LUXEMBOURG – 2021

Key findings

- The 2021 STRI of Luxembourg is below the OECD average and relatively low compared to other countries in the STRI sample, unchanged compared to 2020.
- 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 average STRI of Luxembourg 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. Source: OECD STRI and TiVA databases (2021).
The 2021 STRI can largely be explained by a favourable general regulatory framework. However, some barriers remain. 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 also subject to such tests. 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 indices by sector in Luxembourg**

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

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 EEA Members.
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 (2021).

Broadcasting, logistics cargo-handling, accounting services and courier 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. \((\text{STRI}_{\text{country, sector}} - \text{STRI}_{\text{world average, sector}}) / \text{STRI}_{\text{world average, sector}}\) Source: OECD STRI database (2021).

Broadcasting are the least restricted in Luxembourg compared to Europe and the other best performers elsewhere while legal services are the most restricted (Figure 4).
Key reforms

Recent changes affecting Luxembourg were due to changes in EU law. From 1 July 2021, the EU abolished the VAT de minimis regime for goods valued under 22EUR. 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. In air transport, EU 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. For the slots allocated for the scheduling period from 28 March 2021 until 30 October 2021 air carriers are entitled to the same series of slots for the scheduling period from 27 March 2022 until 29 October 2022.

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