

# Service Trade Restrictiveness Index and key policy considerations

SANKHYA (संख्या)

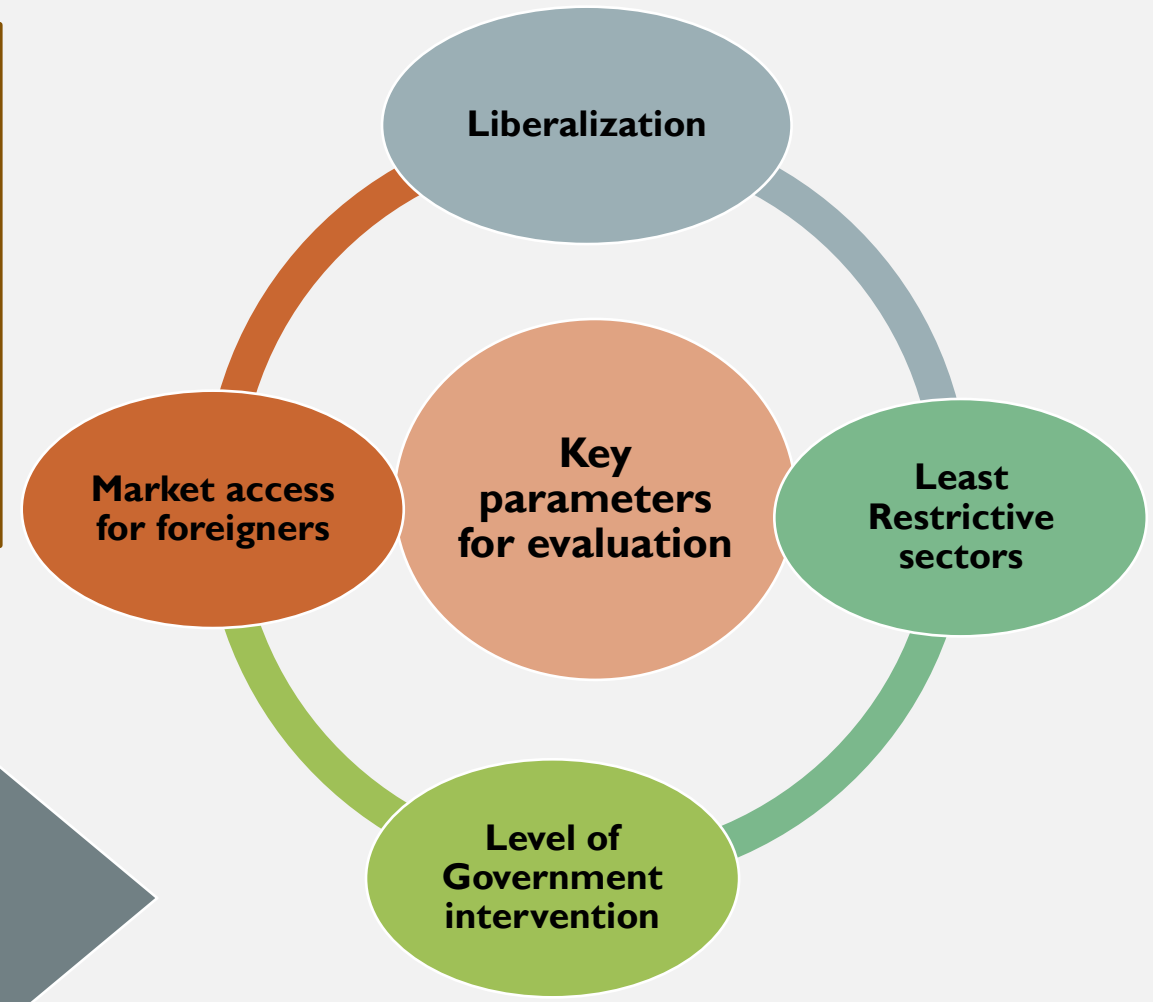
*“There cannot be a good plan for economic progress without adequate data and there cannot be adequate data without a good plan for collecting them...”*

*P.C Mahalanobis, Member, First Planning Commission of India & Scientist*

# SERVICES TRADE RESTRICTIVENESS INDEX

## BRIEF OVERVIEW

- Services Trade Restrictiveness Index was first launched in 2014 by the Organization for Economic Cooperation and Development (OECD). It is a unique, evidence-based tool that provides information on regulations affecting trade in services across various nations.
- The OECD's quantification of services regime across various countries is carried out annually and it provides information as to which policies in the country restrict trade.
- Further, in order to expand international trade in services and negotiate global trade agreements, it equips policymakers and negotiators with adequate information and measurement instruments.



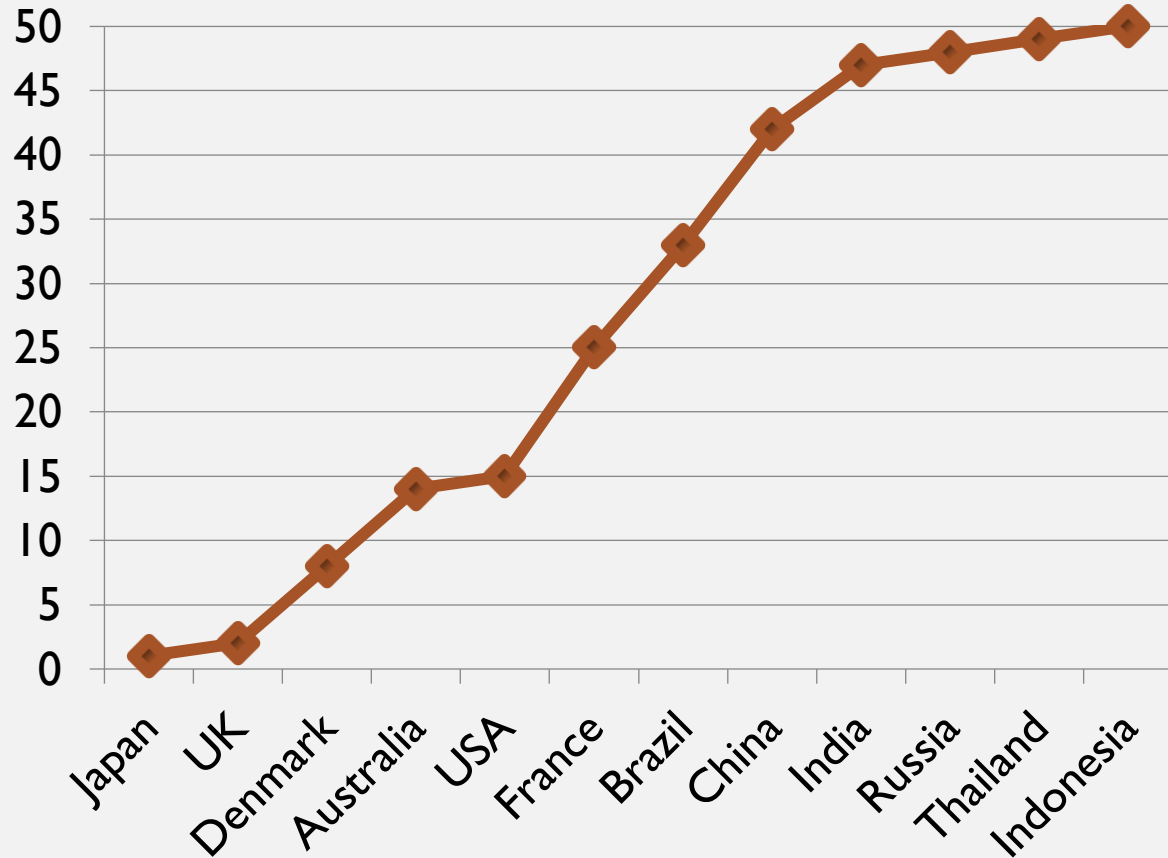
## CRITERIA FOR EVALUATION OF STRI

The scoring is done on scale of 0-1, where 0 means no restriction where 1 is scale of highest.

The level of restriction included total 22 sectors.

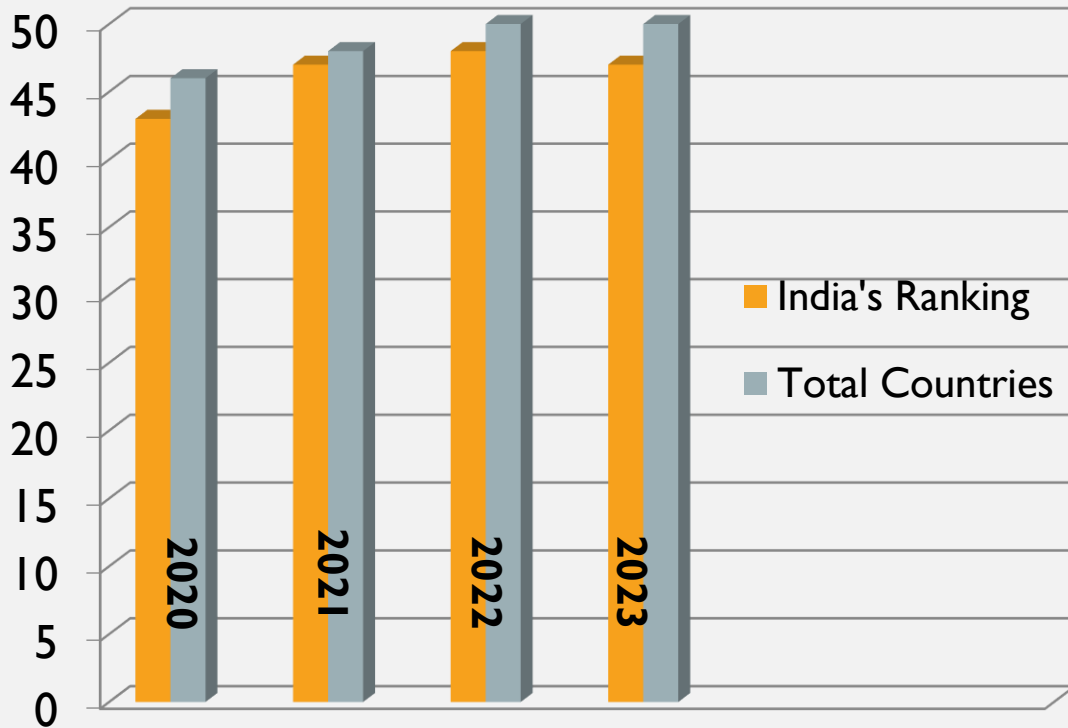
# OECD'S STRI 2023- KEY FINDINGS

## RANKING OF THE COUNTRIES SURVEYED - 2023



- The latest report covered 50 countries out of which 38 are all OECD Countries and 12 are non-OECD Countries.
- The sectors evaluated and selected countries comprises of over 80% of global trade in services.
- The index has considered different sectors including road freight cover, government regulations, etc.
- Japan has topped the chart followed by United Kingdom, whereas Indonesia is ranked lowest.
- Peru performed the best among non-OECD countries followed by Brazil while Thailand was ranked last and India second last among non-OECD Countries.
- The highest STRI decrease in 2022 were in Vietnam, Japan, and Kazakhstan.
- In 2022, the average amount of restrictions across the 22 sectors was 1.5 times higher in non-OECD countries than it was in OECD countries.
- The report observed that global economic challenges has led to an increase in the volume of regulatory changes in 2022 among different countries compared to 2021.

# INDIA'S RANKING ON STRI



- I
  - India was ranked at 47 in 2023 improving its position by one place from 48 in 2022.
  - India still among the bottom five countries.
- II
  - Rail freight transport, architecture service, legal services, and accounting services were documented to be the most difficult sectors to trade due to their restrictive nature.
- III
  - Engineering services, computer services, road freight transport, and sound recording sectors were noted to be the least restrictive sectors for trade in India.
- IV
  - Certain policy changes introduced in India that had substantial impact are Privatization of Air India, introduction of non-discriminatory interconnection rates in the telecommunications, etc.

# KEY POLICY SUGGESTIONS

## **Permit entry of foreign arbitrators and judges through IFSCA**

There is lack of confidence among foreign investors regarding legal system owing to inordinate delays in court. Foreign arbitrators and judges may be permitted in the proposed dispute resolution to be set up in IFSCA to promote investor confidence and improved understanding of investor friendly laws in the country.

## **Legal framework for Cross -Border Data Regulation**

Increased restrictions owing to data localisation laws and lack of clarity regarding cross border data has detrimental effects in growth of financial services and other technological services. Hence, a regulatory framework for cross-border regulation should be developed

## **Sign Free Trade Agreements**

As a populous country with large number of educated population, India has the capability to improve trade in business and services. Hence, bilateral treaties may be signed by the government with foreign governments to ensure certain professional services such as medicine and goods (GI tagged goods from India) are given easier access to foreign market.

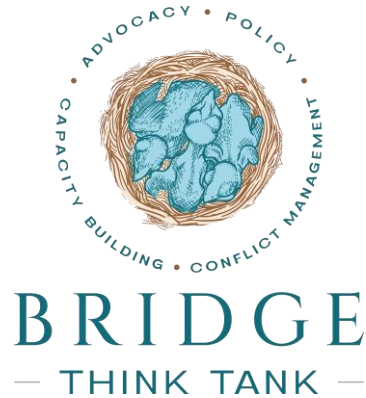
## **Robust data on MSMEs in India**

MSMEs are one of the key drives of growth in the country. Although several credit programmes and initiatives have been developed, there is not clear and robust data on the MSMEs as they are largely unorganized. Clear data on services, revenue, credit needs etc. is necessary to develop cogent framework that tackles the various problems faced by the sector.

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Sankhya\* is an initiative of Bridge Policy Think Tank to create interface snapshots in statistics and policy analysis while promoting critical thinking and analysis.

*\* Sankhya means numbers and is also a school of rationalist Indian philosophy. According to Sankhya philosophy reliable knowledge comes from only three pramanas (proofs)- pratyakṣa ('perception'), anumāṇa ('inference') and śabda (āptavacana, meaning, 'word/testimony of reliable sources').*