



ICELAND – 2023

Key findings

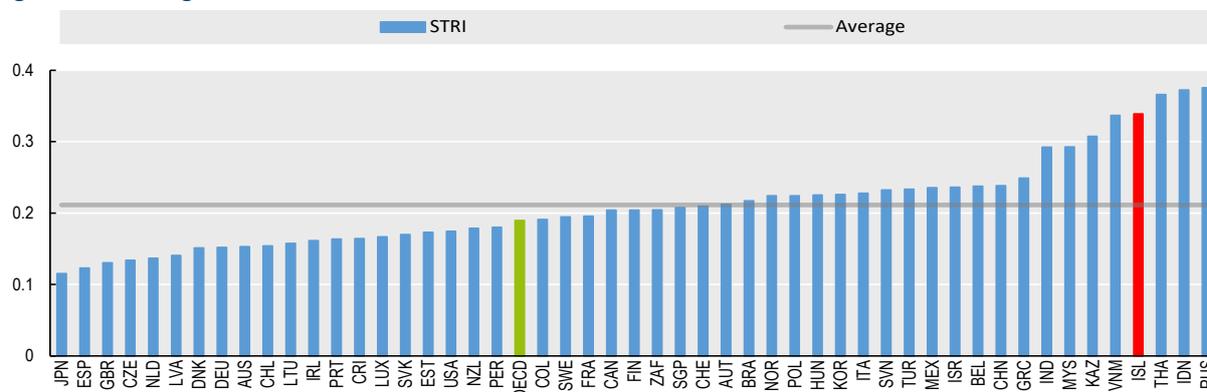
- The 2023 STRI of Iceland is above the OECD average and relatively high compared to all countries in the STRI sample, but unchanged compared to 2022.
- Iceland's regulatory environment for services has been relatively stable in recent years, with the notable exception of liberalising reforms in postal and courier services between 2018 and 2022.
- Accounting is the most open sector in Iceland while construction is the most restricted, relative to the sectoral average.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies.

The 2023 STRI of Iceland is above the OECD average, and relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023ⁱ



Source: OECD (2023). STRI and TiVA databases.

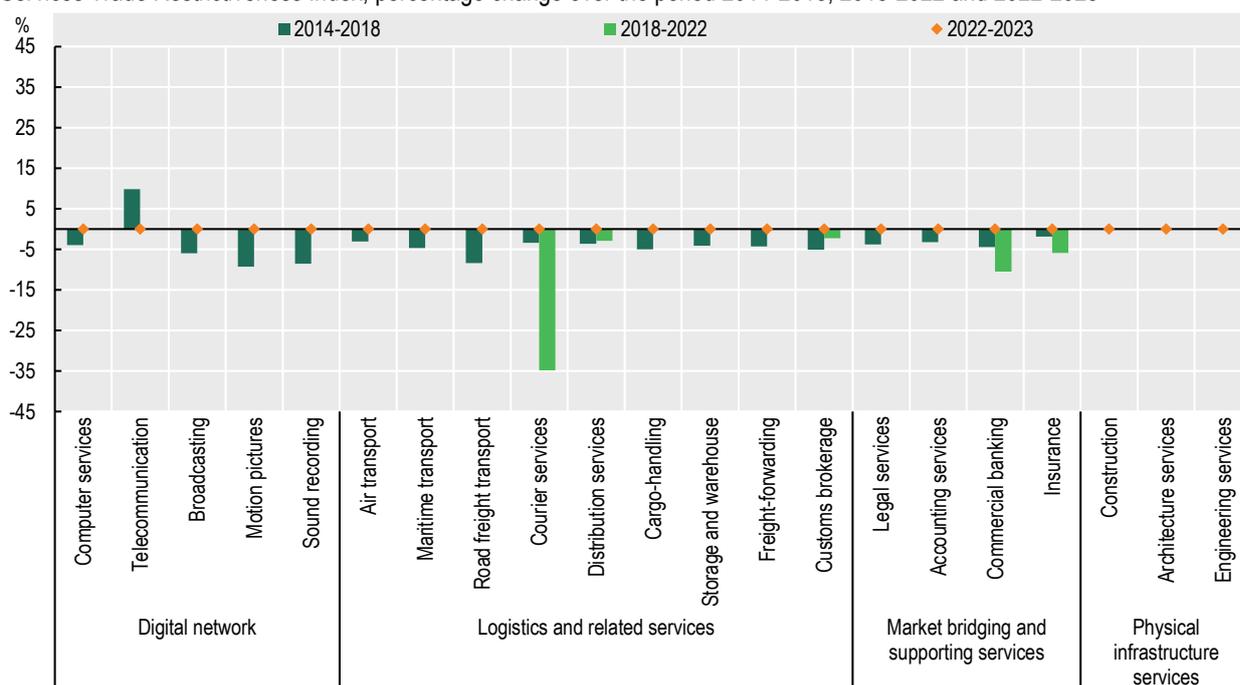
The results are largely attributed to horizontal regulations that affect all sectors in the economy. Iceland requires that half of the board members and the manager of corporations must be resident in Iceland or a European Economic Area (EEA) member country. Foreign direct investment is subject to screening and is approved unless the investment is considered a threat to national interest. Additional authorisation procedures apply to foreign state-owned enterprises, and access to ownership of land is subject to restrictions. 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. A minimum amount of capital must be deposited in a bank or with a notary in order to register a corporation.

Economic needs tests are applied for natural persons from countries outside the EEA coming to Iceland to provide services on a temporary basis and the duration of stay is limited compared to best practice. Intra-corporate transferees and independent services suppliers may stay in the country for up to 12 months on their first entry permit. Contractual services suppliers are only permitted in education and R&D activities. Rights of access to public procurement are limited to regional trade agreement partners and members of the WTO's Government Procurement Agreement.

The regulatory environment in Iceland has been relatively stable over the past years (Figure 2a). Reforms in the postal and courier services sector, notably the abolition of the state's monopoly on letters weighing less than 50 grammes in 2020, contributed to lowering Iceland's STRI by more than 30% in that sector between 2018 and 2022. Iceland also introduced some reforms in financial services in 2021, lowering certain barriers to competition.

Figure 2a. Evolution of STRI indices by sector in Iceland

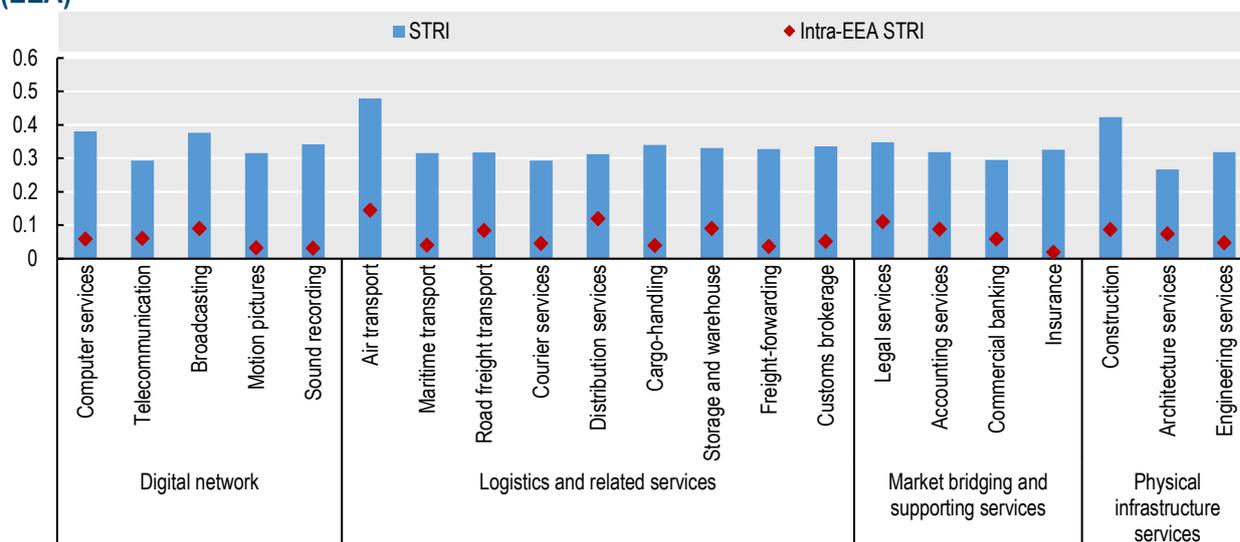
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



Source: OECD (2023). STRI database.

Services trade barriers are significantly lower within the European Economic Area across all services sectors (Figure 2b). Iceland 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)



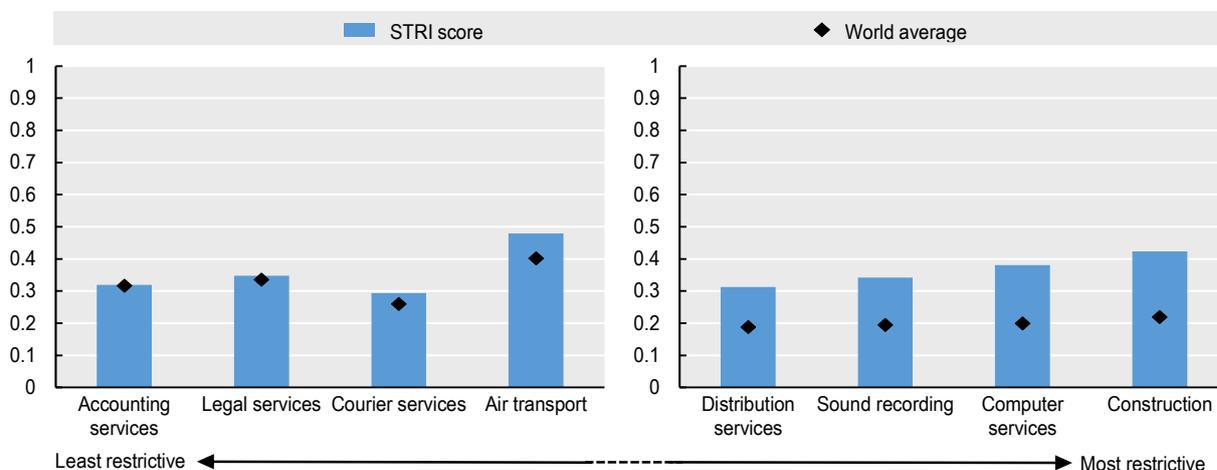
Note: The traditional STRI indicates the level of restrictiveness on a most favoured nation (MFN) basis towards third countries, and the intra-EEA STRI indicates the level of restrictiveness towards EEA members. Intra-EEA STRI covers 24 countries (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland,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

Source: OECD (2023). STRI database.

Figure 3 ranks Iceland’s sectors relative to the respective sector’s world average. Accounting services, legal services, courier services and air transport are the sectors with the relatively lowest scores.

Conversely, distribution, sound recording, computer services and construction are the sectors with the relatively highest scores.

Figure 3. Sectoral breakdown - The least and most restricted sectors in Iceland compared to world average



Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

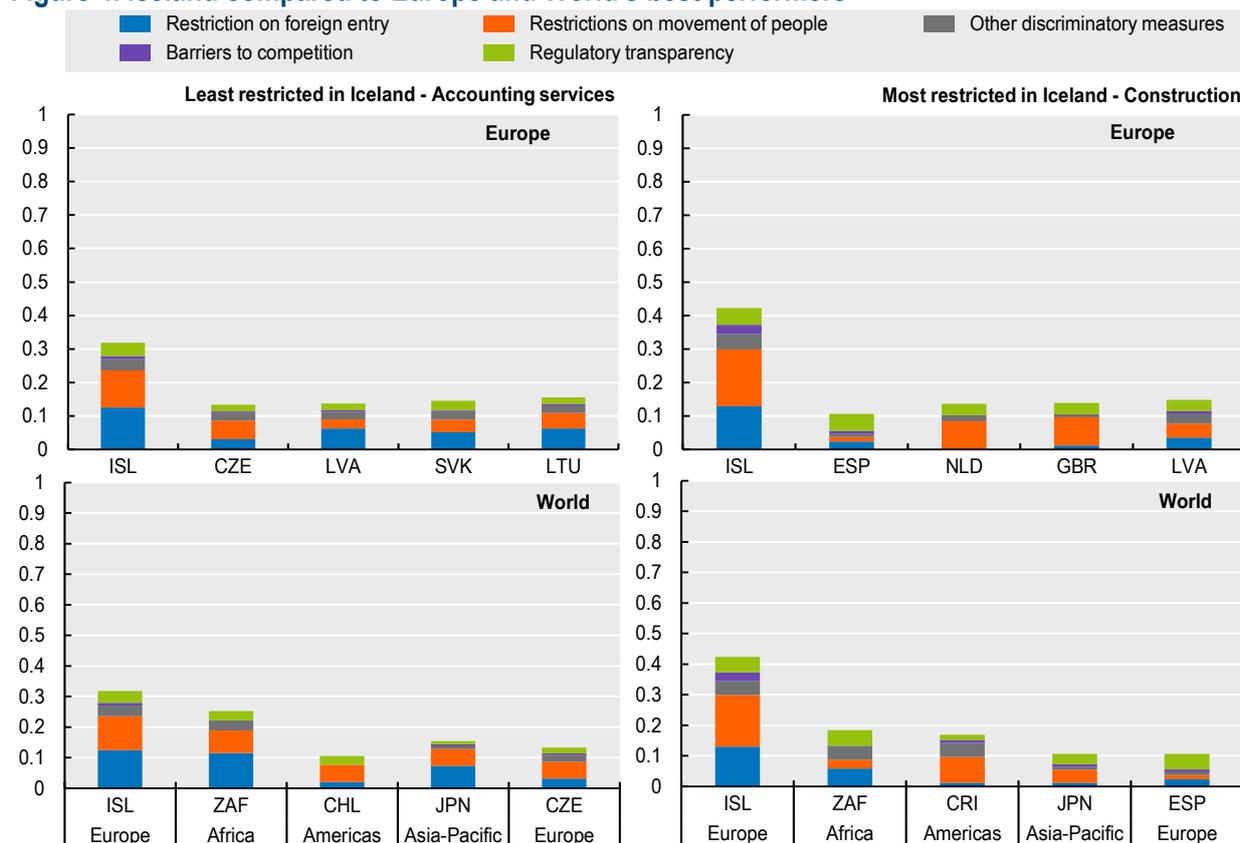
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2023). STRI database.

Accounting services are the least restricted in Iceland compared to the average STRI across all countries. The composition of the indices suggests that restrictions on foreign entry and to the movement of people have had an impact compared to the most liberal countries in this sector. Measures contributing to this index include residency requirements for board members and managers, labour market tests, and conditions for obtaining a license to practice the audit profession.

On the other hand, construction is the most restricted services sector in Iceland compared to the average STRI across all countries. Restrictions on the movement of people and foreign entry are significant compared to best performers. Some of the measures that contribute the most to the index include limitations on the duration of stay for contractual services suppliers, quotas and labour market tests (Figure 4).

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



Source: OECD (2023). STRI database.

Recent policy changes

In June 2021, a new Foreign Exchange Act came into force, removing the last of the capital account restrictions imposed in November 2008. Foreign exchange transactions, and cross-border payments and capital movements are now free.

Some recent changes affecting Iceland were due to changes in intra-EEA regulation. In air transport, a series of temporary rules allowing airlines to retain historic slots, despite not using their slots according to the 80/20 grandfathering rule, were in place from 1 March 2020 to 25 March 2023 on grounds of reduced air traffic levels due to the COVID-19 pandemic. As of 26 March 2023, such slot relief rules are no longer in force. In maritime transport, Commission Regulation (EU) 2020/436 and its incorporation into the EEA Agreement extended the existing block exemption to liner shipping consortia from competition law until April 2024.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about [Services Trade Policies and the Global Economy](#)
- » More information about measuring the regulatory environment for services trade in the Intra-EEA region: oe.cd/intraeeaSTRI
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

ⁱNote: 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 2023. The STRI regulatory database covers the 38 OECD Members, 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.