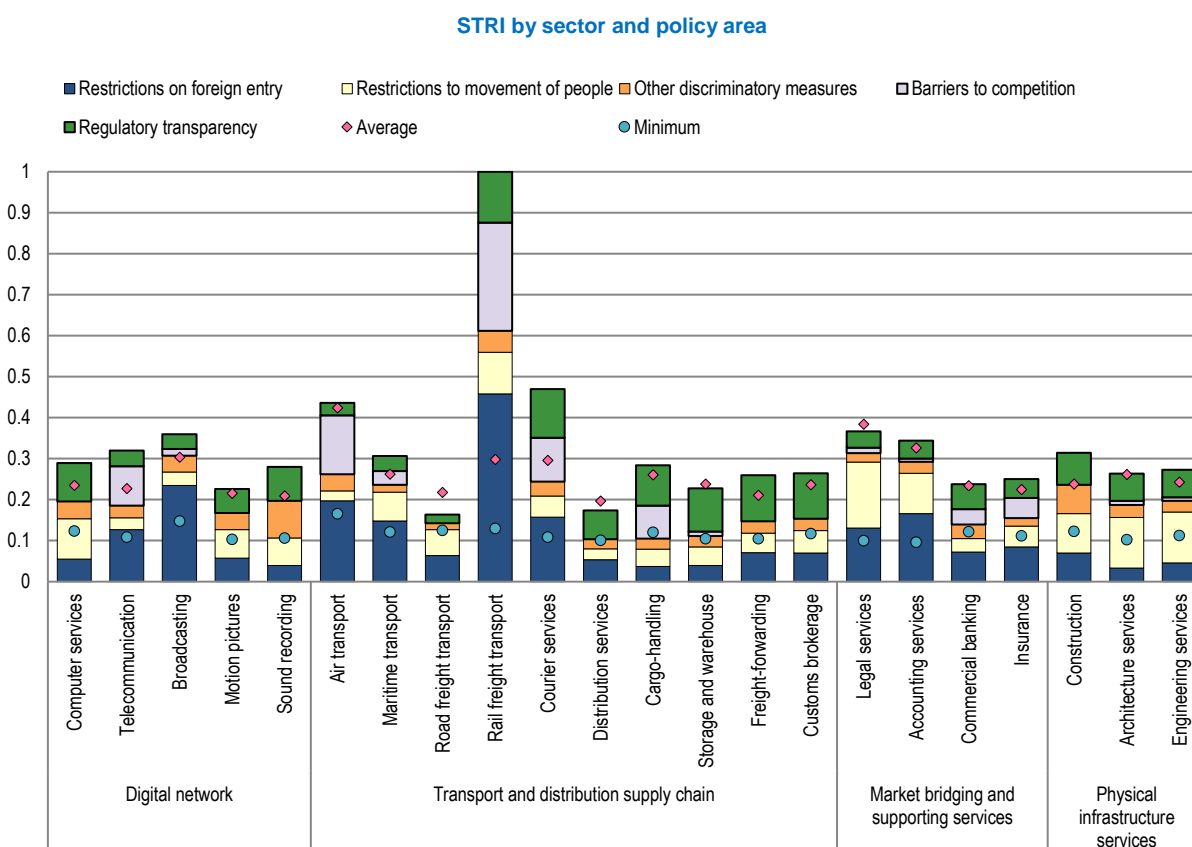


## OECD Services Trade Restrictiveness Index (STRI): Israel<sup>1</sup>

Israel exported commercial services worth USD 44 billion and its services import value was USD 29 billion in 2017. Business services, particularly research and development, are the largest services exporting sector and transport is the main category of services imports. Israel's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 45 countries included in the STRI database for each sector.



*Note:* The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

### Horizontal policy measures

Israel has a lower score on the STRI than the average in four out of 22 sectors. This is partly explained by general regulations applying to all sectors of the economy. The chair of the board of directors of Israeli corporations must be a resident of Israel. Acquisition of land and real estate by foreigners is subject to restrictions and preferences are granted to local suppliers in procurement markets, particularly through the use of offsets. Furthermore, Israel applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees, contractual services suppliers or independent services suppliers. These categories may stay in the country for up to 12 months on their first entry permit. There is also at least one major state-owned enterprise in broadcasting, courier services, insurance, maritime transport, rail freight transport, and logistics cargo-handling.

<sup>1</sup> The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

### The sectors with the relatively lowest STRI scores

Road freight transport services, distribution services (wholesale and retail trade), and legal services are the three sectors with the lowest score relative to the average in Israel. In road freight transport services, the score reflects mainly general regulations that apply across the economy. Distribution services are subject to the general regulatory framework, and there are no additional sector-specific trade restricting policy measures or barriers to competition imposed on them. In legal services, residency is required in order to practice domestic law, and law firms must be owned by locally licensed lawyers. By contrast, international law has been liberalised following recently-enacted reforms in the sector.

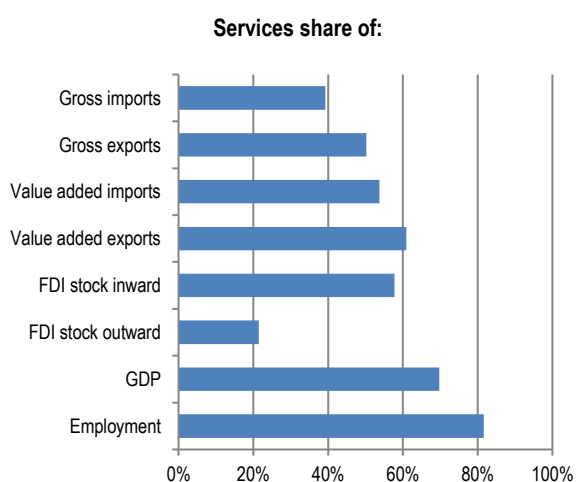
### The sectors with the relatively highest STRI scores

Rail freight transport services, courier services, and telecommunications services are the three sectors with the highest score relative to the average in Israel. Israel has a statutory state-owned monopoly in rail freight transport. This together with no significant transit rights for foreign suppliers closes the market for international trade and investment. In postal and courier services, Israel maintains a statutory monopoly for letters. Israel Post, a state-owned company, has a monopoly on the collection, transfer and delivery of letters up to 500 grams. At least 20% of equity in telecommunications firms must be held by Israeli citizens or residents. Competition in the sector is affected by the absence of certain best practice regulation on providers with significant market power, including on mandatory reference offers for call termination and interconnection.

### Recent policy changes

In 2018, conditions affecting foreign ownership of terrestrial broadcasting companies have been eased by raising foreign equity limits to 74% from 49%. Also in 2018, a temporary licencing procedure for foreign architects and engineers has been put in place. In commercial banking, the residency requirement for two-thirds of the board members of banks has been lifted in 2017. In 2016, the Capital Market, Insurance and Savings Authority, the sector regulator for insurance services, has been made independent from the Ministry of Finance.

### Efficient services sectors matter



Services account for 50% of Israel's gross exports, but 61% in value added terms. This indicates that Israel's exports of goods rely intensively on services inputs. Services also account for 70% of GDP and 81% of employment, which implies that earnings and aggregate demand depend significantly on productivity in services sectors. The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Israel. Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, Israel could benefit from more open markets for services trade through the temporary movement of natural persons.

### More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at [stri.contact@oecd.org](mailto:stri.contact@oecd.org)