

# The OECD Project on the Services Trade Restrictiveness Index (STRI) and Construction Services

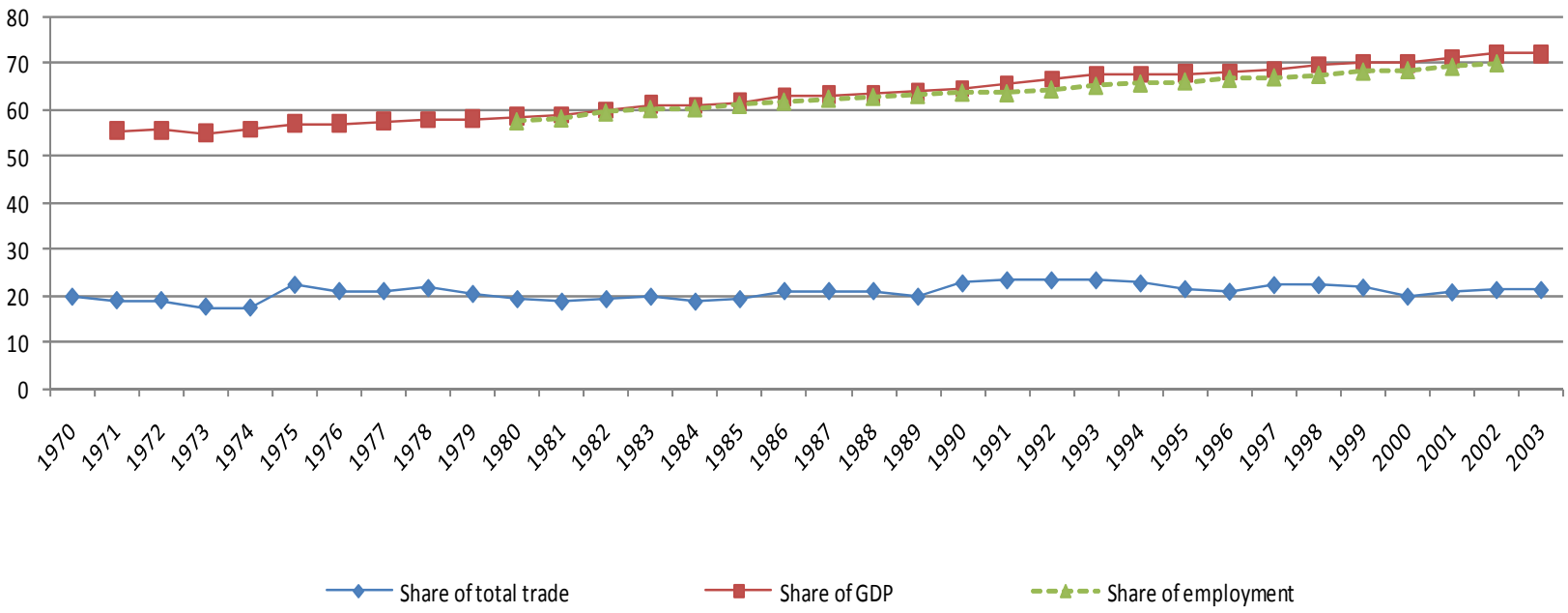
GLONIC 2009 International Workshop for Global Construction  
Beijing, 19-21 January 2009

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## Outline

- **Overview of the OECD STRI project**
- **Construction services sector study**
  - Characteristics of construction
  - Trade patterns
  - Regulation of construction services
  - The effects of regulation on trade

# Non-tradable?



Source: World Bank Development Indicators and IMF Balance of Payments.

## Motivation for the STRI

- Why does services trade (as defined in BOP) appear not to be very dynamic in spite of considerable liberalisation?
- What are the barriers to trade in services?
  - Natural
  - Policy
  - Intentional and unintentional
- A tool for assessing openness/restrictiveness to inform policy making

## A road map: the milestones

- Collecting information on services trade barriers
- Collecting data on services trade
- Conceptual work (sector studies)
  - *Identification* of services trade restrictions
  - Preferred mode of supply, substitutability or complementarity
  - Converting qualitative information into quantitative scores

## Coverage

- **Countries**
  - OECD Members
  - New Members
  - BRICS?
- **Sectors**
  - Pilot phase: business services, construction and telecoms
  - Ultimately all services sectors

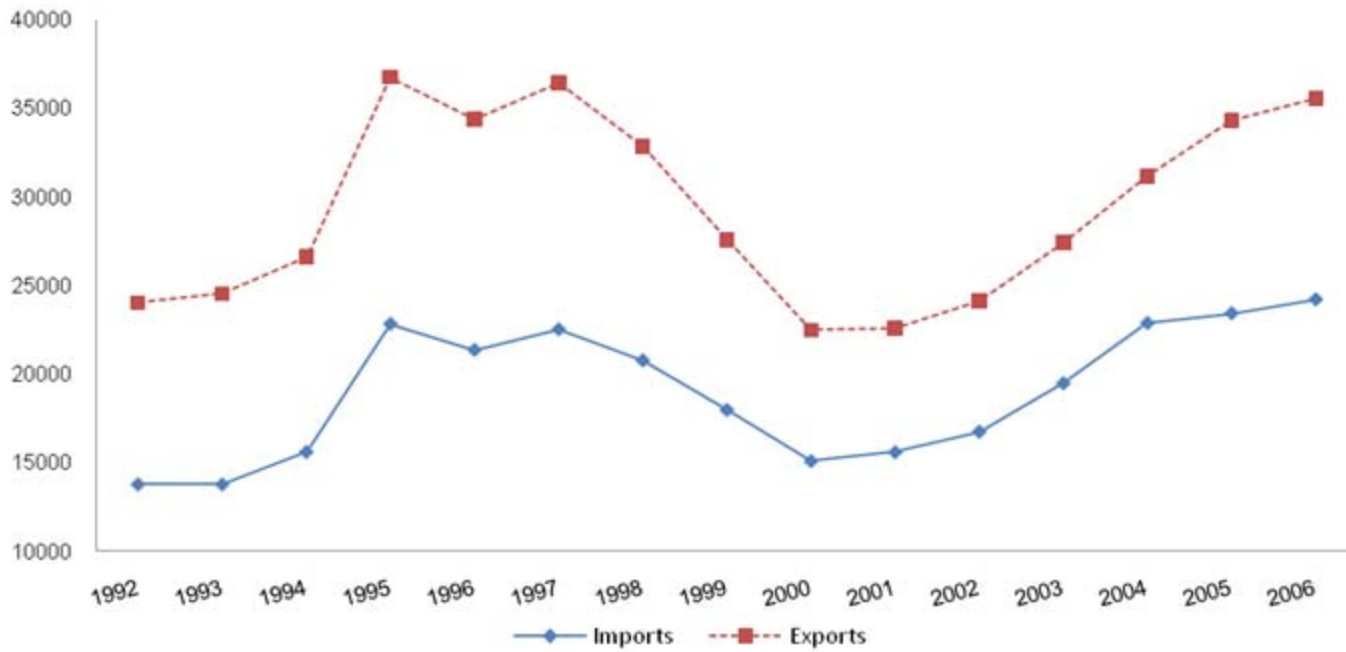
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## Characteristics of construction services

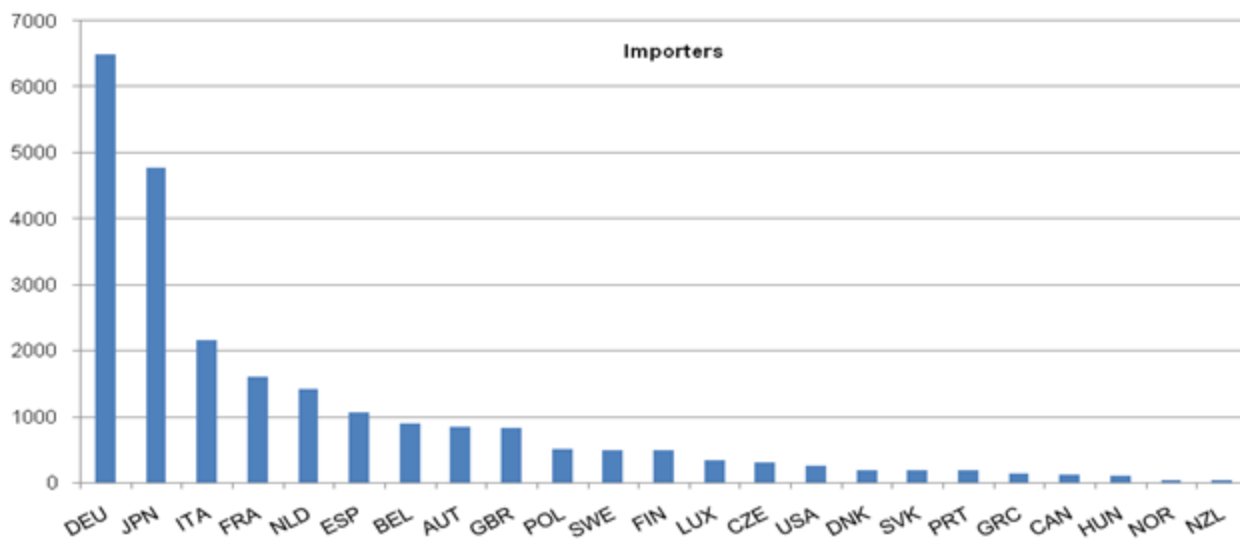
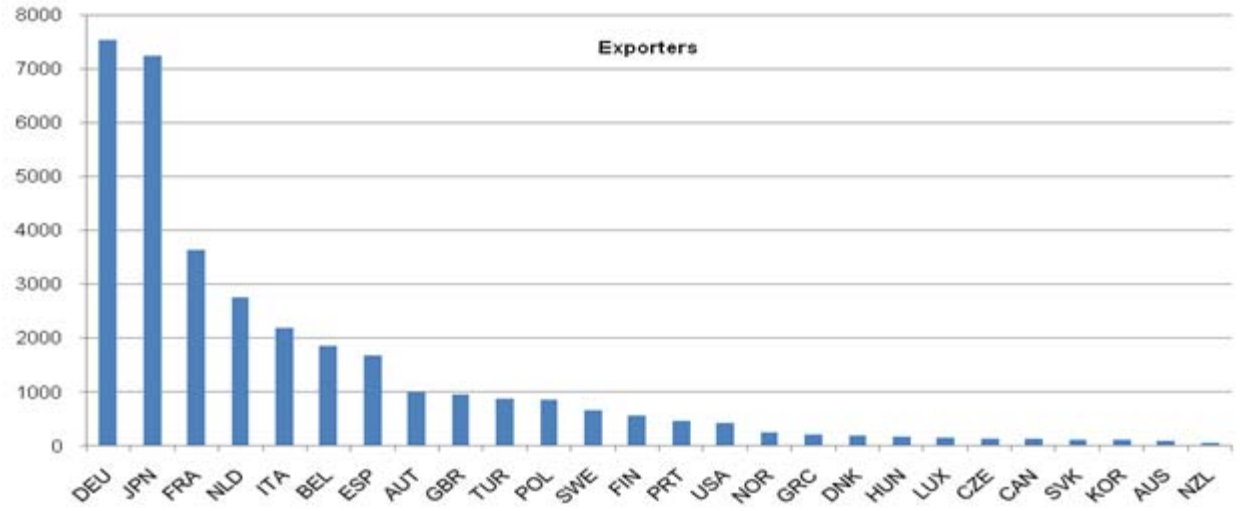
- Accounts for a considerable share of GDP and employment
- Establishment abroad is often a necessity for trade to take place
  - Requires local production
  - Short versus more permanent establishment
- Government procurement and public-private partnerships (PPPs) are important drivers of demand
- Prone to corruption

## OECD trade through short-term presence (USD millions)



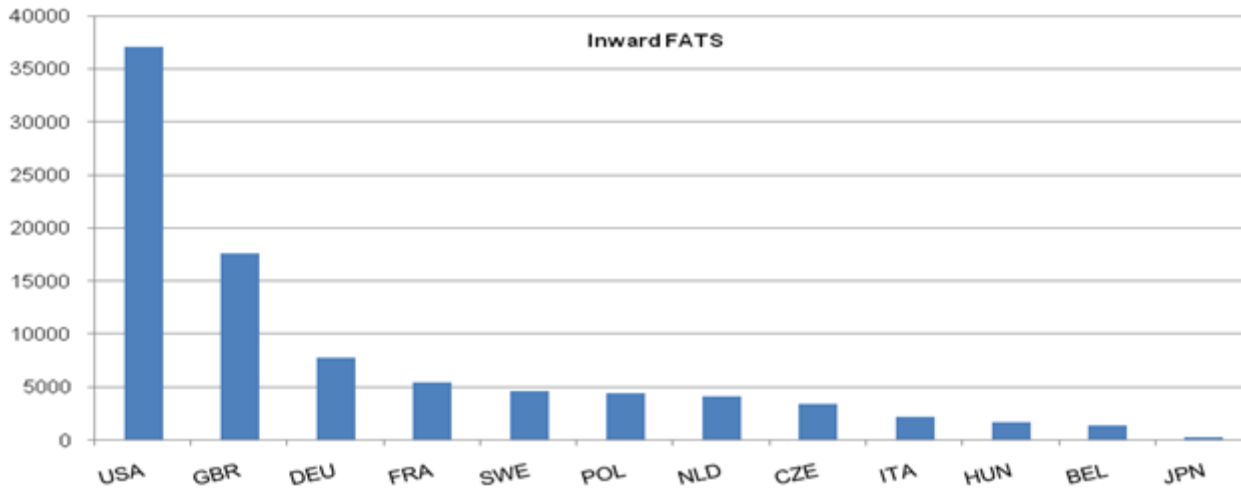
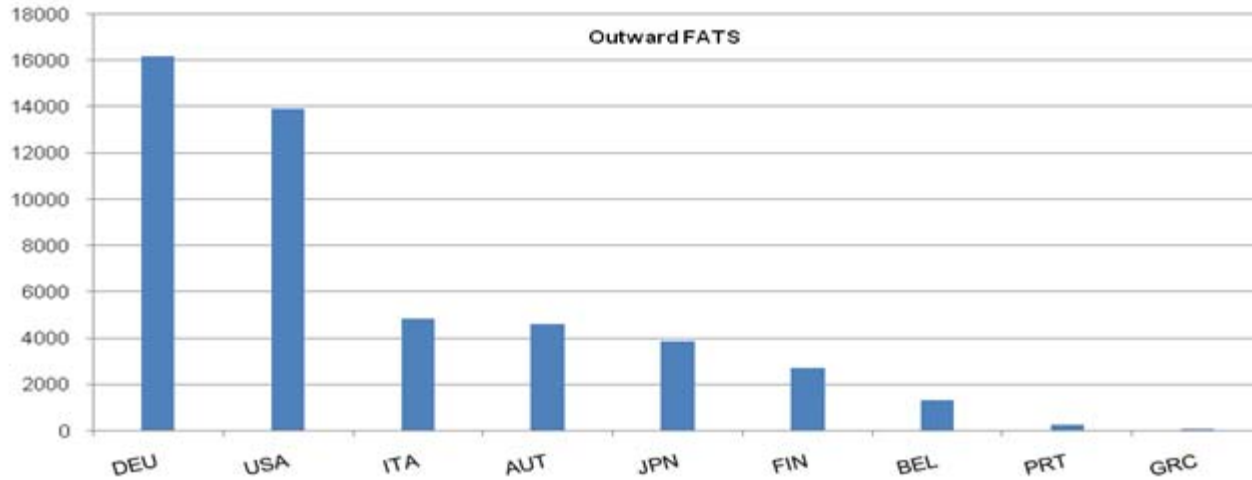
Source: OECD TiSP database.

# OECD leading traders through short-term presence, 2003-2005 (USD millions)



Source: OECD TiSP database.

# OECD leading traders through longer-term presence, 2003-2005 (USD millions)

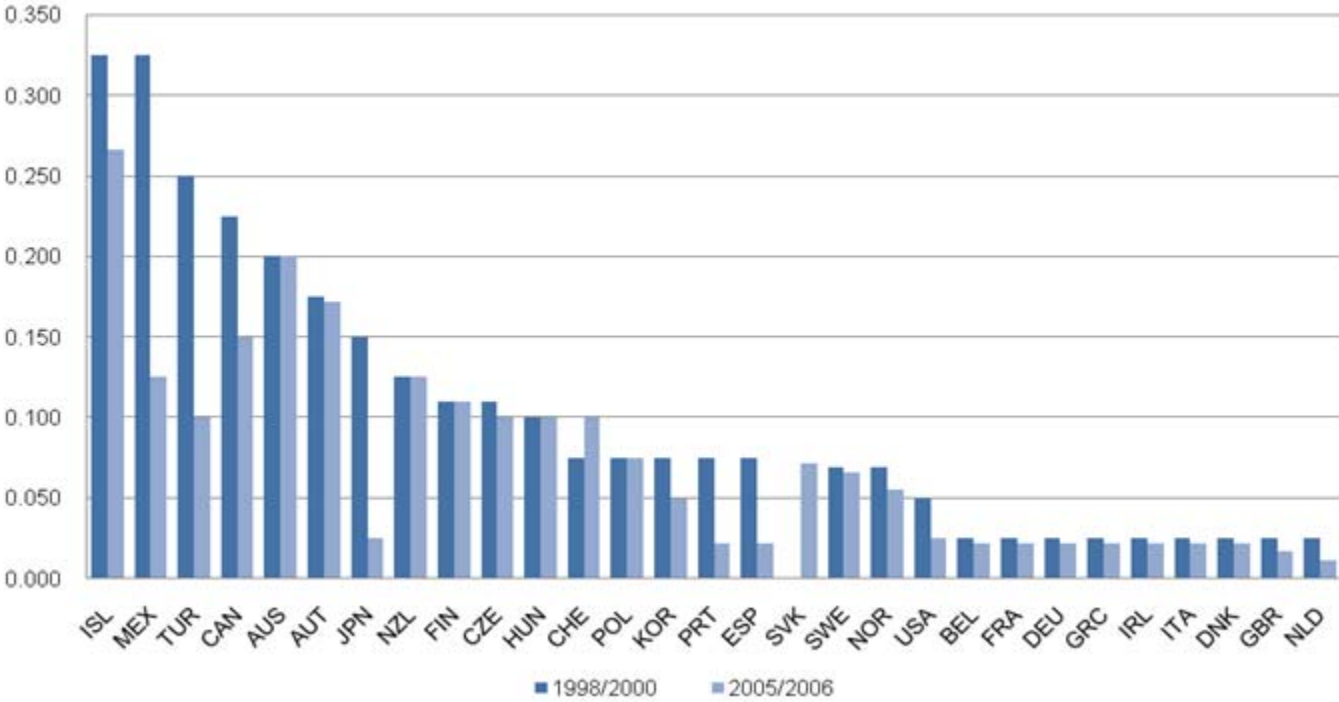


Source: OECD Globalisation Indicators database.

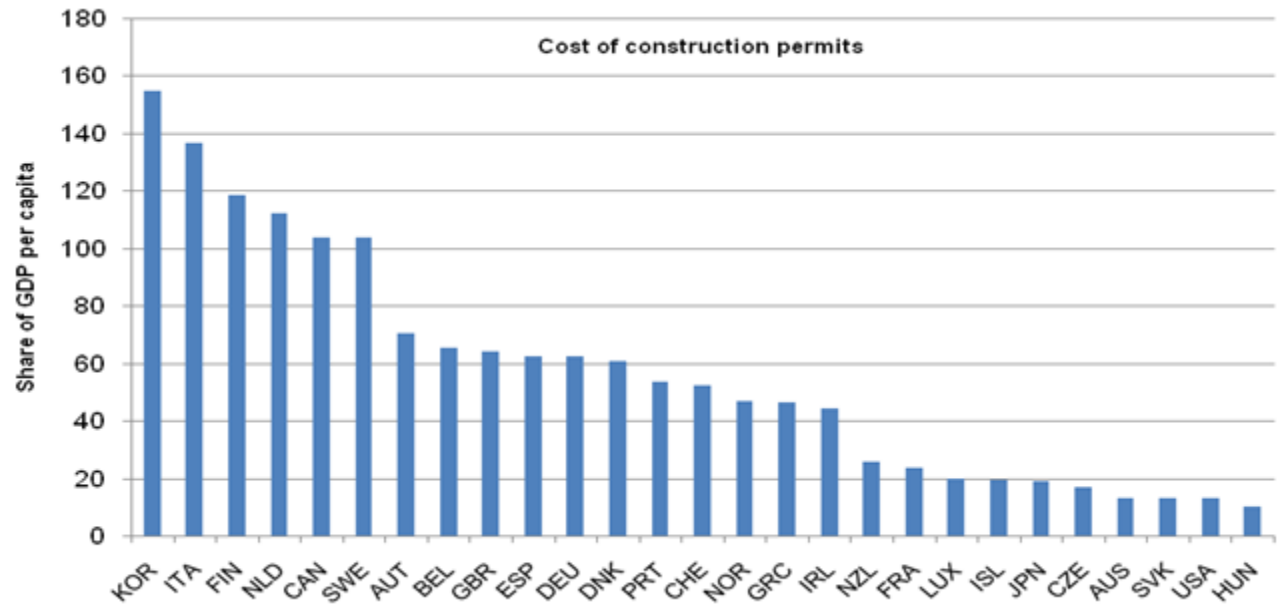
## Broad types of regulatory measures

- Health, safety, environmental and land planning
  - Permit and authorisation requirements
  - Building and product regulations
  - Restrictions on land and real estate
- Commercial presence and the movement of people
  - Foreign ownership or joint venture requirements
  - Quotas, economic needs/labour market tests
  - Nationality, residency and qualification requirements
  - Immigration and labour legislation
- Government procurement and related measures
- Discriminatory subsidies

# The OECD FDI Regulatory Restrictiveness Index (FDI RRI)



# The 2008 World Bank Doing Business



## Regulations negatively associated with trade: the PMR

- Regulations seem to affect more permanent presence to a greater degree
  - Inward and outward oriented policies
  - Sector specific regulation
- Short-term commercial presence appears mostly affected by inward oriented policies
- Regulatory heterogeneity has a negative impact only on FDI
  - Government involvement in business operations
  - Barriers to competition
  - Explicit barriers to trade and investment

**Thank you**

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