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ANU CENTRE FOR EUROPEAN STUDIES

Identifying Opportunities in EU-Australia Trade in Services

Introduction to the STRI and its application
Steve Nerlich ANUCES

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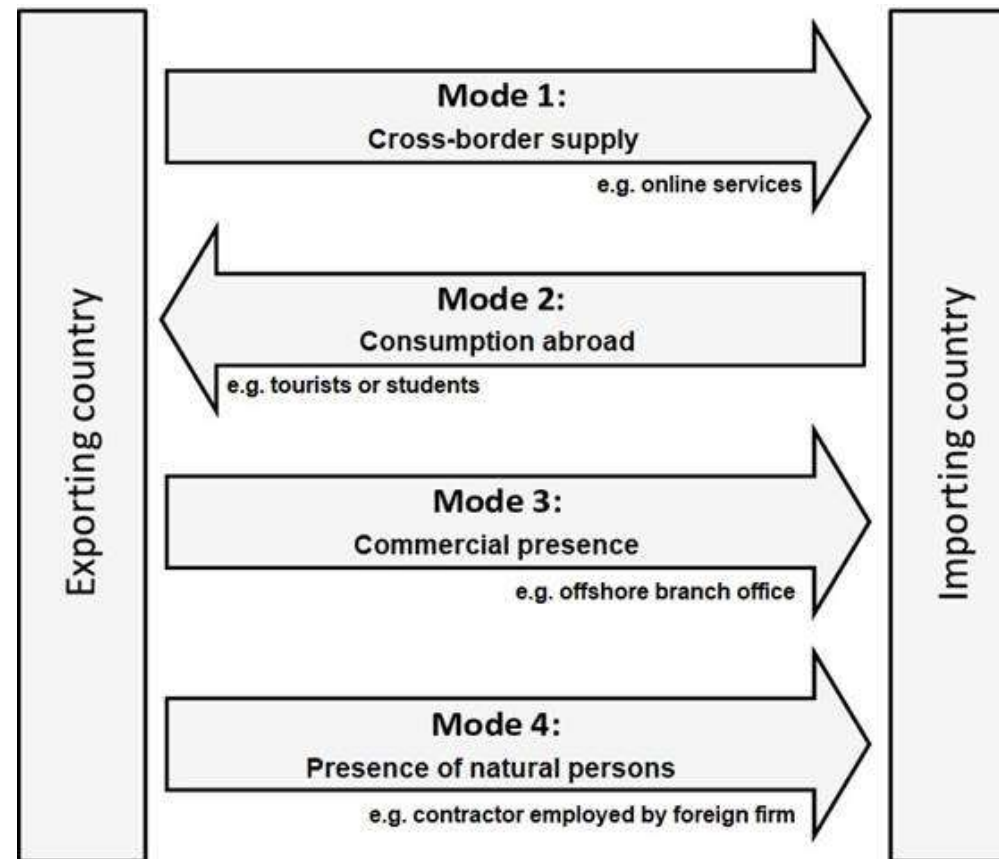


The views presented are the author's and not those of either the ANU or the funding body

Services

- Non-physical products from a service provider
- Some are end-user consumables (e.g. education services; audiovisual services)
- Others facilitate trade (transportation) as well as general commerce (legal, accounting and financial services)
- Some also contribute to infrastructure development (engineering, architecture and construction services).
- The services sector accounts for about 75% of Australia's GDP and a larger share of employment.

Modes of supply of services



What data is available

Balance of Payments(BoP) is standard trade data that captures end-user purchases only.

For example:

- Australia's exports to the EU totalled \$11.6 billion, the largest category was Travel (\$7.3 billion AUD)
- Australia's imports from the EU totalled \$21.6 billion, the largest category was Travel (\$10.1 billion AUD).

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What data is available

Trade in Value-Added (TiVA) data measures the value added to a country's production of goods and services through global supply chains.

For example:

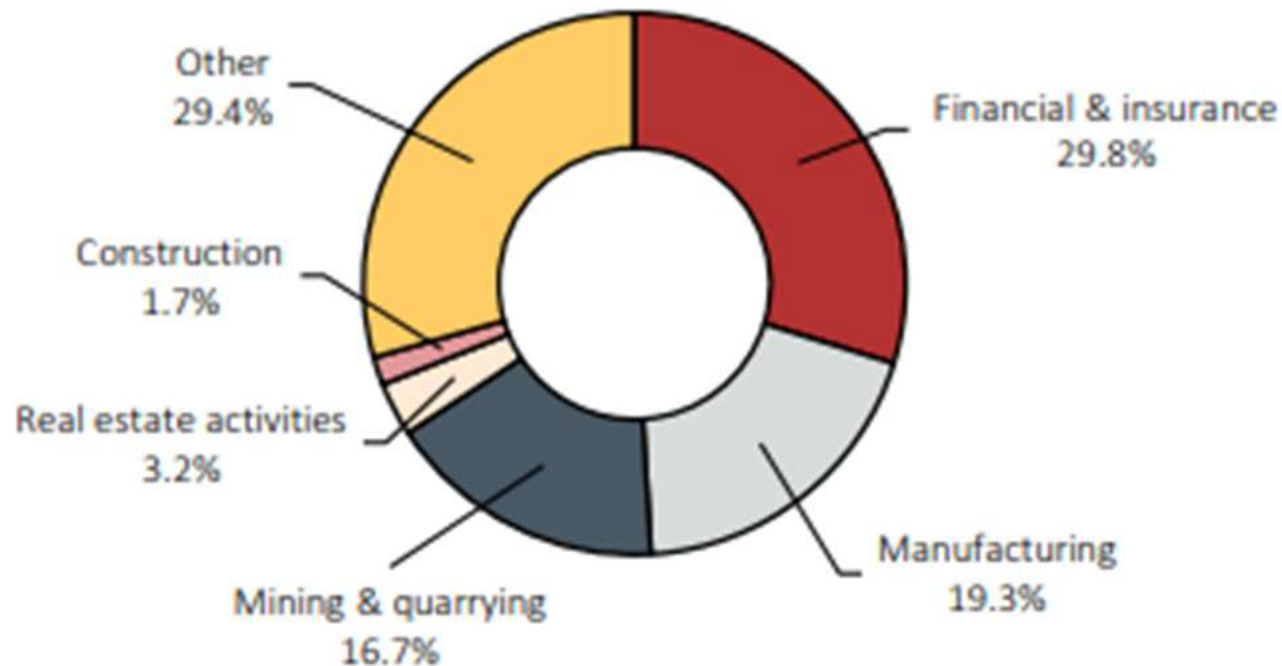
- From BoP data, Australia's gross exports (good and services) in 2016 were \$250 billion of which services made up 23%
- From TiVA data, Australia's gross exports (good and services) in 2016 were \$245 billion of which services made up 50%

What data may be hidden

- Trade data does capture all credits and debits, but may not individually report every contributing item.
- Not all offshore commercial activity will be captured in BoP if profits are not repatriated.
- Foreign Domestic Investment data better reflects the scale of Australia's commercial presence offshore, although it is not trade data.

Australia's foreign investment overseas

Stock of direct Australian investment abroad, 2017



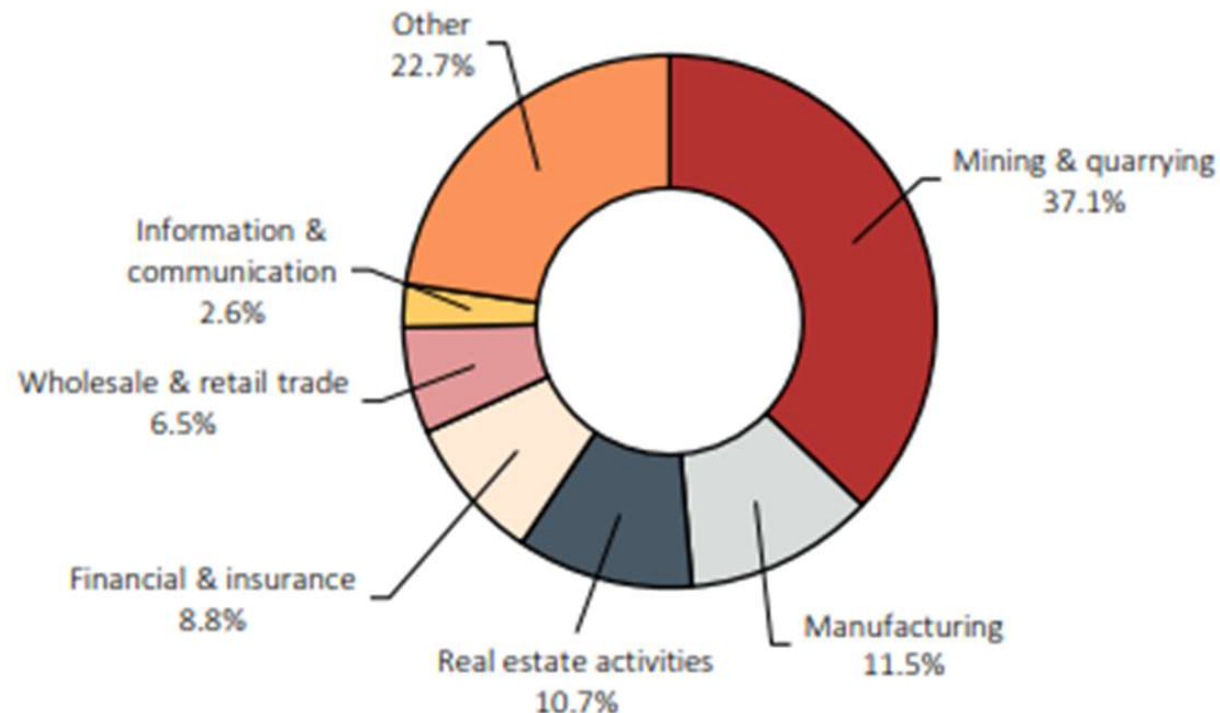
Total investment
in 2017:

\$591 billion, of
which 39% was
in services
industries

Source: ABS catalogue 5352.0

Foreign investment in Australia

Stock of foreign direct investment in Australia, 2017



Total investment
in 2017:

\$849 billion, of
which 40% was
in services
industries

Source: ABS catalogue 5352.0

Services Trade Restrictions

Most restrictions to services trade are ‘behind the border’ (BTB) – i.e. domestic policies and regulations

Can involve:

- Limits on foreign ownership or foreign presence
- Limits on temporary migrants and work rights
- Taxes or subsidies that favour domestic providers.
- Regulatory complexities



The OECD Services Trade Restrictiveness Index (STRI)

22 service sectors

Logistics cargo-handling
Logistics customs brokerage
Logistics freight forwarding
Logistics storage & warehouse
Air transport
Maritime transport
Road freight transport
Rail freight transport
Courier
Distribution

Accounting
Legal
Commercial banking
Insurance
Motion pictures
Broadcasting
Sound recording
Telecom
Computer
Architecture
Engineering
Construction



...across 45 countries

- 23 of the 28 EU members states (not Bulgaria, Croatia, Cyprus, Malta & Romania, which aren't in the OECD)
- 13 remaining OECD members (including Australia)
- 9 other non-OECD countries: Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russian Federation & South Africa.

The underlying structure of the OECD STRI

Five main policy areas:

- Restrictions on foreign entry
- Restrictions on movement of people
- Other discriminatory measures
- Barriers to competition
- Regulatory transparency



How the STRI works

An SRTI example - how the value of *Regulatory Transparency* in commercial banking services is calculated for Australia, 2018

Commercial banking measures	Answers	Scores	Values
➤ Restrictions on foreign entry		8	0.096
➤ Restrictions to movement of people		3	0.017
➤ Other discriminatory measures		0	0
➤ Barriers to competition		1	0.01
▼ Regulatory transparency		5	0.05
5.1.1 There is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force ⬆	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0
5.2.1 There is an adequate public comment procedure open to interested persons, including foreign suppliers ⬆	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.1 Range of visa processing time (days) ⬆	Above 10 days ▼	1	0.01
5.3.2 Multiple entry visa for business visitors ⬆	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.3 Cost to obtain a business visa (USD) ⬆	Above 94 USD ▼	1	0.01
5.3.4 Number of documents needed to obtain a business visa ⬆	Above 8 ▼	1	0.01
5.4.1 Number of working days to complete all mandatory procedures to register a company ⬆	Less than 9 days ▼	0	0
5.5.1 Total cost to complete all official procedures required to register a company (in % of income per capita) ⬆	Less than 2.4 ▼	0	0
5.6.1 Number of mandatory procedures to register a company ⬆	Less than 5 ▼	0	0
5.9.1 Licences are allocated according to publicly available criteria ⬆	<input checked="" type="radio"/> Yes/na <input type="radio"/> No	0	0
5.9.2 Applicants must be informed of the reasons for denial of Licences ⬆	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.9.3 There is a maximum time allowed to the regulator for decisions on applications ⬆	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.10.21 Time of resolving insolvency (in years) ⬆	Less than 2 ▼	0	0
5.10.22 Cost of resolving insolvency (in % of the estate's value) ⬆	Less than 9 ▼	0	0
5.50.1 Other restrictions in regulatory transparency ⬆	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0

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An SRTI example - how the value of *Regulatory Transparency* in commercial banking services is calculated for Australia, 2018

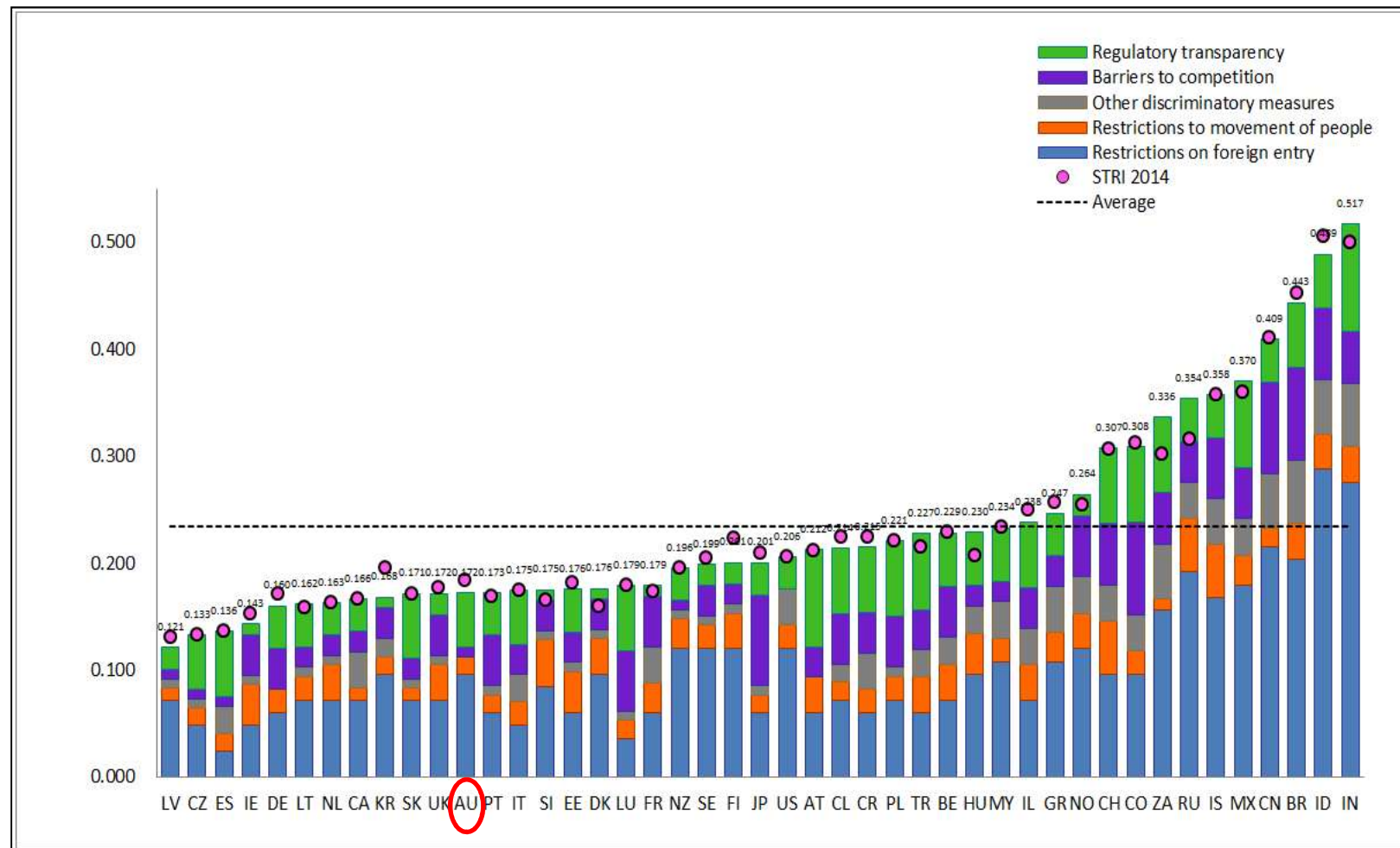
Commercial banking measures	Answers	Scores	Value
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➤ Other discriminatory measures		0	0
➤ Barriers to competition		1	0.01
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5.9.3 There is a maximum time allowed to the regulator for decisions on applications ⬆	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
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5.50.1 Other restrictions in regulatory transparency ⬆	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0

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In this example, the value assigned to *Regulatory Transparency* is 0.05 and the total services trade restrictiveness index value for Australia's commercial banking services sector in 2018 is **0.172** (equalling $0.096 + 0.017 + 0 + 0.01 + 0.05$).



Commercial banking STRI values across 45 countries



Each countries' STRI values are referenced
















Commercial banking measures	Answers	Scores	Values
▶ fsbnk.1 Restrictions on foreign entry		8	0.096
▶ fsbnk.2 Restrictions to movement of people		3	0.017
▶ fsbnk.3 Other discriminatory measures		0	0
▶ fsbnk.4 Barriers to competition		1	0.01
▼ fsbnk.5 Regulatory transparency		5	0.05
5.1.1 There is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0
5.2.1 There is an adequate public comment procedure open to interested persons, including foreign suppliers 	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.1 Range of visa processing time (days) 	Above 10 days ▼	1	0.01
5.3.2 Multiple entry visa for business visitors 	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.3 Cost to obtain a business visa (USD) 	Above 94 USD ▼	1	0.01
5.3.4 Number of documents needed to obtain a business visa 	Above 8 ▼	1	0.01
5.4.1 Number of working days to complete all mandatory procedures to register a company 	Less than 9 days ▼	0	0
5.5.1 Total cost to complete all official procedures required to register a company (in % of income per capita) 	Less than 2.4 ▼	0	0
5.6.1 Number of mandatory procedures to register a company 	Less than 5 ▼	0	0
5.9.1 Licences are allocated according to publicly available criteria 	<input checked="" type="radio"/> Yes/na <input type="radio"/> No	0	0
5.9.2 Applicants must be informed of the reasons for denial of Licences 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.9.3 There is a maximum time allowed to the regulator for decisions on applications 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.10.21 Time of resolving insolvency (in years) 	Less than 2 ▼	0	0
5.10.22 Cost of resolving insolvency (in % of the estate's value) 	Less than 9 ▼	0	0
5.50.1 Other restrictions in regulatory transparency 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0

Commercial banking measures		Answers...	Scores	Values
fsbnk.1	Restrictions on foreign entry		8	0.096
fsbnk.2	Restrictions to movement of people		3	0.017
fsbnk.3	Other discriminatory measures		0	0
fsbnk.4	Barriers to competition		1	0.01
fsbnk.5	Regulatory transparency		5	0.05
5.1.1	There is a legal obligation to communicate regulations to	<input checked="" type="radio"/> No	0	0
5.2.1	There is an adequate public comment procedure open to	<input checked="" type="radio"/> No	0	0
5.3.1	Range of visa processing time (days)	1	0.01	
5.3.2	Multiple entry visa for business visitors	<input checked="" type="radio"/> No	0	0
5.3.3	Cost to obtain a business visa (USD)	1	0.01	
5.3.4	Number of documents needed to obtain a business visa	Above 8	1	0.01
5.4.1	Number of working days to complete all mandatory procedures to register a company	Less than 9 days	0	0
5.5.1	Total cost to complete all official procedures required to register a company (in % of income per capita)	Less than 2.4	0	0
5.6.1	Number of mandatory procedures to register a company	Less than 5	0	0
5.9.1	Licences are allocated according to publicly available criteria	<input checked="" type="radio"/> Yes/na <input type="radio"/> No	0	0
5.9.2	Applicants must be informed of the reasons for denial of Licences	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.9.3	There is a maximum time allowed to the regulator for decisions on applications	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.10.21	Time of resolving insolvency (in years)	Less than 2	0	0
5.10.22	Cost of resolving insolvency (in % of the estate's value)	Less than 9	0	0
5.50.1	Other restrictions in regulatory transparency	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0

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Measure	Fields	Australia - Commercial banking
Cost to obtain a business visa (USD)	Source	<ul style="list-style-type: none"> Department of Home Affairs(Fees and charges for visas)
5_3_3	Comment	<p>The cost to obtain a business visitor visa (subclass 600) starts at AUD 140 (about USD 107), except for applicants who apply in the course of acting as representatives of a foreign government and provide the department with supporting evidence (nil) and "Frequent travellers" (AUD 1020, about USD 783). See the link for the definition of "Frequent traveller": https://www.homeaffairs.gov.au/trav/visa-1/frequent-traveller-stream</p>

The STRI policy simulator lets you test hypotheses

Commercial banking measures	Answers	Scores	Values
➤ fsbnk.1 Restrictions on foreign entry		8	0.096
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5.2.1 There is an adequate public comment procedure open to interested persons, including foreign suppliers 	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.1 Range of visa processing time (days) 	Above 10 days ▼	1	0.01
5.3.2 Multiple entry visa for business visitors 	<input checked="" type="radio"/> Yes <input type="radio"/> No	0	0
5.3.3 Cost to obtain a business visa (USD) 	Above 94 USD ▼	1	0.01
5.3.4 Number of documents needed to obtain a business visa 	Above 8 ▼	1	0.01
5.4.1 Number of working days to complete all mandatory procedures to register a company 	Less than 9 days ▼	0	0
5.5.1 Total cost to complete all official procedures required to register a company (in % of income per capita) 	Less than 2.4 ▼	0	0
5.6.1 Number of mandatory procedures to register a company 	Less than 5 ▼	0	0
5.9.1 Licences are allocated according to publicly available criteria 	<input checked="" type="radio"/> Yes/na <input type="radio"/> No	0	0
5.9.2 Applicants must be informed of the reasons for denial of Licences 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.9.3 There is a maximum time allowed to the regulator for decisions on applications 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.10.21 Time of resolving insolvency (in years) 	Less than 2 ▼	0	0
5.10.22 Cost of resolving insolvency (in % of the estate's value) 	Less than 9 ▼	0	0
5.50.1 Other restrictions in regulatory transparency 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0	0



e.g. Maximum restrictiveness in *Regulatory transparency*

Commercial banking measures	Answers	Scores	Values
➤ fsbnk.1 Restrictions on foreign entry		8	0.096
➤ fsbnk.2 Restrictions to movement of people		3	0.017
➤ fsbnk.3 Other discriminatory measures		0	0
➤ fsbnk.4 Barriers to competition		1	0.01
▼ fsbnk.5 Regulatory transparency		5 → 15	0.05 → 0.151
5.1.1 There is a legal obligation to communicate regulations to the public within a reasonable time prior to entry into force 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0 → 1	0 → 0.01
5.2.1 There is an adequate public comment procedure open to interested persons, including foreign suppliers 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0 → 1	0 → 0.01
5.3.1 Range of visa processing time (days) 	Above 10 days ▼	1	0.01
5.3.2 Multiple entry visa for business visitors 	<input type="radio"/> Yes <input checked="" type="radio"/> No	0 → 1	0 → 0.01
5.3.3 Cost to obtain a business visa (USD) 	Above 94 USD ▼	1	0.01
5.3.4 Number of documents needed to obtain a business visa 	Above 8 ▼	1	0.01
5.4.1 Number of working days to complete all mandatory procedures to register a company 	Above or equal to 9 days ▼	0 → 1	0 → 0.01
5.5.1 Total cost to complete all official procedures required to register a company (in % of income per capita) 	Above 2.4 ▼	0 → 1	0 → 0.01
5.6.1 Number of mandatory procedures to register a company 	Above 5 ▼	0 → 1	0 → 0.01
5.9.1 Licences are allocated according to publicly available criteria 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	0 → 1	0 → 0.01
5.9.2 Applicants must be informed of the reasons for denial of Licences 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
5.9.3 There is a maximum time allowed to the regulator for decisions on applications 	<input type="radio"/> Yes/na <input checked="" type="radio"/> No	1	0.01
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5.10.22 Cost of resolving insolvency (in % of the estate's value) 	Above 9 ▼	0 → 1	0 → 0.01
5.50.1 Other restrictions in regulatory transparency 	<input checked="" type="radio"/> Yes <input type="radio"/> No	0 → 1	0 → 0.01



The OECD STRI policy simulator is available at:
<https://sim.oecd.org/>

There is also a smart phone app (search for OECD STRI)



Thank you!
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