

OECD Services Trade Restrictiveness Index (STRI)

LUXEMBOURG – 2020

Key findings

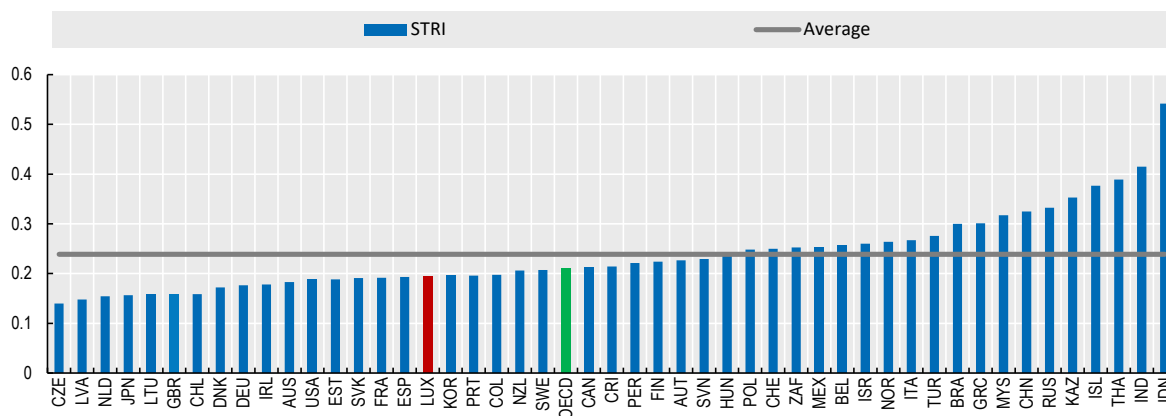
- The 2020 STRI of Luxembourg is below the OECD average and relatively low compared to other countries in the STRI sample, unchanged compared to 2019.
- Conditions on the entry of natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers remains more cumbersome than international best practice.
- Broadcasting is the most open services sector in Luxembourg while legal services is the most restricted.

Recommendation

- 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, Luxembourg could benefit from more open markets for services trade.

The 2020 STRI of Luxembourg is below the OECD average and relatively low compared to other countries in the STRI sample (Figure 1), unchanged compared to 2019.

Figure 1. Average STRI across countries, 2020



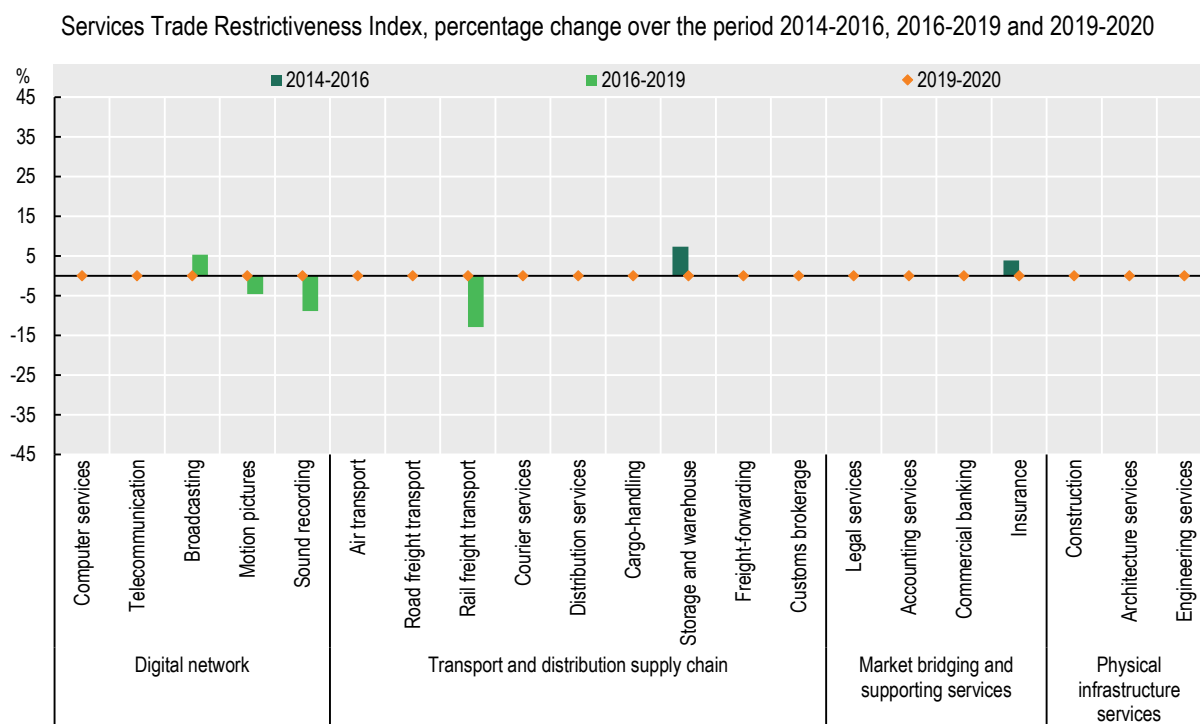
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.

Source: OECD STRI and TIVA databases (2020).

The 2020 index can largely be explained by a favourable general regulatory framework. Luxembourg applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as contractual services suppliers, independent services suppliers. Intra-corporate transferees are not subject to such tests, but for them the duration of stay is limited to 12 months on their first entry permit. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement. A minimum amount of capital must be deposited in a bank or with a notary in order to register a business. The standards for cross-border transfer of personal data are set at the EU level. Transfers to non-EEA economies can take place when these ensure an adequate level of data protection or, in the absence of this, appropriate safeguards (e.g., binding corporate rules or standard data protection clauses) are in place. Finally, consulting stakeholders during the legislative process is not mandatory and the statutory period to publish final and voted laws prior to entry into force is significantly less than best practice.

There has been little change in the STRI of Luxembourg since 2016, except some liberalising reforms in rail freight transport, motion picture and sound recording, and a moderate tightening of regulation in broadcasting (Figure 2).

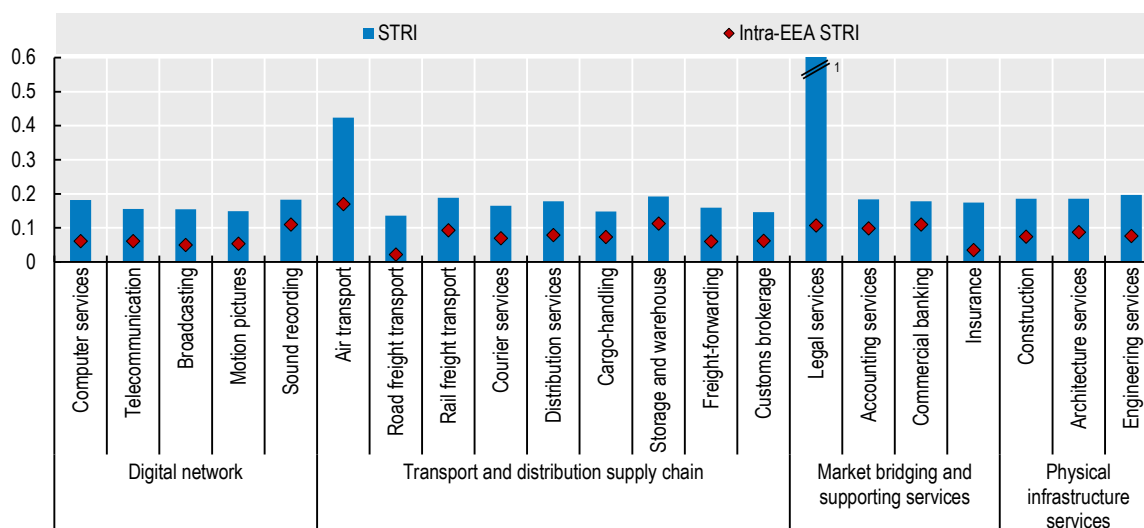
Figure 2. Evolution of STRI scores by sector in Luxembourg



Source: OECD STRI database (2020).

Services trade barriers are significantly lower within the European Economic Area across all services sectors (Figure 2b). Luxembourg maintains an open market for services suppliers from other EU Member States.

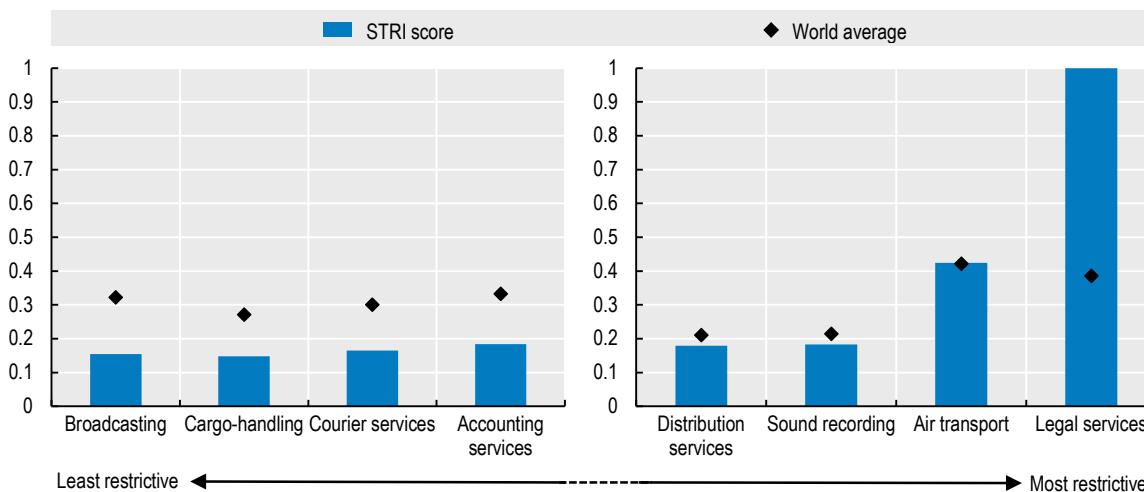
Figure 2b. Regulatory barriers affecting services trade within the European Economic Area (EEA)



Note: The traditional STRI indicates the level of restrictiveness on Most-Favoured Nation basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden).
Source: OECD STRI database (2020).

Broadcasting, logistics cargo-handling, courier services and accounting services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Distribution services, sound recording, air transport and legal services are the sectors with the highest score relative to the average STRI across all countries.

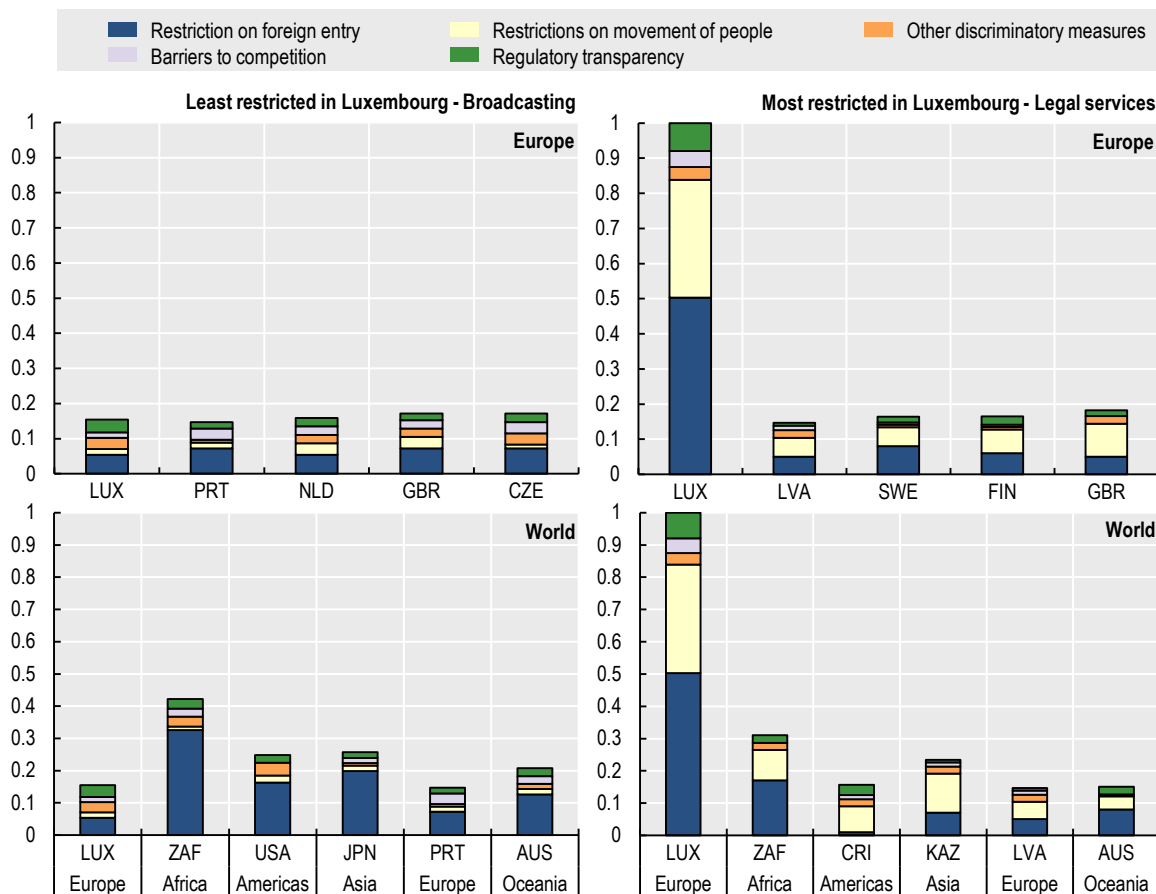
Figure 3. Sectoral breakdown – The least and most restricted sectors in Luxembourg



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$
Source: OECD STRI database (2020).

Broadcasting is the least restricted services sector in Luxembourg compared to Europe and the other best performers elsewhere while Legal services are the most restricted (Figure 4).

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

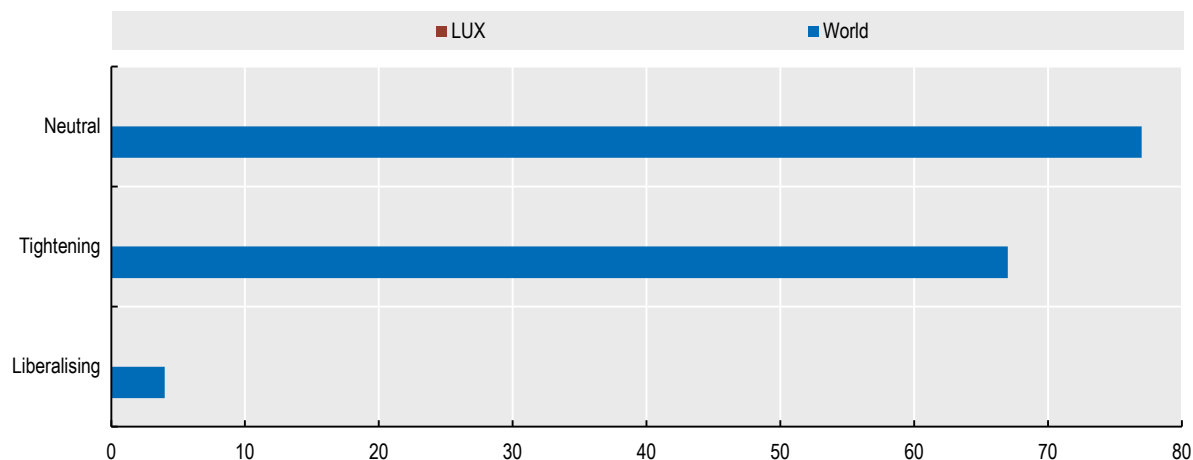


Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

While Luxembourg has adopted several measures in response to the COVID-19 crisis, these were either temporary in nature or not directly relevant for the measures considered in the STRI database. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visas requirements.

Figure 5. COVID-19 related measures in Luxembourg and in the world



Source: OECD STRI database (2020).

Key reforms

Recent changes affecting Luxembourg were due to changes in EU law. Regulation 2019/452 allows EU Member States to maintain, amend or adopt mechanisms to screen foreign direct investments in their territory on grounds of security or public order. It applies from 11 October 2020. In the context of the COVID-19 pandemic, Regulation 2020/459 waived the 80/20 grandfathering rule for airport slot allocations between 1 March 2020 and 27 March 2021. Accordingly, airport coordinators are required to consider slots allocated for this period as having been operated by the air carrier to which they were initially allocated.

The new EU General Data Protection Regulation (Regulation 2016/679) entered into force on 25 May 2018 providing a comprehensive update on the EU data protection regime.

More information

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