Overview

- The STRI – what, why, how, and when
- Beyond the border
- Regulation and competitiveness
  - Level of regulation
  - Differences in regulation

The STRI - Why

Identify and catalogue
Measure
Impact assessment
Better policies!
The STRI - What

1. A regulatory database
An inventory of trade policy measures and domestic regulation relevant for services trade negotiations and unilateral reforms

2. Composite indices
A snapshot of trade restrictiveness

STRI Legal Services, 34 OECD Countries

Accounting
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Architecture

Engineering

Movement of People

- Accounts for the largest part of the STRIs in professional services
- Licensing and licensing requirements
  - Nationality
  - (Prior) Residency
  - Local exams
- Linkage between ownership and license
- Recognition of qualifications
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The STRI - How

- STRI
- Weights
  - How important is each measure?
- Scores
  - Assigning numbers to observed policies
- Observation of policies
  - Which to include?

Example of Scoring: Legal Services

- Binding restrictions
- Individual license
- Limited scope
  - Limited regulations
- Equity
  - Equity regulated
- License
  - License required

Index value = 1

Different Regulations Example

- The number of regulated professions in EU countries ranges from 47 in Estonia to 404 in the Czech Republic; the un-weighted average is 157.
Why countries regulate differently – and how it matters

Why it matters

- Excessive regulation harms competitiveness (less inward and outward FDI, less trade, less diversified/branded exports in downstream industries) in regulated as well as other sectors that use its services
- Ease of enforcing contracts has a large effect on competitiveness in most sectors
- Different regulation has a similar effect on trade and investment as excessive regulation

What should be done?

- Reduce the number of regulated professions
- Independent regulators where regulation is retained
- Country of origin principle – but difficult to implement when country of origin does not regulate while country of destination does.

Concluding remarks

- The more regulation the more ways there are of having different regulation
- Regulation affects the entire value chain that regulated sectors/activities are part of
- Policy analysis need to take regulatory spillovers into account
- The STRI can be used for policy analysis, benchmarking reforms and impact assessment
- The STRI will be released at the MCM 2014
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