UNITED KINGDOM – 2021

Key findings

- The 2021 STRI of the United Kingdom (UK) is relatively low compared to other countries in the STRI sample.
- Compared to 2020, the STRI decreased across all sectors primarily as a result of new regulations introduced following the end of the transition period (31 December 2020) for the UK’s departure from the European Union.
- Regulations for most sectors and in most policy areas are less strict in the UK than in most OECD countries. However, regulations related to the movement of people, which affect all sectors, are relatively stringent.
- Reforms to enhance market access could bring sizeable gains. Closing half the gap to best performers in terms of services trade regulations, as measured by the STRI, could result in an average decrease in services trade costs of about 3.5% of export values in the medium term.

Recommendation

- Barriers to trade, investment, and competition in the UK’s services sectors are low, creating a supportive business environment compared to most other countries. There is nevertheless scope to lower services trade costs. Several regulations related to the movement of people contribute to the stringency of the general regulatory environment. Specifically, barriers to business travel and rules regarding the employment of foreign services providers, which are higher than in many of the UK’s trade partners, have raised services trade costs and are detrimental to the productivity of the UK services firms.

The 2021 STRI of United Kingdom (UK) is relatively low compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2021

Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2021. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. 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.
While regulations are less restrictive in the UK than in many OECD countries in most policy areas, regulations related to movements of people, which affect all sectors, are relatively stringent. There are also some limitations on rights of access to public procurement.

Since 2014, regulations have become more stringent in most sectors, especially logistics (storage and warehousing), computer, architecture and commercial banking (Figure 2). However, in 2020-2021, the STRI values have decreased substantially across all sectors particularly due to new regulations introduced following the end of the transition period for the UK’s departure from the European Union (31 December 2020). The highest level of decrease was in air transport services which was due to the removal of foreign equity limitations applicable to airlines established in the UK.

Reforms to enhance market access could bring sizeable gains. Closing half of the gap to best performers in terms of services trade regulations, as measured by the STRI, could lead to an average decrease in services trade costs of about 3.5% of export values in the medium term (Mourougane et al., 2021).

**Figure 2. Evolution of STRI indices by sector in United Kingdom**

Services Trade Restrictiveness Index, percentage change over the period 2014-2017, 2017-2020 and 2020-2021


Telecommunications, legal services, rail freight transport and maritime transport are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Sound recording, architecture services, motion pictures and accounting services are the sectors with the highest score relative to the average STRI across all countries.
Figure 3. Sectoral breakdown: The least and most restricted sectors in United Kingdom

Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference i.e. $(\text{STRI}_{\text{country, sector}} - \text{STRI}_{\text{world average, sector}}) / \text{STRI}_{\text{world average, sector}}$


Telecommunications are the least restricted service sectors in the UK compared to Europe and the other best performers elsewhere while accounting services are the most restricted (Figure 4).

Figure 4. United Kingdom compared to Europe and World's best performers

Key reforms

The United Kingdom left the European Union in January 2020 and entered into a transition phase which ended on 31 December 2020. A large number of new legislations and regulatory amendments were introduced as a result, and some of these have implications for the STRI. A few examples are described below.

Contractual services providers and independent professionals can enter the UK on the T5 (Temporary Worker) International Agreement Worker immigration route which replaced the Tier 5 (Temporary Worker) route as of 1 December 2020. In addition, a new Skilled Worker visa route was introduced to replace the Tier 2 (General) visa route together with a new points-based system. Under this route, previous caps on the maximum number of Tier 2 (General) visas have been suspended and there is no longer a requirement for employers to undertake a Resident Labour Market Test. However, rules on sponsorship control continue and include the need to obtain a sponsorship license and pay the Immigration Skills Charge for the duration of the employment. As of January 2021, this charge must also be paid for EU/EEA nationals applying for a Skilled Worker route. An updated Intra-Company Transfer route was also set up for workers transferred by their employer for skilled positions in the United Kingdom.

In air transport services, the Operation of Air Services (Amendment etc.) (EU Exit) Regulations 2018 implemented EU Regulation 1008/2008 into the UK domestic regulatory environment. One of the main changes include the lifting of majority nationality-based ownership and control requirements for the issue of a UK Operating Licence which entails a substantial liberalisation for investment in the sector.

The Maritime Transport Access to Trade and Cabotage (Revocation) (EU Exit) Regulations 2019 revoked prior EU legislation that limited cabotage traffic only to EU vessels. Cabotage operations for foreign vessels are now permitted in certain circumstances under an "Open Coast" policy that applies to all nations.

On 29 April 2021, a new Financial Services Act 2021 was adopted which introduces several changes to the UK’s regulatory framework. For instance, it changes some aspects of the UK’s prudential regulatory regime, and implements the Basel III standards.

As of January 2021, the UK abolished the Low Value Consignment Relief, which relieved import VAT on consignments of goods valued at GBP 15. All imported goods up to GBP 135 will now be subjected to domestic VATs. The threshold for relief from customs duty continues to be GBP 135.

The UK adopted a new National Security and Investment Act (NSIA) 2021 that will enter into force in 2022. The Act establishes new procedures for the screening of investments for the purposes of protecting national security.

More information

» Access all country notes, sector notes, and interactive STRI tools at http://oe.cd/stri
» Read more about services trade policies and their impacts in Services Trade Policies and the Global Economy
» Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org>