SERVICES TRADE LIBERALISATION IN THE EU SINGLE MARKET

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High economic importance of services

Employment in services

Services exports in bio. USD

- World
- OECD members
- United Kingdom

- World (left scale)
- OECD members (left scale)
- United Kingdom (right scale)
High economic importance of services

United Kingdom 2016:
- Services exports: 330 bio. USD (cross-border only)
- Goods exports: 400 bio. USD
  - 34% services value added in manufacturing exports
- Mode 3 services exports: 670 bio. USD
OECD Services Trade Restrictiveness Index (STRI)

- Database of services trade restrictions
- 45 economies, 22 sectors, 5 years:
  - 36 OECD Members, Colombia, Costa Rica, Brazil, China (PRC), India, Indonesia, Malaysia, South Africa, Russia
- Standardised set of measures: between 61 (computer services) and 143 (insurance) per sector: 88000 observations per year
- Five policy areas:
  1. Restrictions on foreign entry
  2. Restrictions to the movement of people
  3. Other discriminatory measures
  4. Barriers to competition
  5. Regulatory transparency
STRI sectoral coverage

Digital Network
- Computer
- Telecoms
- Audiovisual

Supply Chain
- Transport
- Logistics
- Distribution

Trade and Finance Support
- Legal
- Accounting
- Financial

Physical Infrastructure
- Architecture
- Engineering
- Construction
STRI is a composite index

- Takes values between 0 (open) and 1 (closed)
- **Codified algorithm** applied to the information in the regulatory database
  - Binary scores
  - Break complex or continuous measures into several thresholds
  - Nested layers/hierarchies of measures
  - Regulatory packages when measures are complementary
  - Memos: included in database but no score attached

- **STRI annual updates**: Monitoring trade policy and providing annual data for research and analysis
STRI methodology

• Traditionally: data collected on most favored nation (MFN) basis
  – Rules applying to WTO members
  – No information on bilateral trade restrictiveness

• January 2019: new intra-EEA STRI
  – Services trade barriers within EU Single Market
  – Coverage of EU law and national legislation
  – Different levels of restrictiveness across EEA member countries
Importance of EU legislation
Air transport

- Third Countries
  - Restrictions on foreign entry
  - Other discriminatory measures
  - Regulatory transparency

- Single Market
  - Restrictions to the movement of people
  - Barriers to competition
Legal services

Third Countries
- Restrictions on foreign entry
- Other discriminatory measures
- Regulatory transparency

Single Market
- Restrictions to the movement of people
- Barriers to competition
Commercial banking

Third Countries
- Restrictions on foreign entry
- Other discriminatory measures
- Regulatory transparency

Single Market
- Restrictions to the movement of people
- Barriers to competition
Road freight transport

Third Countries
- Restrictions on foreign entry
- Other discriminatory measures
- Regulatory transparency

Single Market
- Restrictions to the movement of people
- Barriers to competition
Findings

• **Single Market achievements:**
  – Internal restrictions vs. third country restrictions: differ by a factor of four on average
  – Largest absolute difference in legal services, air transport and accounting; smallest in distribution

• **BUT:** Services trade barriers remain in all sectors

• **Regulatory harmonisation** within Single Market:
  – Regulatory heterogeneity drops by factor of four.
  – Harmonisation most advanced in road freight transport and air transport
Contact us

We look forward to hearing from you!

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