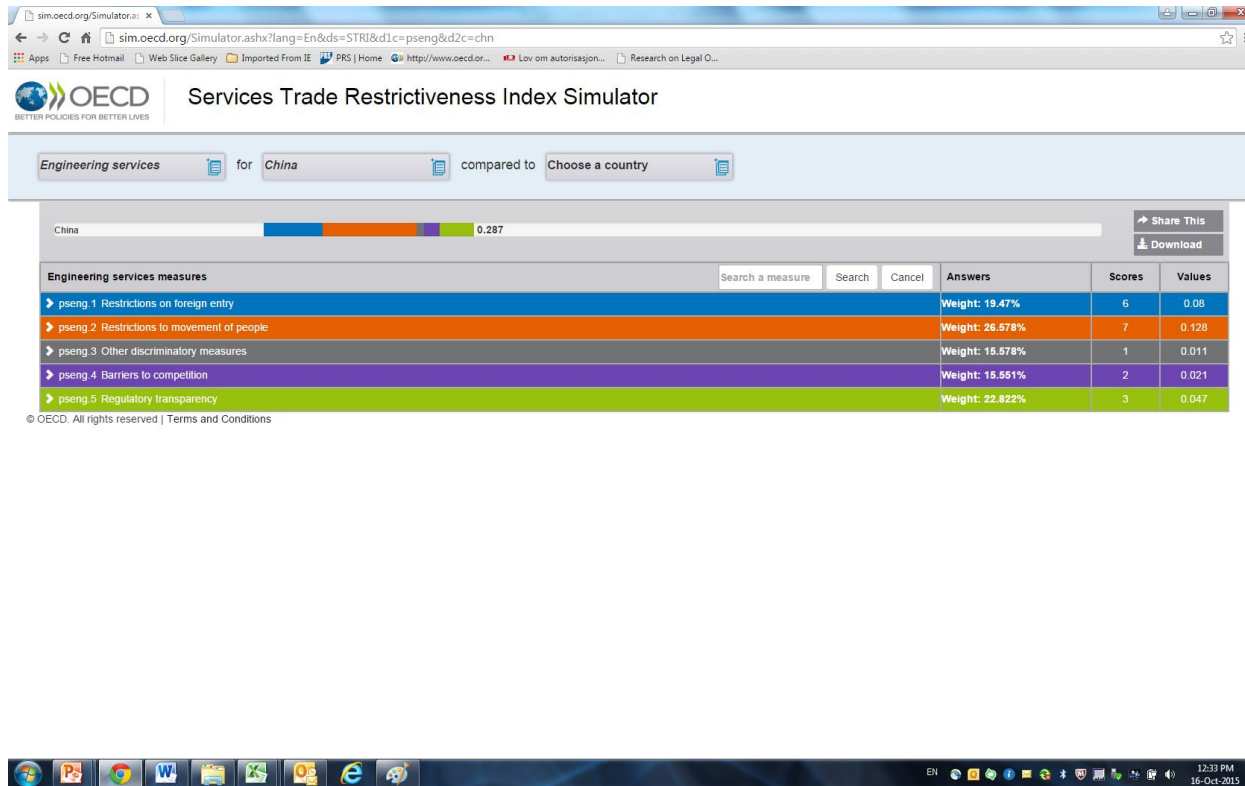


The STRI policy simulator – front page



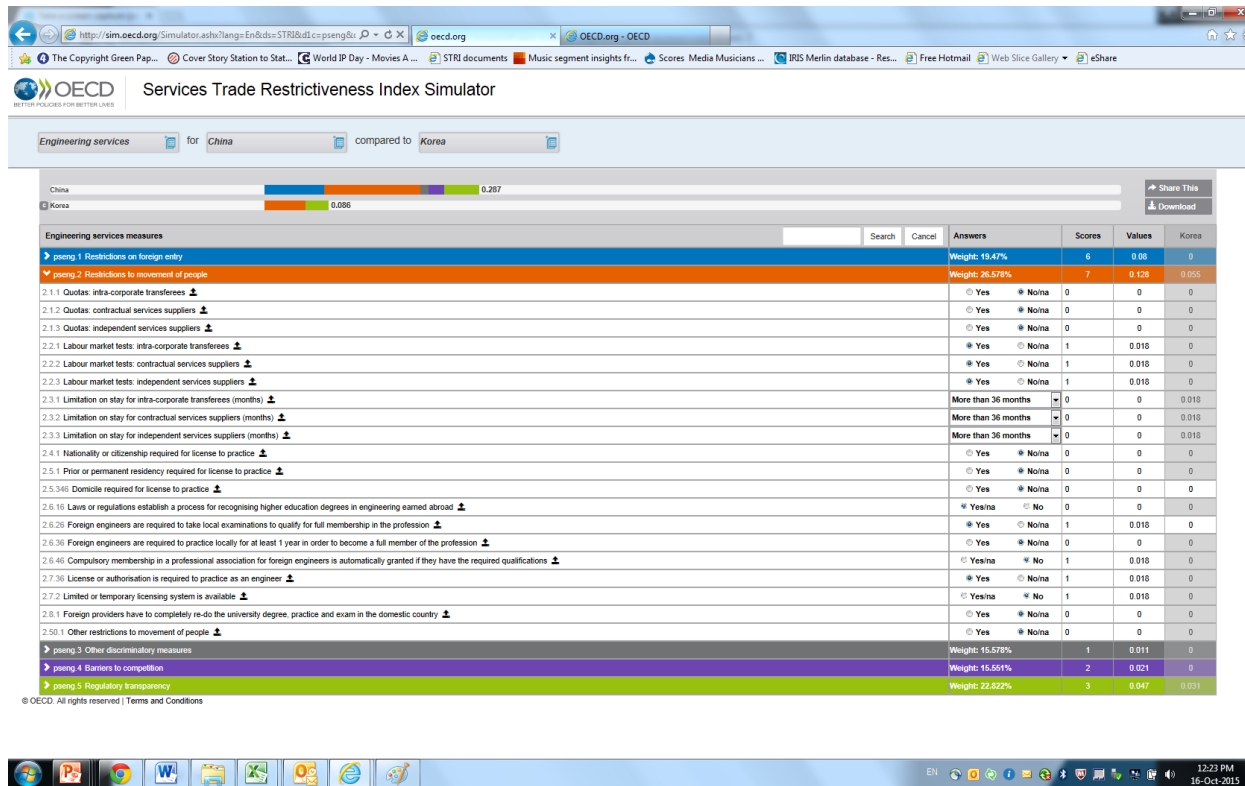


China and engineering selected





Korea selected for comparison, view the details





Click on the small arrows, and you will see the source (the law)

The screenshot shows the OECD Services Trade Restrictiveness Index Simulator interface. The main window displays a comparison between China and Korea for Engineering services. A pop-up window titled 'Measure Fields China - Engineering services' is open, showing the source law for China: 'Rules for the Administration of Employment of Foreigners in China, Article 18'. The source text states: 'Under Article 18, the employer and its foreign employee should, in accordance with law, conclude a labour contract, the term of which shall not exceed five years. Such contract may be renewed upon expiration after the completion of clearance process in accordance with Article 19 of these Rules.'

The main window shows a list of measures for Engineering services, with a table of results for China and Korea. The table includes columns for Answers, Scores, Values, and Korea. The measures are grouped into five categories: 1. Restrictions on foreign entry, 2. Restrictions to movement of people, 3. Other discriminatory measures, 4. Barriers to competition, and 5. Regulatory transparency.

Measure	Answers	Scores	Values	Korea
Weight: 19.47%	6	0.08	0	
Weight: 26.578%	7	0.128	0.055	
2.1.1 Quotas: intra-corporate transferees	Yes No	0	0	0
2.1.2 Quotas: contractual services suppliers	Yes No	0	0	0
2.1.3 Quotas: independent services suppliers	Yes No	0	0	0
2.2.1 Labour market tests: intra-corporate transferees	Yes No	1	0.010	0
2.2.2 Labour market tests: contractual services suppliers	Yes No	1	0.018	0
2.2.3 Labour market tests: independent services suppliers	Yes No	1	0.018	0
2.3.1 Limitation on stay for intra-corporate transferees (months)	More than 36 months	0	0	0.018
2.3.2 Limitation on stay for contractual services suppliers (months)	More than 36 months	0	0	0.018
2.3.3 Limitation on stay for independent services suppliers (months)	More than 36 months	0	0	0.018
2.4.1 Nationality or citizenship required for license to practice	Yes No	0	0	0
2.5.1 Prior or permanent residency required for license to practice	Yes No	0	0	0
2.5.3/6 Domicile required for license to practice	Yes No	0	0	0
2.6.16 Laws or regulations establish a process for recognising higher education degrees in engineering earned abroad	Yes/No	0	0	0
2.6.26 Foreign engineers are required to take local examinations to qualify for full membership in the profession	Yes No	1	0.018	0
2.6.36 Foreign engineers are required to practice locally for at least 1 year in order to become a full member of the profession	Yes No	0	0	0
2.6.40 Compulsory membership in a professional association for foreign engineers is automatically granted if they have the required qualifications	Yes/No	1	0.018	0
2.7.36 License or authorisation is required to practice as an engineer	Yes No	1	0.018	0
2.7.2 Limited or temporary licensing system is available	Yes/No	1	0.018	0
2.8.1 Foreign providers have to completely re-do the university degree, practice and exam in the domestic country	Yes No	0	0	0
2.50.1 Other restrictions to movement of people	Yes No	0	0	0
Weight: 15.578%	1	0.011	0	
Weight: 15.551%	2	0.021	0	
Weight: 22.822%	3	0.047	0.021	



You can simulate policy changes

sim.oecd.org/Simulator.aspx?lang=En&ds=STRI&d1c=pseng&d2c=chn&mc=29100;no;29200;no;29300;no

Engineering services for China compared to Choose a country

China edited 0.232
China 0.287

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Engineering services measures	Search a measure	Search	Cancel	Answers	Scores	Values
pseng 1 Restrictions on foreign entry				Weight: 19.47%	6	0.08
pseng 2 Restrictions to movement of people				Weight: 26.578%	7 → 4	0.128 → 0.073
2.1.1 Quotas: intra-corporate transferees				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.1.2 Quotas: contractual services suppliers				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.1.3 Quotas: independent services suppliers				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.2.1 Labour market tests: intra-corporate transferees				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	1 → 0	0.018 → 0
2.2.2 Labour market tests: contractual services suppliers				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	1 → 0	0.018 → 0
2.2.3 Labour market tests: independent services suppliers				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	1 → 0	0.018 → 0
2.3.1 Limitation on stay for intra-corporate transferees (months)				More than 36 months	0	0
2.3.2 Limitation on stay for contractual services suppliers (months)				More than 36 months	0	0
2.3.3 Limitation on stay for independent services suppliers (months)				More than 36 months	0	0
2.4.1 Nationality or citizenship required for license to practice				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.5.1 Prior or permanent residency required for license to practice				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.5.346 Domicile required for license to practice				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.6.16 Laws or regulations establish a process for recognising higher education degrees in engineering earned abroad				<input checked="" type="radio"/> Yes/na <input type="radio"/> No	0	0
2.6.26 Foreign engineers are required to take local examinations to qualify for full membership in the profession				<input checked="" type="radio"/> Yes <input type="radio"/> No/na	1	0.018
2.6.36 Foreign engineers are required to practice locally for at least 1 year in order to become a full member of the profession				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.6.46 Compulsory membership in a professional association for foreign engineers is automatically granted if they have the required qualifications				<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.018
2.7.36 License or authorisation is required to practice as an engineer				<input checked="" type="radio"/> Yes <input type="radio"/> No/na	1	0.018
2.7.2 Limited or temporary licensing system is available				<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.018
2.8.1 Foreign providers have to completely re-do the university degree, practice and exam in the domestic country				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0
2.50.1 Other restrictions to movement of people				<input type="radio"/> Yes <input checked="" type="radio"/> No/na	0	0